



CHU KONG SHIPPING DEVELOPMENT COMPANY LIMITED

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

INTERIM REPORT 2010



CHAIRMAN'S STATEMENT

I am pleased to announce that as of 30th June 2010, Chu Kong Shipping Development Company Limited (the "Company") and its subsidiaries (the "Group") recorded a consolidated revenue amounting to HK\$520,857,000 and profit attributable to equity holders of the Company amounted to HK\$68,189,000, up by 41.7% and 63.8% respectively against the announced figures of the last corresponding period, which included the newly acquired passenger transport business. There were increases of 23.7% and 10.7% respectively when comparing this period with the prior period in the restated figures. The Company achieved significant development in areas such as acquisition and establishment of strategic partners.

DIVIDENDS

The Board of Directors has declared an interim dividend of HK2 cents per share for the six months ended 30th June 2010 to the equity holders whose names appear on the Register on 15th September 2010.

REVIEW AND OUTLOOK

In March 2010, the Company announced to acquire 100% equity interests in Chu Kong Passenger Transport Company Limited ("CKPT") held by Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE"), our controlling shareholder, for a consideration of HK\$480,610,000. CKPT is mainly engaged in the businesses of passenger transporting agency services in respect of high-speed passenger vessels between Guangdong and Hong Kong and terminal operation, and it enjoys strong brand recognition in the regions where it operates as acting for 52 high-speed passenger vessels. The solid cash flow and high profit margin of CKPT's passenger transport business will help improve the overall profitability of the Group and optimise various financial indicators. Transfer of shareholding had been completed and the revenue of CKPT in the first six months of 2010 was fully consolidated with the results of the Company.

The Company actively sought to establish win-win business opportunities with transportation hub companies and major shipping companies for resource sharing and mutual complementation of strengths. In July 2010, the Company entered into a strategic cooperation framework agreement with China Merchants Holdings (International) Company Limited (“CMHI”), one of the largest public terminal operators in China. Through the business synergies between the parties and innovation, the parties will jointly establish a premier integrated logistics services system as well as a feeder-carrier-linked port collection and distribution system that is core in hub and supported by the category-2 port (for foreign trade) in the Pearl River Delta region. In addition, CMHI intends to acquire 20% equity interest in Chu Kong River Trade Terminal Co., Ltd. held by the Company and the proposed acquisition is currently in the process of evaluation. In August, Guangdong Province Navigation Holdings Company Limited (“GPNHCL”), the ultimate controlling shareholder of the Company, entered into a cooperation framework agreement with COSCO Container Lines Company Limited (“COSCON”), under which GPNHCL will closely cooperate with COSCON through the Company in the areas of barge transport, cargo canvassing and port resources in the Pearl River Delta region. The international routes mainly covering near-sea shipping lines and the Middle East currently operated by the Company will be extended in phases to cover Europe, Americas, Asia, Africa and Oceania. It is initially estimated that such cooperation will result in a double-digit increase in the river-sea union transport/inland rivers transport volume and the throughput of the terminals across the Pearl River Delta of the Company yearly.

The global economy saw signs of recovery and China’s foreign trade and export also demonstrated recovery and an upward trend in 2010. Under such favourable economic environment, the Company undertook internal resource integration and integrated our freight-related resources into a number of main functions, namely vessels operation, sales and customers service and terminal storage etc. The overall operating efficiency can be enhanced through centralised management and process optimisation.

Upon its acquisition of CKPT and leveraging on the business opportunities brought forth by the commencement of operation of the Wuhan-Guangzhou high-speed railway, the Company put in more efforts in developing passenger transportation from Hunan and Hubei provinces. In May, the Company organised several large-scale marketing campaigns in Wuhan and Changsha jointly with the National Tourism Administration of the People's Republic of China, Hong Kong Office, the Tourism Administration of Hunan and Hubei provinces respectively to promote and introduce the transport/tourism mode by the combination of high-speed railway and high-speed passenger vessels. The response and results were satisfactory. Currently we see increasing number of passengers visiting Hong Kong choose this combined mode of transportation. CKPT also operates, as an agent, four new CotaiJet routes between Macau and Hong Kong and between Macau and other destinations in the Pearl River Delta region.

On 2nd August 2010, the Group acquired 75% equity interest in Civet (Zhuhai Bonded Area) Logistics Company Limited for a consideration of approximately HK\$89,299,000 to operate the Civet Port in Zhuhai. This acquisition has meaningful significance to the Company in improving our network coverage of inland river terminals and market share in the Zhuhai area. All inspection and acceptance procedures for the Zhaoqing New Port invested by the Company had been completed and it was officially opened for foreign trade business in July. In addition, in order to enhance our integrated logistics services in the Zhaoqing area, the Company leased and operated a vehicle inspection centre in Zhaoqing in April.

In the second half of 2010, despite certain impacts from the macro control of the Mainland and stronger Renminbi on the general foreign trade environment, the Guangdong, Hong Kong and Macau region will remain one of the most competitive economic areas in the world. In addition, the Asian Games will be held in Guangzhou in the coming November. As a leading large-scale integrated transport services provider in the Guangdong, Hong Kong and Macau region, the Company will continue to benefit from the booming logistics and passenger flows in the region. In the executive meeting of the State Council chaired by Premier Wen Jiabao in August 2010, the plan for the development of river transportation was studied, with the emphasis on the development of high-class river routes (including such major routes as the Xijian river route in the Pearl River Delta region), speeding up the construction of major river ports and the main ports in certain regions, acceleration of the structural adjustment of the carrying capacity of vessels, optimisation of the organisation of vessels transportation, improvement of the integrated transportation system including water transportation. As the PRC is about to launch this river transportation policy, it is expected that the government would increase its investment in the construction and development of river transportation. As a major service provider of large-scale integrated transportation in the Pearl River Delta region, the Company is expected to be benefited from the market enlargement in general created by the improvement in river transportation and will be dedicated in increasing its market share. The Company will continue to strengthen its internal resource integration, improve its operation efficiency and accelerate the implementation of strategic cooperation with external partners so as to provide more value-added services to our customers. Meanwhile, we will continue the strategic plan of having all our state-owned assets held by our listed entity, actively seek to acquire quality assets from our controlling shareholders, and improve the potential and profitability of the Company.

RELATION WITH INVESTORS

The website of our Company (www.cksd.com) is one of the important channels to provide timely information for the market.

APPRECIATION

Finally, I would like to represent the Board of Directors to express its compliment to all customers and stakeholders for their continued support to the Group's development, and its appreciation to all staff for their dedication.

Hua Honglin

Chairman

Hong Kong, 31st August 2010

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

For the six months ended 30th June 2010, the Group recorded a consolidated revenue of HK\$520,857,000, up by 23.7% as compared with the corresponding period last year. Profit attributable to the equity holders of the Company was HK\$68,189,000, up by 10.7% as compared with the corresponding period last year.

As the global economy continued to stabilise in the second half of 2009, and in particular, the PRC government's stimulus economic policy brought about positive impact, the transportation market in the Guangdong and Hong Kong areas gradually improved with correspondingly higher cargo throughput. Despite the current economy recovery, the global economy remained volatile due to the debt crisis in Europe. In addition, in China, the growth in industrial output, fixed assets investment and aggregate retail sales in recent months went down, and the growth in new bank loans and money supply was also slowing down, suggesting the economy is weakening. Any loss of momentum of China's economy would lead to a more sluggish global economy.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

During the period, with the continuous growth in the global economy and newly injected passenger transportation business, the overall cargo throughput and profit of the Group recorded an increase, of which container and break bulk cargoes transportation volume recorded an increase of 23.1% and 29.1% respectively, and container and break bulk cargoes handling volume recorded an increase of 6.6% and 34.0% respectively. Due to higher international oil prices and an increase of oil consumption, the oil cost increased by more than HK\$15,930,000 or 70.9% over the same period last year, lowering the gross operating profit margin of the Group for the period. The expenses for acquisition of passenger transportation business at HK\$4,990,000 also led to a rise in the other expenses. The subsidiaries engaging in freight-related business contributed 15.7% more profit to the Group comparing with the same period last year. Excluding the one-off expenses arising from the acquisition of passenger transportation business and the loss incurred by the new terminals last year (including Zhaoqing New Port Co., Ltd., Zhaoqing Chu Kong Logistics (Sihui) Co., Ltd. and Zhaoqing Chu Kong Cargo Terminals (Dawang) Co., Ltd.), such subsidiaries contributed 114.8% more profit to the Group. During the period, the profit from the Group's investment in jointly controlled entities involved in freight-related business recorded a decrease of 12.0% compared with the same period of last year. But generally, they continued to contribute profit to the Group. Due to a much higher depreciation charge of fixed assets, the profit of Guangzhou-Foshan Expressway decreased sharply and also led to a decrease of contributed profit to the Group. Consequently, the passenger transportation business segment (including subsidiaries and investment business) contributed profit of HK\$35,591,000 to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

REVIEW OF OPERATIONS (Continued)

I. Cargo Transportation Business

Driven by the global economy recovery, the rise in international market demand stimulated corresponding increase in exports by Mainland China's factories. The higher domestic demand of the overall economy of Hong Kong resulted in a relative increase in cargo transportation business of the Group during the period.

1. Business Operation Indicators

Performance statistics of our major business operations are as follows:

Indicators	For the six months ended 30th June		Change
	2010	2009 (Restated)	
Container transportation volume (TEU)	422,542	343,111	23.1%
Container handling volume (TEU)	299,424	280,865	6.6%
Volume of container hauling and trucking on land (TEU)	61,025	70,351	-13.3%
Break bulk cargoes transportation volume (revenue tons) (Note)	205,115	158,875	29.1%
Volume of break bulk cargoes handled (revenue tons)	527,460	393,692	34.0%
Import and export of shipping agencies business (voyages)	8,686	8,372	3.8%

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. *Cargo Transportation Business (Continued)*

1. Business Operation Indicators *(Continued)*

Note:

From 2009 onwards, the figures used for statistic changed from weighted tons to revenue tons. So some figures from the 2009 interim report were restated to conform with the current period's presentation.

2. Subsidiary and Investment Business

During the period, the economy continued to improve. Chu Kong Transhipment & Logistics Company Limited ("CKTL") and Chu Kong Agency Company Limited took advantage of this recovery opportunity to expand marketing efforts, resulting in remarkable growth in the Company's business as a whole in the first half of 2010. With increasing number of areas for cooperation and closer relationship between CKTL and other major shipping companies, the cargo source of Connected Carrier Agreement ("CCA") increased significantly, which was the key factor driving the overall cargo transportation of CKTL. In particular, the closer communication and interaction among CKTL and its major shipping company partners helped expand and strengthen its market share. The market share among 30 category-2 ports having business with the Group in the Pearl River Delta region accounted for 20.8%, representing an increase of 7.8% over the 19.3% in late last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

1. *Cargo Transportation Business (Continued)*

2. *Subsidiary and Investment Business (Continued)*

Leveraging on its capability of fast customs clearance, Chu Kong Cargo Terminals (Gaoming) Co., Ltd. vigorously explored new customers and continued to explore container cargo sources of foreign-trade export factory. It actively looked for new customers while strengthening the relationships with its existing customers, and as a result, the foreign-trade container handling volume enjoyed a significant growth of 52.4% over the same period last year, its profit contribution to the Group increased by 154.0%.

The aggressive exploration of the Yunfu market by Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd. guaranteed a sharp increase in the company's stones business for the period with an increase of 121.6% in break bulk cargo handling volume comparing with the corresponding period last year. However, as the business of containers for renewable resources recorded a significant drop comparing with the corresponding period last year, its profit contribution to the Group decreased by 95.3%.

Due to increasing business expansion, strengthened market exploration, enhanced internal management and cost control, Zhaoqing Chu Kong Logistics (Sihui) Co., Ltd. marked a turnaround in profitability and recorded profits for the period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

1. *Cargo Transportation Business (Continued)*

2. *Subsidiary and Investment Business (Continued)*

On 16th April 2010, the Company signed an agreement as to increase its shareholding in Zhaoqing New Port Co., Ltd. to 77%. Despite changes of cargo source and market competition, the company's handling volume in the first half year was broadly similar to that for the same period of last year. Due to capitalisation of construction in progress into fixed assets, the company's loan interests and depreciation expenses increased significantly during the period, resulting in a loss of HK\$10,246,000 to the Group. On 20th May 2010, as approved by the People's Government of Guangdong Province, the category-2 port of Zhaoqing New Port commenced for business, which would bring new foreign-trade cargo business to the company.

Benefited from recent improvements of the site, equipment, machines and vehicles, the operating capacity of the terminal of Chu Kong Cargo Terminals (Kangzhou) Co., Ltd. was greatly increased. With greater efforts to explore and organise cargo sources by the specific departments, the operations of the terminal was satisfactory with substantial increase in cargo handling volume.

Due to the lack of maintenance of Dawang Bridge, the main bridge to the vehicle inspection centre of Zhaoqing Chu Kong Logistics (Dawang) Co., Ltd., trailers were not allowed to use the bridge, causing substantial loss of cargo sources in the surrounding areas of Dawang. In addition, with the influence from diversion of customers to the two vehicle inspection centres in Zhaoqing, revenue of the vehicle inspection centres of Dawang declined and a loss instead of profit recorded for the corresponding period of last year. Although the repair and maintenance of Dawang Bridge was completed in July 2010, more efforts have to be put in to attract old customers back due to a prolonged period of the loss of cargo sources.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

REVIEW OF OPERATIONS (Continued)

I. Cargo Transportation Business (Continued)

2. Subsidiary and Investment Business (Continued)

Despite the global economy recovery, as continuously impacted by domestic environmental policies and the Pearl River Delta industrial upgrading, the profit attributable by some of the Group's investment entities decreased. The profit attributable to the Group contributed by Sanshui Sangang Containers Wharf Co., Ltd. amounted to HK\$997,000, down by 52.7%. In addition, the profit contributed by Shenzhen Yantian Port Chu Kong Logistics Co., Ltd. decreased by 36.1% due to its higher cost.

The container handling volume of Foshan New Port Ltd. increased by 19.9% and break bulk cargo handling volume decreased by 72.8%, contributing profit of HK\$6,701,000 to the Group, representing an increase of 4.8%. Chu Kong Air-Sea Union Transportation Company Limited reported a profit instead of a loss this period, contributing profit of HK\$1,913,000 to the Group due to increased cargo volume and effective cost control. Although the container and break bulk cargo handling volume of Dongguan Humen Great Trade Containers Port Co., Ltd. recorded a slight drop over the same period last year, the loss decreased by 28.7% because of stringent cost control. Following the completion of acquisition of the additional 22.5% equity interest in Foshan Nankong Terminal Co., Ltd. in the second half of 2009, the company contributed profit of HK\$4,096,000 to the Group, representing an increase of 127.6%.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. *Cargo Transportation Business (Continued)*

2. *Subsidiary and Investment Business (Continued)*

The expansion project of some sections of Guangzhou-Foshan Expressway was completed and commenced operation at the end of last year and the toll traffic volume of Guangzhou-Foshan Expressway Ltd. in the first half year increased by 7.9% comparing with the same period last year. However, due to the expansion of Fo-Kai Expressway, the vehicles using the whole journey decreased, resulting in smaller growth in toll compared with traffic volume. Toll income recorded an increase of 3.3% over the same period of last year. As a result of increased depreciation charges after the expansion, the total profit dropped compared with the same period last year, resulting in a decrease of 63.5% in the profit attributable to the Group.

II *Passenger Transportation Business*

On 18th March 2010, the board of directors of the Company passed a resolution approving the acquisition of the entire equity interest in CKPT for a consideration of HK\$480,610,000. Such acquisition was then approved by the independent shareholders on 5th May 2010. In addition to its 100% equity interest in Chu Kong Tourism Co., Ltd, CKPT also holds 60% equity interest in Hong Kong International Airport Ferry Terminal Services Ltd (“HKIAFTS”), 40% equity interest in Zhongshan-HongKong Passenger Shipping Co-op Co., Ltd (“ZHPC) and 40% equity interest in Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd (“SGPC”).

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

REVIEW OF OPERATIONS (Continued)

II Passenger Transportation Business (Continued)

1. Business Operation Indicators

Performance statistics of the major business operations are as follows:

Indicators	For the six months ended 30th June Number of Passengers (in thousands)		Change
	2010	2009	
Hong Kong urban routes agent	1,946	1,844	5.5%
Hong Kong airport routes agent	645	525	22.9%
Total number of passengers for agency services	2,591	2,369	9.4%
China Ferry Terminal services	2,816	1,611	74.8%
Hong Kong airport terminal services	1,061	887	19.6%
Total number of passengers for terminal services	3,877	2,498	55.2%

MANAGEMENT DISCUSSION AND ANALYSIS (*Continued*)

REVIEW OF OPERATIONS (*Continued*)

II *Passenger Transportation Business (Continued)*

2. Investment Business of CKPT

SkyPier operated by HKIAFTS was a temporary terminal in the early stage of operation which was not well facilitated. In order to provide more comprehensive services and facilities, SkyPier finished and commenced the operation of the permanent terminal on 15th December 2009. Apart from the permanent terminal, a newly constructed passenger train linking directly between SkyPier and airport terminal can facilitate more transit passengers to use the terminal. Pursuant to the provisions of the contract, the permanent terminal is operated and charged in a manner and on a basis completely different from that of the temporary terminal. Therefore, the franchise fee payable by HKIAFTS to the Airport Authority Hong Kong is increased significantly during the contract term of three years, resulting in an increase in operating cost sharply. However, it is expected that the number of passengers will be increased in response to the improvement of facilities and services standard and it can also offset the increased operating cost.

During the period, although the number of transit passengers using SkyPier increased comparing with the same period last year, HKIAFTS recorded a net share of profit after tax for the Group of HK\$6,245,000, similar to that for the same period of last year due to a substantial increase in operating cost. The routes between Macau Taipa Temporary Ferry Terminal and the Hong Kong International Airport commenced operation on 8th May 2010 and it is expected that the number of transit passengers would continue to increase. The share of profit from the new investments in ZHPC and SGPC amounted to HK\$3,127,000 and HK\$2,080,000 respectively. The total share of profit for these investments amounted to HK\$11,452,000.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

During the period, the businesses of other subsidiaries and jointly controlled entities of the Group progressed well and experienced no unusual matters.

EMPLOYEES

As at 30th June 2010, the Group employed 462 employees in Hong Kong and remunerated its employees according to the duty of their positions and market condition. Other staff benefits for eligible employees include housing allowances, retirement benefits and bonuses etc.

LIQUIDITY AND FINANCIAL RESOURCES

The Group monitors its liquidity and financial resources in an effort to maintain a solid financial position. As at 30th June 2010, the Group secured a total credit limit of HK\$4,390,000 and RMB90,000,000 (equivalent to approximately HK\$103,165,000) granted by bona fide banks.

As at 30th June 2010, the current ratio of the Group, represented by current assets divided by current liabilities, was 1.2 (31st December 2009 (restated): 1.2) and the debt ratio, represented by total liabilities divided by total assets, was 34.3% (31st December 2009 (restated): 36.8%).

As at 30th June 2010, the Group's cash and bank balances amounted to HK\$601,667,000 (31st December 2009 (restated): HK\$638,771,000), which represents 23.1% (31st December 2009 (restated): 24.2%) of the total assets.

LIQUIDITY AND FINANCIAL RESOURCES *(Continued)*

As at 30th June 2010, the gearing ratio of the Group, represented by bank borrowings divided by total equity and bank borrowings, was 5.7% (31st December 2009 (restated): 2.6%).

After considering its cash and cash flows from operating activities, as well as the credit facilities available to the Group, it is believed that the Group has sufficient capital to fund its future operations and for business expansion and general development.

PLEDGE OF ASSETS

As at 30th June 2010, the Group had utilised bank loan facilities amounting to RMB90,000,000 (equivalent to approximately HK\$103,165,000) (31st December 2009 (restated): RMB39,000,000 (equivalent to approximately HK\$44,293,000)) which were fixed rate loans and secured by certain land use rights and property, plant and equipment of Zhaoqing New Port Co., Ltd..

CURRENCY STRUCTURE

The Group had limited exposure to foreign exchange rate fluctuations as most of its transactions, including borrowings, were mainly conducted in Hong Kong dollars or Renminbi and the exchange rates of these currencies were relatively stable throughout the period.

CONTINGENT LIABILITIES

As at 30th June 2010, there was no contingent liability relating to the Group. A 40% interest jointly controlled entity of the Group has contingent liabilities to a bank in relation to a provision of a financial guarantee and indemnity of US\$400,000 (equivalent to approximately HK\$3,120,000) to a third party in the PRC in 1994. This third party failed to perform its contractual and financial obligations to the bank in 1998. As such, court proceedings commenced by the bank demanded payment of US\$400,000 against the jointly controlled entity and the Province Court imposed orders of execution of the jointly controlled entity in 1998 and 2001. However, no execution has been finally implemented.

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

At 30th June 2010, 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 of the Securities and Futures Ordinance (“SFO”), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO.

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES OF THE COMPANY

As at 30th June 2010, 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	621,210,000
(ii) GPNHCL	621,210,000

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 30th June 2010, the Company has not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register to be kept under Section 336 of the SFO.

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

During the period, 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 period.

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

The interim report of the Company for the six months ended 30th June 2010 containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "SEHK") (the "Listing Rules") will be published on the websites of the SEHK and the Company (www.cksd.com) in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 16th September 2010 (Thursday) to 20th September 2010 (Monday), both dates inclusive, during which no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Share Registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong, no later than 4:00 p.m. on 15th September 2010 (Wednesday) for registration. Interim dividend will be payable on or before 20th October 2010.

REVIEW BY AUDIT COMMITTEE

The Company's Audit Committee and the Company's independent auditor, PricewaterhouseCoopers, have reviewed the unaudited interim financial information for the six months ended 30th June 2010.

CORPORATE GOVERNANCE

The Company has adopted the provisions of the Code on Corporate Governance Practices (the "Code") as the principles for its corporate governance since 1st January 2005, and partially adopted and complied with the guidance of the recommended best practices based on its actual needs for the corporate governance.

In the opinion of the Directors, the Company has complied with the Code as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the interim report except that independent non-executive directors of the Company are not appointed for specific terms. They are subject to retirement by rotation at the Company's annual general meeting in accordance with the provisions of the Company's Articles of Association.

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

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

ADOPTION OF MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct prescribing standards and requirements no less than that required by the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules. All directors have confirmed, following specific enquiry of all directors that they have fully complied with the required standard set out in the Model Code throughout the period under review.

DIRECTORS

Mr. Chow Bing Sing (“Mr. Chow”) has been appointed as an independent non-executive director of the Company for an initial term commencing from 1st June 2010 until the next Annual General Meeting of the Company and Mr. Chow will act as a member of the Audit Committee of the Company with effect from the same date.

Mr. Chow, aged 60, graduated as a Bachelor of Social Sciences from the University of Hong Kong in 1974. He had worked for the Airport Authority Hong Kong and the Civil Aviation Department of the Government of Hong Kong and has over 30 years of experience in aviation and logistics sectors. Mr. Chow does not hold any position with other members of the Company’s group.

Mr. Chow has not held any directorship in listed public companies in the last three years and has no major appointments and qualifications. Mr. Chow is not connected with any directors, senior management or substantial or controlling shareholders of the Company, and he does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

DIRECTORS *(Continued)*

There is no service contract entered into between the Company and Mr. Chow. Mr. Chow is subject to retirement and rotation and re-election in accordance with the Articles of Association of the Company. The amount of emoluments of Mr. Chow for his initial term of directorship is HK\$8,333.33 per month as determined by the Board with regard to his duties, responsibilities, and time spent on the affairs of the Company. Save as disclosed above, there is no information which is discloseable nor is/was he involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under paragraph 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders.

Mr. Choi Kim-Lui (“Mr. Choi”) has resigned as the independent non-executive director of the Company with effect from 1st June 2010. Upon his resignation, Mr. Choi will automatically cease to be a member of the Audit Committee of the Company.

As at the date of this announcement, the Company’s executive directors include Mr. Hua Honglin, Mr. Yang Bangming, Mr. Zhang Daowu and Mr. Huang Shuping; and independent non-executive directors include Mr. Chan Kay-cheung, Ms. Yau Lai Man and Mr. Chow Bing Sing.

By Order of the Board

Yang Bangming

Managing Director

Hong Kong, 31st August 2010

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

INTRODUCTION

We have reviewed the interim financial information set out on pages 25 to 60, which comprise the condensed consolidated balance sheet of Chu Kong Shipping Development Company Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30th June 2010 and the related condensed consolidated statements of income, comprehensive income, changes in equity and cash flows for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this interim financial information in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”. Our responsibility is to express a conclusion on this interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

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

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the interim financial information is not prepared, in all material aspects, in accordance with Hong Kong Accounting Standard 34 “Interim Financial Reporting”.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 31st August 2010

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH JUNE 2010

		As at 30th June 2010	As at 31st December 2009
	<i>Note</i>	<i>HK\$'000</i>	<i>HK\$'000</i> (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	5	831,565	793,316
Investment properties	5	4,454	4,910
Land use rights	5	210,030	210,570
Intangible assets – goodwill		31,190	31,190
Jointly controlled entities		552,763	547,612
Loan to a jointly controlled entity	7	7,390	9,945
Deferred income tax assets		476	517
		<u>1,637,868</u>	<u>1,598,060</u>
Current assets			
Trade and other receivables	6	348,278	378,271
Loans to jointly controlled entities	7	20,831	28,596
Cash and bank balances		601,667	638,771
		<u>970,776</u>	<u>1,045,638</u>
Total assets		<u>2,608,644</u>	<u>2,643,698</u>
EQUITY			
Share capital	8	90,000	90,000
Reserves		1,533,346	1,476,697
Final dividend proposed		–	27,000
Interim dividend declared		18,000	–
		<u>1,641,346</u>	<u>1,593,697</u>
Non-controlling interests		72,191	76,060
Total equity		<u>1,713,537</u>	<u>1,669,757</u>

		As at	As at
		30th June	31st December
		2010	2009
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
			(Restated)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		25,016	24,490
Long term borrowings – secured	9	80,239	40,886
		105,255	65,376
Current liabilities			
Trade and other payables	10	728,230	873,577
Loan from the immediate holding company	11	–	3,200
Loan from a jointly controlled entity	7	22,716	22,704
Income tax payables		15,980	5,677
Short term borrowing – secured	9	11,463	–
Current portion of long term borrowings – secured	9	11,463	3,407
		789,852	908,565
Total liabilities		895,107	973,941
Total equity and liabilities		2,608,644	2,643,698
Net current assets		180,924	137,073
Total assets less current liabilities		1,818,792	1,735,133

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

FOR THE SIX MONTHS ENDED 30TH JUNE 2010

		Six months ended	
		30th June	
		2010	2009
	<i>Note</i>	HK\$'000	<i>HK\$'000</i>
			(Restated)
Revenue	4	520,857	421,033
Cost of services rendered	12	(406,626)	(321,794)
Gross profit		114,231	99,239
Other income		4,524	4,594
Other gains/(losses) – net	13	17,549	(1,574)
General and administrative expenses	12	(89,155)	(71,448)
Operating profit		47,149	30,811
Finance income		2,220	5,045
Finance cost		(3,035)	(349)
Share of profits less losses of jointly controlled entities	14	30,913	36,528
Profit before income tax		77,247	72,035
Income tax expense	15	(13,521)	(11,232)
Profit for the period		63,726	60,803
Attributable to:			
Equity holders of the Company		68,189	61,590
Non-controlling interests		(4,463)	(787)
		63,726	60,803
Dividends	16	18,000	4,500
Earnings per share (HK cents)	17		
Basic and diluted		7.58	6.84

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME**

FOR THE SIX MONTHS ENDED 30TH JUNE 2010

	Six months ended	
	30th June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Profit for the period	63,726	60,803
Other comprehensive income:		
Currency translation differences		
– Subsidiaries	2,583	928
– Jointly controlled entities	4,471	–
	<u> </u>	<u> </u>
Total comprehensive income for the period	<u>70,780</u>	<u>61,731</u>
Attributable to:		
Equity holders of the Company	74,649	62,496
Non-controlling interests	(3,869)	(765)
	<u> </u>	<u> </u>
	<u>70,780</u>	<u>61,731</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30TH JUNE 2010

Attributable to equity holders of the Company

	Share capital HK\$'000	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 reserves HK\$'000	Equity holders HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1st January 2010, as previously reported	90,000	787,762	94,916	23,009	895	30,500	764,943	1,702,025	1,792,025	76,060	1,868,085
Adoption of merger accounting	-	-	-	-	179,052	(478,310)	100,930	(198,328)	(198,328)	-	(198,328)
At 1st January 2010, as restated	90,000	787,762	94,916	23,009	179,947	(447,810)	865,873	1,503,697	1,593,697	76,060	1,669,757
Profit for the period	-	-	-	-	-	-	68,189	68,189	68,189	(4,463)	63,726
Other comprehensive income:											
Currency translation differences	-	-	1,989	-	-	-	-	1,989	1,989	594	2,583
- Subsidiaries	-	-	4,471	-	-	-	-	4,471	4,471	-	4,471
- Jointly controlled entities	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	6,460	-	-	-	68,189	74,649	74,649	(3,869)	70,780
2009 final dividend	-	-	-	-	-	-	(27,000)	(27,000)	(27,000)	-	(27,000)
At 30th June 2010	90,000	787,762	101,376	23,009	179,947	(447,810)	907,062	1,551,346	1,641,346	72,191	1,713,537

Attributable to equity holders of the Company

	Share capital HK\$'000	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 reserves HK\$'000	Equity holders HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1st January 2009, as previously reported	90,000	787,762	93,126	23,009	895	28,817	722,295	1,655,904	1,745,904	17,655	1,763,559
Adoption of merger accounting	-	-	-	-	8,064	(478,310)	93,631	(376,615)	(376,615)	-	(376,615)
At 1st January 2009, as restated	90,000	787,762	93,126	23,009	8,959	(449,493)	815,926	1,279,289	1,369,289	17,655	1,386,944
Profit for the period	-	-	-	-	-	-	61,590	61,590	61,590	(787)	60,803
Other comprehensive income:	-	-	-	-	-	-	-	-	-	-	-
Currency translation differences	-	-	906	-	-	-	-	906	906	22	928
- Subsidiaries	-	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	906	-	-	-	61,590	62,496	62,496	(765)	61,731
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	62,369	62,369
2008 final dividend	-	-	-	-	-	-	(27,000)	(27,000)	(27,000)	-	(27,000)
2009 interim dividend to the immediate holding company	-	-	-	-	-	-	(32,895)	(32,895)	(32,895)	-	(32,895)
Transfer of reserves	-	-	-	-	-	2,034	(2,034)	-	-	-	-
At 30th June 2009	90,000	787,762	94,032	23,009	8,959	(447,459)	815,587	1,281,890	1,371,890	79,259	1,451,149

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
CASH FLOW**

FOR THE SIX MONTHS ENDED 30TH JUNE 2010

	Six months ended	
	30th June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Net cash from/(used in) operating activities	34,322	(6,648)
Net cash used in investing activities	(103,561)	(149,861)
Net cash from/(used in) financing activities	28,865	(33,033)
Net decrease in cash and bank balances	(40,374)	(189,542)
Cash and bank balances at 1st January	638,771	788,834
Effect of exchange rate changes	<u>3,270</u>	<u>(1,282)</u>
Cash and bank balances at 30th June	<u>601,667</u>	<u>598,010</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION

Chu Kong Shipping Development Company Limited (the “Company”) and its subsidiaries (collectively the “Group”) are principally engaged in shipping agency, river trade cargo direct shipment and transshipment, wharf cargo handling, cargo consolidation and godown storage, container hauling and trucking and passenger ferry transportation in Hong Kong and the People’s Republic of China (the “PRC”).

The Company is a limited liability company incorporated in Hong Kong. The address of its registered office is 22nd Floor, Chu Kong Shipping Tower, 143 Connaught Road Central, Hong Kong.

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

On 5th May 2010, Chu Kong Shipping Enterprises (Holdings) Company Limited (“CKSE”), the immediate holding company of the Company, underwent a group reorganisation, pursuant to which the Company acquired 100% equity interest in Chu Kong Passenger Transport Company Limited (“CKPT”) from CKSE at a consideration of HK\$480,610,000 (the “Reorganisation”). Accordingly, the Company becomes the holding company of CKPT and its subsidiary (collectively the “Acquired Group”), now comprising the Group.

Prior to the acquisition of CKPT by the Company, reorganisation was carried out, in which CKSE transferred 100% equity interest of Chu Kong Tourism Company Limited (“CKCT”), 40% equity interest of Zhongshan-Hong Kong Passenger Shipping Co-op Co., Ltd (“ZHPC”) and 40% equity interest of Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd (“SGPC”) to CKPT. Accordingly, CKCT becomes the subsidiary and ZHPC and SGPC become the jointly controlled entities of CKPT.

This interim financial information has been approved for issue by the board of directors of the Company on 31st August 2010.

NOTES TO THE INTERIM FINANCIAL INFORMATION

2 BASIS OF PREPARATION

- (i) This unaudited condensed consolidated interim financial information for the six months ended 30th June 2010 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial information for the year ended 31st December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

- (ii) The transactions resulting from the Reorganisation above are regarded as business combinations under common control. Accordingly, the interim financial information for the six months ended 30th June 2010, including the comparative figures, has been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 “Merger Accounting for the Common Control Combination” issued by the HKICPA on the basis as if the Company had been the holding company of the Acquired Group throughout the periods presented or since their respective dates of incorporation, whichever is the shorter period. Details of the relevant statements of adjustments for the common control combinations on the Group’s financial position as at 31st December 2009 and the Group’s results for the six months ended 30th June 2009 are set out in note 20.

NOTES TO THE INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial information for the year ended 31st December 2009, except that the Group has adopted the following revised standards, interpretations and amendments to standards issued by the HKICPA which are relevant to the Group's operations and mandatory for the financial year beginning 1st January 2010.

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 7 (Amendment)	Statement of Cash Flow
HKAS 17 (Amendment)	Leases
HKAS 27 (Revised)	Consolidated and Separate Financial Statements
HKAS 36 (Amendment)	Impairment of Assets
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 3 (Revised)	Business Combinations
HK(IFRIC) – Int 17	Distribution of Non-cash Assets to Owners
HKFRSs Amendments	Improvements to HKFRSs

HKFRS 3 (Revised), "Business Combinations", continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

As the Group has adopted HKFRS 3 (Revised), it is required to adopt HKAS 27 (Revised) at the same time. HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in the consolidated income statement.

NOTES TO THE INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES (Continued)

HKAS 17 (Amendment), "Leases", deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest for which title is not expected to pass to the Group by the end of the lease term was classified as an operating lease under "Leasehold land and land use rights", and amortised over the lease term.

HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1st January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1st January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance leases retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease. Since the property interest is held for own use, that land interest classified as finance lease is accounted for as property, plant and equipment and is depreciated over the shorter of the useful life of the asset and the lease term.

The effect of adopting the above amendment is as below:

	<i>HK\$'000</i>
a) Unaudited condensed consolidated income statement for the six months ended 30th June 2010	
Increase in depreciation of property, plant and equipment	2,219
Decrease in amortisation of prepaid premium for land leases	(2,219)
b) Unaudited condensed consolidated income statement for the six months ended 30th June 2009	
Increase in depreciation of property, plant and equipment	2,273
Decrease in amortisation of prepaid premium for land leases	(2,273)
c) Unaudited condensed consolidated balance sheet as at 30th June 2010	
Increase in property, plant and equipment	188,697
Decrease in prepaid premium for land leases	(188,697)
d) Consolidated balance sheet as at 31st December 2009	
Increase in property, plant and equipment	196,750
Decrease in prepaid premium for land leases	(196,750)

NOTES TO THE INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES *(Continued)*

The HKICPA has issued certain new and revised standards, interpretations and amendments to standards which are not yet effective for the financial year ending 31st December 2010. The Group has not early adopted these standards, interpretations and amendments to standards in the interim financial information but has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of its consolidated financial information will be resulted.

4 SEGMENT INFORMATION

The chief operating decision-maker has been identified as the board of directors of the Company, who 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 considers the business from business perspectives and assesses the performance of the Group and its jointly controlled entities which are organised into four main businesses:

- (i) Cargo transportation – Shipping agency, river trade cargo direct shipment and transshipment and container hauling and trucking
- (ii) Cargo handling and storage – Wharf cargo handling, cargo consolidation and godown storage
- (iii) Passenger transportation – Passenger transportation agency services, travel agency operation and passenger carrier service
- (iv) Corporate and other businesses – Investment holding, expressway operation and other businesses

NOTES TO THE INTERIM FINANCIAL INFORMATION

4 SEGMENT INFORMATION (Continued)

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

Sales between segments are carried out on terms similar to third party transactions. The revenue from external parties reported to the board is measured in a manner consistent with that in the unaudited condensed consolidated income statement.

After the organisational restructuring and acquisition of the Acquired Group, the information provided to the chief operating decision-maker has changed to better reflect how the Group's businesses are managed. The segment information for 2009 has been restated accordingly.

	Cargo transportation <i>HK\$'000</i>	Cargo handling and storage <i>HK\$'000</i>	Passenger transportation <i>HK\$'000</i>	Corporate and other businesses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30th June 2010					
Total revenue	393,847	113,236	52,904	-	559,987
Inter-segment revenue	(934)	(36,996)	(1,200)	-	(39,130)
Revenue (from external customers)	392,913	76,240	51,704	-	520,857
Segment profit before income tax expense	11,975	23,579	39,828	1,865	77,247
Income tax expense	(1,886)	(5,466)	(4,237)	(1,932)	(13,521)
Segment profit/(loss) after income tax expense	10,089	18,113	35,591	(67)	63,726
Segment profit before income tax expense includes:					
Finance income	141	747	39	1,293	2,220
Finance cost	-	(2,778)	-	(257)	(3,035)
Depreciation and amortisation	(4,212)	(19,611)	(154)	(411)	(24,388)
Share of profits less losses of jointly controlled entities	615	13,740	11,452	5,106	30,913

NOTES TO THE INTERIM FINANCIAL INFORMATION

4 SEGMENT INFORMATION (Continued)

	Cargo transportation <i>HK\$'000</i>	Cargo handling and storage <i>HK\$'000</i>	Passenger transportation <i>HK\$'000</i>	Corporate and other businesses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30th June 2009 (Restated)					
Total revenue	312,336	84,640	54,646	–	451,622
Inter-segment revenue	(876)	(28,513)	(1,200)	–	(30,589)
	<u>311,460</u>	<u>56,127</u>	<u>53,446</u>	<u>–</u>	<u>421,033</u>
Revenue (from external customers)					
	<u>311,460</u>	<u>56,127</u>	<u>53,446</u>	<u>–</u>	<u>421,033</u>
Segment profit before income tax expense					
Income tax expense	10,159	30,224	23,110	8,542	72,035
	<u>(1,695)</u>	<u>(3,227)</u>	<u>(3,159)</u>	<u>(3,151)</u>	<u>(11,232)</u>
	<u>8,464</u>	<u>26,997</u>	<u>19,951</u>	<u>5,391</u>	<u>60,803</u>
Segment profit after income tax expense					
	<u>8,464</u>	<u>26,997</u>	<u>19,951</u>	<u>5,391</u>	<u>60,803</u>
Segment profit before income tax expense includes:					
Finance income	962	567	10	3,506	5,045
Finance cost	–	(189)	–	(160)	(349)
Depreciation and amortisation	(3,717)	(12,118)	(503)	(508)	(16,846)
Share of profits less losses of jointly controlled entities	535	18,014	6,246	11,733	36,528
	<u>535</u>	<u>18,014</u>	<u>6,246</u>	<u>11,733</u>	<u>36,528</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

4 SEGMENT INFORMATION (Continued)

	Cargo transportation HK\$'000	Cargo handling and storage HK\$'000	Passenger transportation HK\$'000	Corporate and other businesses HK\$'000	Inter-segment elimination HK\$'000	Total HK\$'000
As at 30th June 2010						
Total segment assets	492,144	1,421,419	393,131	815,978	(514,028)	2,608,644
Total segment assets include:						
Jointly controlled entities	27,113	182,946	214,312	128,392	-	552,763
Total segment liabilities	(385,626)	(470,282)	(73,891)	(479,336)	514,028	(895,107)
As at 31st December 2009 (Restated)						
Total segment assets	468,490	1,351,276	367,285	945,703	(489,056)	2,643,698
Total segment assets include:						
Jointly controlled entities	26,315	190,178	201,311	129,808	-	547,612
Total segment liabilities	(357,886)	(413,332)	(85,003)	(606,776)	489,056	(973,941)

5 CAPITAL EXPENDITURE

For the six months ended 30th June 2010, the Group acquired property, plant and equipment, investment properties and land use rights of HK\$62,518,000 (2009 (restated): HK\$278,985,000, including capital expenditure acquired following an acquisition of a subsidiary of HK\$222,620,000), and disposal of property, plant and equipment with net book value of HK\$7,668,000 (2009: HK\$269,000).

NOTES TO THE INTERIM FINANCIAL INFORMATION

6 TRADE AND OTHER RECEIVABLES

	As at 30th June 2010 <i>HK\$'000</i>	As at 31st December 2009 <i>HK\$'000</i> (Restated)
Trade receivables, net of provision (<i>note (a)</i>):		
– third parties	143,782	116,632
– immediate holding company	5	–
– fellow subsidiaries	–	774
– jointly controlled entities	1,147	737
– other related companies	2,787	1,113
	<u>147,721</u>	<u>119,256</u>
Other receivables (<i>note (b)</i>):		
– immediate holding company	5,321	93,702
– fellow subsidiaries	1,544	–
– jointly controlled entities	39,513	11,110
	<u>46,378</u>	<u>104,812</u>
Deposits and prepayments (<i>note (c)</i>)	<u>154,179</u>	<u>154,203</u>
Total trade and other receivables	<u>348,278</u>	<u>378,271</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

6 TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

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

	As at 30th June 2010 HK\$'000	As at 31st December 2009 HK\$'000 (Restated)
Within 3 months	146,517	117,454
4 to 6 months	1,060	841
7 to 12 months	515	834
Over 12 months	3,840	4,249
	151,932	123,378
Less: Provision for impairment	(4,211)	(4,122)
	147,721	119,256

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

- (b) Other receivables due from related parties are unsecured, interest free and repayable on demand.
- (c) As at 30th June 2010, deposits and prepayments included a prepayment for purchase of property, plant and equipment of HK\$87,764,000 (31st December 2009: HK\$87,764,000) and a deposit for purchase of land use rights in the PRC amounting to HK\$34,000,000 (31st December 2009: HK\$34,000,000).

NOTES TO THE INTERIM FINANCIAL INFORMATION

7 LOANS TO/FROM JOINTLY CONTROLLED ENTITIES

(a) Loans to jointly controlled entities

Except for the amount of HK\$7,390,000 (31st December 2009: HK\$9,945,000) which is not repayable within twelve months from the balance sheet date, loans to jointly controlled entities of the Group are repayable on demand. Loans of the Group aggregating HK\$13,062,000 (31st December 2009: HK\$13,629,000) bear interest at the floating rate announced by the People's Bank of China, of which HK\$3,976,000 (31st December 2009: HK\$4,543,000) 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.

(b) Loan from a jointly controlled entity

The loan from a jointly controlled entity is unsecured, interest bearing at 2.25% per annum, repayable on demand and is denominated in Renminbi.

8 SHARE CAPITAL

	As at 30th June 2010 HK\$'000	As at 31st December 2009 HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	<u>200,000</u>	<u>200,000</u>
Issued and fully paid:		
900,000,000 ordinary shares of HK\$0.10 each	<u>90,000</u>	<u>90,000</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

9 BORROWINGS – SECURED

	As at 30th June 2010 <i>HK\$'000</i>	As at 31st December 2009 <i>HK\$'000</i>
Secured, short term bank loan	11,463	–
Secured, long term bank loans	<u>91,702</u>	<u>44,293</u>
	<u>103,165</u>	<u>44,293</u>

The maturity of the long term bank loans is as follows:

	As at 30th June 2010 <i>HK\$'000</i>	As at 31st December 2009 <i>HK\$'000</i>
Within one year	<u>11,463</u>	<u>3,407</u>
Between one and two years	11,463	6,814
Between two and five years	34,388	–
More than five years	<u>34,388</u>	<u>34,072</u>
	<u>80,239</u>	<u>40,886</u>
Total long term bank loans	<u>91,702</u>	<u>44,293</u>

The bank loans are secured by certain land use rights and property, plant and equipment of the Group.

NOTES TO THE INTERIM FINANCIAL INFORMATION

10 TRADE AND OTHER PAYABLES

	As at 30th June 2010 <i>HK\$'000</i>	As at 31st December 2009 <i>HK\$'000</i> (Restated)
Trade payables (<i>notes (a) and (b)</i>):		
– third parties	175,358	170,726
– immediate holding company	3,304	1,369
– fellow subsidiaries	17,561	14,582
– jointly controlled entities	38,195	31,081
– other related companies	7,037	5,502
	<u>241,455</u>	<u>223,260</u>
Other payables (<i>note (b)</i>):		
– immediate holding company	338,549	484,131
– fellow subsidiaries	13,013	26,243
– jointly controlled entities	12,322	14,312
– other related companies	1,258	1,074
– key management	850	2,563
	<u>365,992</u>	<u>528,323</u>
Accruals	<u>120,783</u>	<u>121,994</u>
Total trade and other payables	<u>728,230</u>	<u>873,577</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

10 TRADE AND OTHER PAYABLES *(Continued)*

Notes:

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

	As at 30th June 2010 HK\$'000	As at 31st December 2009 HK\$'000 (Restated)
Within 3 months	239,048	184,539
4 to 6 months	14	31,778
7 to 12 months	171	5,630
Over 12 months	2,222	1,313
	<u>241,455</u>	<u>223,260</u>

- (b) 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.

11 LOAN FROM THE IMMEDIATE HOLDING COMPANY

The loan from the immediate holding company is unsecured, interest free and is repayable on demand.

NOTES TO THE INTERIM FINANCIAL INFORMATION

12 COSTS AND EXPENSES BY NATURE

	Six months ended	
	30th June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Amortisation of land use rights	2,448	1,719
Auditor's remuneration		
– audit services	804	803
– non-audit services	2,191	307
Costs of cargo transportation, handling, storage, container hauling and trucking	261,232	212,791
Depreciation of property, plant and equipment	21,888	15,075
Depreciation of investment properties	52	52
Operating lease rental expenses		
– vessels and barges	53,118	45,367
– buildings	7,552	8,609
Staff costs (including directors' emoluments)	85,004	73,099
Others	61,492	35,420
	<hr/>	<hr/>
Total cost of services rendered and general and administrative expenses	495,781	393,242
	<hr/>	<hr/>

NOTES TO THE INTERIM FINANCIAL INFORMATION

13 OTHER GAINS/(LOSSES) – NET

	Six months ended 30th June	
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i>
Exchange gains/(losses), net	150	(1,880)
Gain on disposal of property, plant and equipment	663	352
Write-back of other payables (<i>note</i>)	16,744	–
(Provision)/write-back of provision for impairment of trade receivables	(8)	14
Fair value loss on derivative financial instruments	–	(60)
	<u>17,549</u>	<u>(1,574)</u>

Note:

The amount represented provision for service charges payables to a fellow subsidiary in previous years. No billing had been received from the fellow subsidiary and the provision was written back.

14 SHARE OF PROFITS LESS LOSSES OF JOINTLY CONTROLLED ENTITIES

	Six months ended 30th June	
	2010 <i>HK\$'000</i>	2009 <i>HK\$'000</i> (Restated)
Share of profits less losses before income tax	40,177	44,329
Share of income tax	(9,264)	(7,801)
	<u>30,913</u>	<u>36,528</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

15 INCOME TAX EXPENSE

	Six months ended 30th June	
	2010	2009
	HK\$'000	HK\$'000 (Restated)
Current income tax		
– Hong Kong profits tax	8,352	6,653
– PRC corporate income tax	3,569	1,428
Deferred income tax	1,600	3,151
	<u>13,521</u>	<u>11,232</u>

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 16.5%) on the estimated assessable profit for the period.

PRC corporate income tax has been calculated on the estimated assessable profit for the period at the income tax rate of the PRC entities in the range from 22% to 25% (2009: 20% to 25%).

16 DIVIDENDS

	Six months ended 30th June	
	2010	2009
	HK\$'000	HK\$'000
Interim, proposed, of HK2 cents (2009: HK0.5 cent) per ordinary share	<u>18,000</u>	<u>4,500</u>

On 31st August 2010, the board of directors declared an interim dividend of HK2 cent per ordinary share for the year ending 31st December 2010. This dividend declared is not reflected as a dividend payable in this consolidated interim financial information, but will be reflected as an appropriation of retained profits for the year ending 31st December 2010.

NOTES TO THE INTERIM FINANCIAL INFORMATION

17 EARNINGS PER SHARE

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

	Six months ended	
	30th June	
	2010	2009
		(Restated)
Profit attributable to equity holders of the Company (HK\$'000)	<u>68,189</u>	<u>61,590</u>
Weighted average number of ordinary shares in issue ('000)	<u>900,000</u>	<u>900,000</u>
Basic and diluted earnings per share (HK cents)	<u>7.58</u>	<u>6.84</u>

The diluted earnings per share for the six months ended 30th June 2010 and 2009 is equal to the basic earnings per share as there are no potential dilutive ordinary shares in issue during both periods.

NOTES TO THE INTERIM FINANCIAL INFORMATION

18 CAPITAL COMMITMENTS

	As at 30th June 2010 <i>HK\$'000</i>	As at 31st December 2009 <i>HK\$'000</i>
Contracted but not provided for		
– Land use rights	46,379	53,151
– Property, plant and equipment	25,343	69,888
– Investments (<i>note</i>)	123,510	92,277
Authorised but not contracted for		
– Property, plant and equipment	<u>10,545</u>	<u>7,234</u>
	<u>205,777</u>	<u>222,550</u>

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

	As at 30th June 2010 <i>HK\$'000</i>	As at 31st December 2009 <i>HK\$'000</i>
Contracted but not provided for	16,021	23,726
Authorised but not contracted for	<u>3,782</u>	<u>1,953</u>
	<u>19,803</u>	<u>25,679</u>

Note:

The capital commitments for the investments contracted but not provided for as at 30th June 2010 represented the commitment to purchase of additional 20.54% equity interest in a subsidiary, Zhaoqing New Port Co., Ltd., from its non-controlling shareholder at HK\$30,376,000 (2009: nil) and the committed investment in a jointly controlled entity, Guangzhou Nansha Chu Kong Terminal Company Limited, amounting to HK\$93,134,000 (2009: HK\$92,277,000) for 65% equity interest.

NOTES TO THE INTERIM FINANCIAL INFORMATION

19 RELATED PARTY TRANSACTIONS

The directors of the Group regard Chu Kong Shipping Enterprises (Holdings) Company Limited (“CKSE”) as the immediate holding company, which owns 69.02% (30th June 2009: 68.7%) of the Company’s ordinary shares at 30th June 2010. The parent company of the Group is Guangdong Province Navigation Holdings Company Limited (“GPNHCL”), a state-owned enterprise established in the PRC.

In accordance with HKAS 24 (Revised) “Related Party Disclosures” issued by the HKICPA, government-related entities and their subsidiaries, directly or indirectly 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 six months ended 30th June 2010 and 2009, 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 unaudited condensed consolidated financial information, the following is a summary of the significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the period.

NOTES TO THE INTERIM FINANCIAL INFORMATION

19 RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties

		Six months ended 30th June	
	Note	2010 HK\$'000	2009 HK\$'000 (Restated)
Revenues:			
Shipping agency, river trade cargo direct shipment and transshipment income			
– fellow subsidiaries	(i)	336	201
– jointly controlled entities	(ii)	5,213	862
– other related companies	(iii)	98	90
Passenger transportation agency fees	(i)		
– fellow subsidiaries		818	687
– jointly controlled entities		3,709	–
– other related companies		1,764	4,524
Ferry terminal operation service fees	(i)		
– fellow subsidiaries		2,605	1,969
– jointly controlled entities		9,718	–
– other related companies		5,302	14,889
Management service fees	(iv)		
– fellow subsidiaries		524	4,047
– jointly controlled entities		1,125	1,468
Vessel rental income	(iii)		
– a related company		942	1,016
Office rental income	(iii)		
– a related company		600	468
Loan interest income	(v)		
– jointly controlled entities		350	656
Proceeds from disposal of property, plant and equipment	(vi)		
– immediate holding company		<u>7,473</u>	<u>–</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

19 RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

		Six months ended 30th June	
	Note	2010 HK\$'000	2009 HK\$'000 (Restated)
Expenses:			
Shipping agency, river trade cargo direct shipment and transshipment expenses	(iii)		
– fellow subsidiaries		5,635	3,816
– jointly controlled entities		4,000	4,727
– other related companies		7,338	6,628
Wharf cargo handling, cargo transportation and godown storage expenses			
– fellow subsidiaries	(iii)	6,161	4,557
– jointly controlled entities	(i)	16,473	18,483
– other related companies	(iii)	49	–
Agency fee expense	(iii)		
– fellow subsidiaries		37	27
– jointly controlled entities		206	–
– other related companies		14	190
Luggage handling fee	(vii)		
– other related companies		3,861	3,245
Fuel charges	(ii)		
– a fellow subsidiary		28,395	15,818
Vessel rental expenses	(iii)		
– jointly controlled entities		10,890	14,553
Warehouse rental expenses	(viii)		
– immediate holding company		2,500	2,500
Office rental expenses	(iii)		
– immediate holding company		1,437	967
Staff quarter rental expenses	(ii)		
– immediate holding company		1,483	1,400
Loan interest expenses	(ix)		
– a jointly controlled entity		257	106
Management fee expense	(x)		
– immediate holding company		3,600	3,600

NOTES TO THE INTERIM FINANCIAL INFORMATION

19 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with related parties *(Continued)*

Notes:

- (i) These transactions were conducted at terms pursuant to agreements as entered into between the Group and the respective related parties or as mutually agreed between the Group and the respective related parties.
- (ii) These transactions were conducted at terms as mutually agreed between the Group and the respective related parties.
- (iii) These transactions were conducted at terms pursuant to agreements as entered into between the Group and the respective related parties.
- (iv) Management service fees were charged based on the actual costs incurred for the service provided.
- (v) Loan interest was charged to jointly controlled entities at floating rates announced by the People's Bank of China.
- (vi) Land and building with a carrying amount of HK\$7,473,000 of CKPT were sold to the immediate holding company, at consideration of HK\$7,473,000, resulting in no gain or loss.
- (vii) Luggage handling fee was charged at HK\$3.3 per item of luggage at China Ferry Terminal, Tsim Sha Tsui by an associate of the immediate holding company as set out in the respective agreement governing these transactions.
- (viii) The Group leased a warehouse from the immediate holding company and rental was charged by the immediate holding company at HK\$2,500,000 for the six months ended 30th June 2010 (30th June 2009: HK\$2,500,000).
- (ix) Loan interest was charged by a jointly controlled entity at 2.25% per annum pursuant to the agreement entered into between the Group and the jointly controlled entity.
- (x) Management fee expenses were charged at HK\$600,000 per month for IT services by the immediate holding company as set out in the respective agreement governing these transactions.
- (xi) During the six months ended 30th June 2010 and 2009, the Company and the immediate holding company have interchanged the use of certain own floors of Chu Kong Shipping Tower without any income or charges for such interchanging arrangement.

NOTES TO THE INTERIM FINANCIAL INFORMATION

19 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management compensation

	Six months ended	
	30th June	
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
		(Restated)
Salaries and allowances	2,431	2,583
Directors' fees	750	750
Retirement benefit scheme contributions	43	63
	<u>3,224</u>	<u>3,396</u>

(c) Loans to jointly controlled entities

	As at	As at
	30th June	31st December
	2010	2009
	<i>HK\$'000</i>	<i>HK\$'000</i>
Beginning of the period/year	38,541	39,605
Exchange differences	–	35
Loans advanced	–	7,445
Loans repayments received	(10,320)	(8,544)
	<u>28,221</u>	<u>38,541</u>
End of the period/year		
Analysed into:		
Current	20,831	28,596
Non-current	7,390	9,945
	<u>28,221</u>	<u>38,541</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

20 BUSINESS COMBINATION UNDER COMMON CONTROL

Statements of adjustments for common control combinations of the Acquired Group on the Group's results for the six months ended 30th June 2010 and 2009 and the Group's unaudited condensed consolidated balance sheet as at 30th June 2010 and 31st December 2009 are as follows:

	The Group before the Acquired group HK\$'000	Acquired Group HK\$'000	Note	Adjustments HK\$'000	Total HK\$'000
Six months ended 30th June 2010					
Revenue	<u>469,153</u>	<u>52,904</u>	(i)	<u>(1,200)</u>	<u>520,857</u>
Profit before income tax	37,419	39,828		-	77,247
Income tax expense	<u>(9,284)</u>	<u>(4,237)</u>		<u>-</u>	<u>(13,521)</u>
Profit for the period	<u>28,135</u>	<u>35,591</u>		<u>-</u>	<u>63,726</u>
As at 30th June 2010					
ASSETS					
Non-current assets	1,903,649	214,829	(ii)	(480,610)	1,637,868
Current assets	<u>792,878</u>	<u>178,302</u>	(iii)	<u>(404)</u>	<u>970,776</u>
Total assets	<u>2,696,527</u>	<u>393,131</u>		<u>(481,014)</u>	<u>2,608,644</u>
EQUITY					
Share capital	90,000	300	(ii)	(300)	90,000
Reserves	<u>1,712,716</u>	<u>318,940</u>	(ii)	<u>(480,310)</u>	<u>1,551,346</u>
Non-controlling interests	1,802,716	319,240		(480,610)	1,641,346
	<u>72,191</u>	<u>-</u>		<u>-</u>	<u>72,191</u>
Total equity	<u>1,874,907</u>	<u>319,240</u>		<u>(480,610)</u>	<u>1,713,537</u>
LIABILITIES					
Non-current liabilities	105,255	-		-	105,255
Current liabilities	<u>716,365</u>	<u>73,891</u>	(iii)	<u>(404)</u>	<u>789,852</u>
Total liabilities	<u>821,620</u>	<u>73,891</u>		<u>(404)</u>	<u>895,107</u>
Total equity and liabilities	<u>2,696,527</u>	<u>393,131</u>		<u>(481,014)</u>	<u>2,608,644</u>

NOTES TO THE INTERIM FINANCIAL INFORMATION

20 BUSINESS COMBINATION UNDER COMMON CONTROL (Continued)

	As previously reported HK\$'000	Acquired Group HK\$'000	Note	Adjustments HK\$'000	As restated HK\$'000
Six months ended 30th June 2009					
Revenue	367,587	54,646	(i)	(1,200)	421,033
Profit before income tax	48,925	23,110		–	72,035
Income tax expense	(8,073)	(3,159)		–	(11,232)
Profit for the period	40,852	19,951		–	60,803
As at 31st December 2009					
ASSETS					
Non-current assets	1,388,633	209,427		–	1,598,060
Current assets	901,108	157,858	(iii)	(13,328)	1,045,638
Total assets	2,289,741	367,285		(13,328)	2,643,698
EQUITY					
Share capital	90,000	300	(ii)	(300)	90,000
Reserves	1,675,025	281,982	(ii)	(480,310)	1,476,697
Final dividend proposed	27,000	–		–	27,000
Non-controlling interests	1,792,025	282,282		(480,610)	1,593,697
	76,060	–		–	76,060
Total equity	1,868,085	282,282		(480,610)	1,669,757
LIABILITIES					
Non-current liabilities	65,376	–		–	65,376
Current liabilities	356,280	85,003	(iii)	467,282	908,565
Total liabilities	421,656	85,003		467,282	973,941
Total equity and liabilities	2,289,741	367,285		(13,328)	2,643,698

NOTES TO THE INTERIM FINANCIAL INFORMATION

20 BUSINESS COMBINATION UNDER COMMON CONTROL *(Continued)*

Notes:

- (i) Adjustments to eliminate the inter-group transactions for the six months ended 30th June 2010 and 2009.
- (ii) Adjustments to eliminate the investment costs and share capital of the Acquired Group against reserves.
- (iii) Adjustments to eliminate the intra-group balances as at 30th June 2010 and 31st December 2009 and recognise purchase consideration payable for the acquisition of the Acquired Group.

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.

21 CONTINGENT LIABILITIES

As at 30th June 2010, there was no contingent liability relating to the Group. A 40% interest jointly controlled entity of the Group has contingent liabilities to a bank in relation to a provision of a financial guarantee and indemnity of US\$400,000 (equivalent to approximately HK\$3,120,000) to a third party in the PRC in 1994. This third party failed to perform its contractual and financial obligations to the bank in 1998. As such, court proceedings commenced by the bank demanded payment of US\$400,000 against the jointly controlled entity and the Province Court imposed orders of execution of the jointly controlled entity in 1998 and 2001. However, no execution has been finally implemented.

NOTES TO THE INTERIM FINANCIAL INFORMATION

22 EVENTS AFTER THE BALANCE SHEET DATE

(a) Undertaking of partial disposal of a subsidiary

On 28th July 2010, the Company entered into a strategic cooperation framework agreement (the “Agreement”) with China Merchant Holdings (International) Company Limited (“CMHI”). Pursuant to the Agreement, the Company has undertaken to sell 20% of its equity interest in Chu Kong River Trade Terminal Co., Ltd. (“CKRTT”), a wholly-owned subsidiary of the Company, to CMHI. The selling price will be determined with reference to the appraised value issued by the valuer as recommended and recognised by the Company and CMHI. The Company and CMHI will jointly commence the appraisal exercise on the equity interest in CKRTT and will complete the procedure on assessment of consideration and share transfer within three months from the date of the Agreement. As at the date of this interim financial report, no other financial information regarding this undertaking is available.

(b) Business acquisition

On 2nd August 2010, CKRTT entered into an agreement with Civet Zhuhai Investment Company Limited, pursuant to which CKRTT acquires 75% equity interest in Civet (Zhuhai Bonded Area) Logistics Company Limited (“Civet Logistics”) at an initial consideration, subject to adjustment, of RMB77,690,000 (equivalent to HK\$89,299,000). The initial consideration will be adjusted with reference to the final audited results of Civet Logistics, prepared in accordance with the PRC accounting standards, subject to a cap of RMB15,000,000 (equivalent to HK\$17,241,000).

The completion of the acquisition is subject to the approval by the related government authority in the PRC. As at the date of this interim financial report, such approval has not yet been obtained.

Upon completion, Civet Logistics will become a non-wholly owned subsidiary of CKRTT and the Company the results of which will be included into the consolidated financial information of the Group.

NOTES TO THE INTERIM FINANCIAL INFORMATION

23 COMPARATIVES

The Group has applied merger accounting to account for the purchase of the equity interests in the Acquired Group during the period, as if 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. In addition, certain comparative figures have been reclassified to conform to the current year's presentation.

The background of the page is a photograph of a vast, bright blue sky above a deep blue ocean. The sky is filled with soft, wispy white clouds, and the horizon line is visible in the middle of the frame. The water in the foreground shows gentle ripples and small waves, reflecting the light from above.

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