CKS

CHU KONG SHIPPING DEVELOPMENT COMPANY LIMITED

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

Stock Code : 00560

INTERIM REPORT **2011**

CHAIRMAN'S STATEMENT

I am pleased to announce that the Group recorded a consolidated revenue for the six months ended 30 June 2011 amounting to HK$628,829,000, up by 20.7% year-on-year. The profit attributable to shareholders of the Group was up by 7.5% against corresponding period last year to HK$73,282,000.

REVIEW AND OUTLOOK

The global market in the first half of 2011 was volatile as affected by factors like the declining economy and debt crisis in Europe and in the US, the mega-earthquake in Japan and the macroeconomic regulation and control in the Mainland, resulting again in both the capital market and the shipping market caught in their low ebbs. Against such a backdrop, the Group persisted in its professionalised operation, exerted its strength in resource integration for the internal functions and promoted strategic cooperation with leading enterprises in the industry. Consequently the Group succeeded in overcoming the effects of those negative macro-factors, yielding a step-up in corporate performance. In particular, the Group has made significant progress in the areas of professionalised operation, acquisition of quality assets and enhancement in corporate governance.

The core businesses of the Group are terminal and navigation logistics and high-speed passenger transportation. In order to enhance its core competitiveness, the Company continues to promote its professionalised operation. The first is terminal logistics, in respect of which it has established the logistics business department (物流事業部) in the Mainland for coordinating and managing relevant assets and for focus on developing the competitiveness of the wholly and jointly owned terminals; the second is optimisation of the operation model of terminals and promotion of standardisation and informationalisation of operational processes, such as promoting and implementing integrated deployment and usage of the central control units of the terminals to enhance their operation capacities and turnover efficiency; the third is co-development of both domestic and foreign trade, so as to intensify its business development on domestic feeder services for both domestic or foreign trade while increasing foreign trade goods steadily; the fourth is strengthened collaboration with major shipping companies and hubs, for instance, through collaborating with international liners, Gaoming Port has achieved a historical high in its foreign-trade containers and has become one of the largest category-2 ports along the Xijiang River; the fifth is active development of incremental businesses like contract logistics and value-added services for enhancing effectiveness by industry upgrade and innovation as evidenced in Civet Port's active development of its frozen goods business. During the period, the major operation indicators recorded increases, of which the container transportation volume and container handling volume grew by 18.5% and 45.1% respectively.

As for the high-speed passenger transportation, the first is to bring into full play of the functions of its integrated passenger transportation platform, to coordinate the transportation capacity and to fuel the consolidated operation of shipping routes, implementing the call-port operation of Heshan – Zhongshan Line; the second is to strengthen external marketing coordination and expand sales network, such that it has newly appointed 17 electronic ticket agents and newly signed direct-delivery of baggage contracts with 7 airline companies; the third is to augment its collaboration with tourism-related business in order to transform from traditional transportation to tourism transportation, in which it has succeeded in expanding the joint tour products of the Guangdong-Hong Kong route and the Hong Kong-Macau route. During the period, benefited by the opening of high speed railways and inter-city light rails, the routes in Zhuhai, which the Company operated as an agent, Zhongshan and Shunde recorded a substantial increase in passenger volume. With the endeavor of the management of the Company, the measures of professionalised operation have begun to yield effects. Besides, driven by the rapid growth in business volume, our market share was raised and our industry presence was further enhanced too.

Subsequent to the acquisition of passage transportation business of Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE") (the controlling shareholder) in 2010, the Company entered into agreements with CKSE for assets swap, which is the second step toward the overall listing of quality assets of the controlling shareholder. Through the assets swap, on one hand the non-core business of expressway will be disposed of at a desirable price, on the other hand, by continuously acquiring the terminal assets from the controlling shareholder, the Company can strengthen its core business so as to raise the overall revenue level as well as its core competitiveness.

During the period, the Company also entered into an asset management agreement with CKSE. From 1st July 2011 onward, CKSE will assign the assets of eight companies, which are related to terminal shipping logistics and high speed passenger transportation, to the Company for management under a trusteeship. As a result, the Company not only can earn management fee, but also realise the synergic effects from managing the assets of CKSE under a trusteeship, laying a solid base for the overall listing of quality assets of the controlling shareholder.

Corporate governance represents a core issue for management of listed companies to which investors pay attention most. In order to continuously raise the standard of corporate governance, the Company has specifically engaged a professional institution to review and comment on the Board and organisation structure of the Group and provide recommendations for improvement. Base on the recommendation, the Group has rationalised the structure of the Board and its subordinate committees in order to enhance and streamline the standard of corporate governance.

Looking forward, we will focus on implementing the followings tasks:

The first is to advance the professionalised operation, which involves giving full play of the functions of the logistics business department, coordinating production and operation and improving the core competitiveness, as well as augmenting the integrated passenger transportation operation and promoting resource integration and business collaboration etc.

The second is to further raise and utilise the advantage of the terminal and navigation logistics system, realise extension of the logistics supply chain and endeavor in developing integrated logistics business through transformation and upgrade. We will proceed with the construction of terminal standardisation, implement the strategy of co-development of both domestic and foreign trade, and in the meantime intensify the management mode for segmental marketing to realise further integration of regional management and terminal marketing. We will also continue to implement the "Three Dimensional Marketing" model for the terminals, which requires joint marketing of forwarders, liners and terminals.

The third is to proceed with the sophisticated management. This involves improving labour productivity and exploration of the potential growth of profit while at the same time implementing stringent control over operation costs to enhance overall competitiveness.

As supported by national policies and the new requirement for securitisation rate of state-owned enterprises imposed by the State-owned Assets Supervision and Administration Commission of Guangdong Province ("SASAC"), I have full confidence in the future development of the Group. Guangdong Province Navigation Holdings Company Limited ("GPNHCL"), the ultimate controlling shareholder of the Company, will fully support and nurture the listing platform "CKS" just as in the past. Backed by the powerful SASAC and GPNHCL, the Company sees vast room for future development. The Company will continue to carry forward its strategy of professionalised operation, industry upgrade and overall listing, so as to realise rapid growth in both existing and incremental businesses, further enhance its economic effectiveness and create satisfactory returns for the investors!

RELATION WITH INVESTORS

The Company pays high attention to the communication with investors, and increases its transparency continuously. During the period, the Company has held a number of roadshows for institutional investors and greeted visits by investors with warm hospitality. The Company's website (www.cksd.com) provides timely business information and information disclosures of the Company for the market.

APPRECIATION

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

Liu Weiqing
Chairman

Hong Kong, 30th August 2011

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

For the six months ended 30th June 2011, the Group recorded consolidated revenue of HK$628,829,000, up by 20.7% as compared with the corresponding period last year. Profit attributable to the equity holders of the Company was HK$73,282,000, up by 7.5% as compared with the corresponding period last year.

The global economy demonstrated signs of improvement in 2010, and in particular, the PRC government's stimulus economic policy brought about positive impact, however, due to the European and American debt crisis, together with Japan earthquake and nuclear crisis, the global economy remained volatile. The Quantitative Easing Monetary Policy of the United States continuously caused inflations over the world, and the decline of US Dollar Index seriously blew the export enterprises in Mainland China. These external factors forced the PRC to face the dilemma of having high Consumer Price Index and decelerated economic growth. According to the release of The China Federation of Logistics and Purchasing (中國物流與採購聯合會), China Manufacturing Purchasing Managers Index (PMI) in July fell for four consecutive months to 50.7%, and fell to 29-month low, showing that the Chinese economy continued to step back. It is anticipated that the weakening of economy would be inevitable in the backdrop of the slowdown of the growth in newly raised bank loans and money supply. It is estimated that there would be an economic slowdown in the PRC in the second half of the year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

During the period, the Company continued to promote its professionalised operation, strengthen its collaboration with major shipping companies and optimised the operation of terminals, which included intensifying business development for domestic feeder services and furthering measures like co-development of both domestic and foreign trade. Through effective implementation of such measures, the indicators of major business operations recorded a growth, of which the container transportation volume recorded an increase of 18.5%; container and break bulk cargo handling volume recorded an increase of 45.1% and 44.7% respectively, however, break bulk cargo transportation volume recorded a decrease of 24.1% due to a decrease in bulk cargo. During the period, the passenger transportation business remained its solid growth, the number of passengers for agency services was 2,855,000 persons, representing a year-on-year increase of 10.2%; the number of passengers for terminal services was 3,022,000 persons, up by 12.5% as compared with the corresponding period last year.

Due to higher international oil prices and an increase of oil consumption, the total oil cost increased by more than HK$22,368,000 or 58.2% year-on-year. Among which, the oil price increased by 33.7%, but due to the Group's adoption of fuel surcharge measures for the period, the falling extent of gross profit margin of the Group was lowered. Excluding the effects of rise in oil prices and income from fuel surcharge, the Group's gross profit margin increased to 23.0% from 21.9% for corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. CARGO TRANSPORTATION BUSINESS

Benefited from the Mainland economic stimulus effect and the economic revival in Guangdong and Hong Kong, the cargo volume in the Pearl River Delta region increased correspondingly, resulting in an increase of the major business of the Group during the period.

1. Business Operation Indicators

Performance statistics of our major business operations are as follows:

	For the six months ended 30th June		
Indicators	**2011**	2010	Change
Cargo transportation volume			
Container transportation volume (TEU)	**500,718**	422,542	18.5%
Break bulk cargoes transportation volume (revenue tons)	**155,726**	205,115	–24.1%
Cargo handling volume *(Note)*			
Container handling volume (TEU)	**434,344**	299,424	45.1%
Break bulk cargoes handling volume (revenue tons)	**763,067**	527,460	44.7%
Volume of container hauling and trucking on land (TEU)	**65,310**	61,025	7.0%

Note:

From November 2010 and February 2011 onwards, the data of Civet Port and the Marine Cargo Terminal were included respectively. If the data of those two new terminals was eliminated, container handling volume and break bulk cargoes handling volume would increased by 14.4% and 34.9% respectively as compared with the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. CARGO TRANSPORTATION BUSINESS *(Continued)*

2. Subsidiaries

Driven by the growth of cargo source of major shipping companies, Chu Kong Transhipment & Logistics Company Limited ("CKTL") maintained its steady development momentum. With the boundless cooperation domain with major shipping companies, the cargo source of Connected Carrier Agreement ("CCA") of major shipping companies increased significantly, which became the key factor driving the overall container transportation volume. In the first half of the year, the further collaboration with Maersk achieved projected results, and empty container shipment business at Machong achieved a better development. For the containers for renewable resources, CKTL enhanced vessel dispatching to increase operation efficiency, and through enlarging the cargo volume of some regions, certain predominant port businesses achieved a better development, and overall cargo volume increased slightly over the corresponding period last year; the business volume of factory cargo and cargo sales to Hong Kong decreased slightly as a whole, which was mainly due to the decrease in the number of trade orders placed by customers in Shunde. The market share in 30 category-2 ports having business with the Group in Pearl River Delta was 19.7%, represented a slight decrease from 20.3% over the end of last year.

In February 2011, the Company has completed the acquisition of remaining 49% equity interest in Chu Kong Air-Sea Union Transportation Company Limited and made it become a wholly-owned subsidiary of the Company. In the first half of the year, the Company realised an increase of 9.2% in break bulk cargo handling and 47.8% in container cargo. Basic operations had steady performance and contributed a profit of HK$2,910,000 to the Group.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. CARGO TRANSPORTATION BUSINESS *(Continued)*

2. Subsidiaries *(Continued)*

In the first half of the year, Chu Kong Cargo Terminals (Gaoming) Co., Ltd. achieved 96,187 TEU for foreign-trade container, representing a year-on-year increase of 39.5%, which was a historical high. Leveraging on its preferable and fast customs clearance, the terminal was able to actively explore new customers, kept paying great efforts in the marketing of factory-trade goods, and focused on exploring container cargo sources of foreign-trade export factory, resulting in further optimisation of its cargo source structure with 17,282 TEU of foreign-trade export factory cargo in aggregate, representing a year-on-year increase of 68.6% over the corresponding period last year and a highest level ever. The profit contributed by the company to the Group increased by 114.9%.

Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd. endeavored in exploring Yunfu market, however, the Company recorded a year-on-year decrease of 45.7% in the volume of break bulk cargoes handled as there was a decrease in stones business. The decrease was due to the competition between surrounding ports. Although the business volume for containers for renewable resources has recovered as compared with that of last year, the business volume remained low. The company recorded insignificant loss during the period.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. CARGO TRANSPORTATION BUSINESS *(Continued)*

2. Subsidiaries *(Continued)*

Backed by a renewable resource zone, Zhaoqing Chu Kong Logistics (Sihui) Co., Ltd. further promoted the interaction between the terminal and the zone and endeavored in enhancing its handling capacity for renewable resource goods and the overall operation efficiency of the terminal. Besides, it put more particular efforts in market expansion and aggressively diversified the category of its cargo source for bulk export. During the period, the terminal realised a container throughput of 34,812 TEU, representing a year-on-year increase of 76.5%. The profit contributed by the company to the Group increased by 160.9%

Although the foreign trade business of Zhaoqing New Port Co., Ltd. has been commenced, it was not able to drive a significant increase in factory-trade cargo volume, as it was restricted by various factors, such as the failure to commence the renewable resource business and low frequency of voyage arriving at and departing from the terminal. However, domestic trade and break bulk cargoes business grew rapidly, and repeatedly achieved historical peaks in terms of container and break bulk cargoes throughput. In the first half of the year, container and break bulk cargoes throughput increased by 32.4% and 973.0% respectively, and the loss for the first half of the year decreased by HK$5,375,000 year-on-year.

The operations of Chu Kong Cargo Terminals (Kangzhou) Co., Ltd. developed steadily. Container throughput was 21,359 TEU, representing a year-on-year increase of 9.2%; break bulk cargoes throughput amounted to 65,048 tonnes, representing a year-on-year increase of 23.0%. Affected by newly purchased comprehensive insurance for the terminal and significant increase in depreciation of property, plant and equipment, the profit for the first half of the year recorded a significant decrease of 163.8% year-on-year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. CARGO TRANSPORTATION BUSINESS *(continued)*

2. Subsidiaries *(continued)*

Zhaoqing Chu Kong Logistics (Dawang) Co., Ltd. completed 4,595 journeys, representing a year-on-year increase of 65.8%; bonded warehouse recorded a year-on-year increase of 237.9% Due to additional depreciation, the loss increased year-on-year.

Civet (Zhuhai Bonded Area) Logistics Company Limited actively commenced organisation work on its cargo source. It also endeavored in capturing trade customers while having stable cargo source of the factory. The throughput of the terminal's biggest customer increased steadily, with a year-on-year increase of 54.4% in container volume. Due to depreciation of newly acquired property, plant and equipment, the company still recorded loss.

3. Investment in Jointly Controlled Entities

Driven by the economic recovery in the Pearl River Delta, profits attributable by most of jointly controlled entities to the Group recorded some increases: The container handling volume of Foshan New Port Ltd. increased by 16.9% and break bulk cargo handling volume increased by 52.0%, contributing a profit of HK$7,149,000 to the Group and representing an increase of 6.7%; the profit attributable to the Group contributed by Sanshui Sangang Containers Wharf Co., Ltd. amounted to HK$ 1,618,000, up by 62.4%; profit of Chu Kong Cargo Terminals (Beicun) Co., Ltd. attributable to the Group was HK$475,000, representing a remarkable increase of 76.2%, significantly benefited by the increase in foreign trade container handling volume. Foshan Nankong Terminal Co., Ltd. contributed a profit of HK$3,977,000, a corresponding decrease of 2.9%; profit contributed by Shenzhen Yantian Port Chu Kong Logistics Co., Ltd. to the Group recorded a marked decrease of 133.2% due to the shrinkage of regional cargo volume.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. CARGO TRANSPORTATION BUSINESS *(continued)*

3. Investment in Jointly Controlled Entities *(continued)*

On 21st February 2011, Chu Kong River Trade Terminal Co., Ltd., a subsidiary of the Company, entered into an agreement in relation to the disposal of its entire interest (30%) in Dongguan Humen Great Trade Containers Port Co., Ltd. for a consideration of RMB28,062,000 (equivalent to about HK$32,979,000), and relevant procedures had been completed during the first half of the year.

II PASSENGER TRANSPORTATION BUSINESS

Along with recovering global economic activities, strengthened consumption power and robust tourist industry, the passenger transportation business of the Company maintained its steady growth. During the period, the number of passengers for agency services of CKPT was 2,855,000, a year-on-year increase of 10.2%; the number of passengers for terminal services was 3,022,000, increased by 12.5% year-on-year. This segment contributed a profit of HK$23,840,000 to the Group.

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)		
	2011	2010 (restated)	Change
Total number of passengers for agency services *(Note 1)*	**2,855**	2,591	10.2%
Total number of passengers for terminal services *(Note 2)*	**3,022**	2,686	12.5%

Notes:

(1) From May 2011 onwards, the figures include data in relation to those calling at Nansha Port.

(2) From July 2010 onwards, the statistics exclude the number of passengers arriving at China Ferry Terminal, which is free of charge, as such, certain data in 2010 Interim Report was restated to conform to the current period's presentation.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

II PASSENGER TRANSPORTATION BUSINESS *(Continued)*

2. Investment in Jointly Controlled Entities of CKPT

During the period, the number of passengers for terminal services of Skypier (operated by Hong Kong International Airport Ferry Terminal Services Limited) increased by 5.6% year-on-year, making a contribution of HK$7,065,000 to the profit after tax of the Group. The routes between Macau Taipa Temporary Ferry Terminal and the Hong Kong International Airport commenced operation since 2010, and it is expected that the number of transit passengers would continue to increase. During the period, the passenger volume of Zhongshan-Hong Kong Passenger Shipping Co-op Co., Ltd. and Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd. increased by 10.1% and 11.8% respectively. However, as a result of the significant rise in fuel prices, the share of profits attributable to the Group from them were HK$1,227,000 and HK$1,229,000 only. The total share of profit for these investments amounted to HK$9,521,000. In order to promote the integration of shipping lines by reducing overlaps of routes while maintaining number of sailings for the purpose for lowering operating costs, the Group implemented the "water and land union transportation" between Zhongshan Ferry Terminal and Jiangmen Ferry Terminal from March onwards, and managed to have vessels under Heshan Line calling at Zhongshan Port from July onwards.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

III OTHER BUSINESSES

In May 2011, the Company signed an asset swap agreement with CKSE. Pursuant to the agreement, the Company will sell 100% equity interest of Chu Kong Infrastructure Investment Limited, which holds 25% equity interest in Guangzhou-Foshan Expressway Ltd., to CKSE. Although the profit attributable to the Group dropped as a result of increased depreciation charges after the expansion, the effects of which on the Group's profit and loss by relevant business will be eliminated entirely after the investment business is disposed of, and relevant procedures will be completed by the end of the year.

Pursuant to the above asset swap agreement, the Company agreed to acquire the 100 % equity interest in CKS Container Terminal (Zhuhai Doumen) Co., Ltd. and the 25% equity interest in Zhong Shan Port Goods Transportation United Co., Ltd. held by CKSE. Relevant procedures will be completed by the end of the year.

In June 2011, the Group entered into an asset management agreement with CKSE, pursuant to which, the Company agreed to provide management services for part of CKSE's assets for a term commencing from 1 July 2011 to 30 June 2014. CKSE shall pay the Company the management fees during the term of the Management Agreement.

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 2011, the Group employed 486 employees in Hong Kong and remunerated its employees according to the duty of their positions and market conditions.

LIQUIDITY AND FINANCIAL RESOURCES

The Group keeps close track of its working capital and financial resources in an effort to maintain a solid financial position. As of 30th June 2011, the Group secured a total credit limit of HK$200,000,000 and RMB80,000,000 (equivalent to approximately HK$96,200,000) granted by bona fide banks.

As at 30th June 2011, the current ratio of the Group, represented by current assets divided by current liabilities, was 1.3 (31st December 2010: 0.9) and the debt ratio, representing total liabilities divided by total assets, was 25.8% (31st December 2010: 30.1%).

As at 30th June 2011, the Group's cash and cash equivalents amounted to HK$288,047,000 (31st December 2010: HK$278,802,000), which represents 10.7% (31st December 2010: 10.8%) of the total assets.

As at 30th June 2011, the gearing ratio of the Group, represented by bank borrowings divided by total equity and bank borrowings, was 6.8% (31st December 2010: 12.0%).

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 2011, the Group had utilised bank loan facilities amounting to HK$50,000,000 and RMB80,000,000 (equivalent to approximately HK$96,200,000) (31st December 2010: HK$140,000,000 and RMB90,000,000 (equivalent to approximately HK$105,770,000)), of which the portion in Hong Kong dollar was bearing floating rate and unsecured, while the portion in Renminbi was bearing floating rate and secured by certain land use rights and property, plant and equipment of Zhaoqing New Port Co., Ltd..

EXCHANGE RISK

Currently, the ordinary operations, investments business and borrowings 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 incurred in Mainland China and repayments of the loans denominated in RMB. 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.

CONTINGENT LIABILITIES

(a) Corporate guarantee given by the Group

At 30th June 2011, the Group gave a corporate guarantee of RMB26,250,000 (equivalent to approximately HK$31,566,000) for a jointly controlled entity in respect of loans granted to the jointly controlled entity.

(b) Guarantee given by a jointly controlled entity

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

As at 30th June 2011, 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 period, the directors and executives (including their spouses and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations required to be disclosed pursuant to the SFO.

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES OF THE COMPANY

As at 30th June 2011, 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 2011, 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 2011 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 19th September 2011 (Monday) to 23rd September 2011 (Friday), 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 16th September 2011 (Friday) for registration. Interim dividend will be payable on or before 21st October 2011.

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 2011.

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.

CORPORATE GOVERNANCE *(continued)*

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

In order to strengthen the corporate governance of the Company, the Company established the Nomination Committee in accordance with recommended best practices under the Code during the period. The Nomination Committee is comprised of a majority of non-executive directors and the terms of reference are presented in written form, which was passed by the board after discussion on 30th August 2011.

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. Liu Weiqing ("Mr. Liu") has been appointed as the chairman of board of directors and non-executive director of the Company for an initial term commencing from 20th June 2011 until the next Annual General Meeting of the Company and Mr. Liu will act as the chairman of the Nomination Committee of the Company with effect from the same date.

Mr. Liu, aged 54, has been appointed as the chairman of board of directors and non-executive director of the Company since 20th June 2011, and is responsible for the planning and decision making of the Group. He obtained a Master Degree in Engineering from The Changsha University of Science and Technology in 2003 and has worked in transportation sectors for more than 34 years. Mr. Liu was appointed as the Chairman and Legal Representative of GPNHCL in January 2008 and the Chairman of CKSE in February 2008.

DIRECTORS *(continued)*

Mr. Huang Liezhang ("Mr. Huang") has been appointed as the Managing Director of the Company for an initial term commencing from 20th June 2011 until the next Annual General Meeting of the Company. Mr. Huang has also been appointed as chairman of the Executive Committee, a member of the Nomination Committee and Remuneration Committee of the Company with effect from the same date.

Mr. Huang, aged 44, has been appointed as the Managing Director of the Company since 20th June 2011, and is responsible for the operation and development of the Group. He obtained a Master Degree in Management from Asia International Open University (Macau) in August 2004. He is also a certified economist in the PRC. Mr. Huang has more than 23 years of experience in navigation and terminal logistics management and administration management.

Mr. Yu Qihuo ("Mr. Yu") has been appointed as a Non-Executive Director of the Company for an initial term commencing from 20th June 2011 until the next Annual General Meeting of the Company. He has been appointed as a member of the Nomination Committee of the Company with effect from the same date.

Mr. Yu, aged 58, has been appointed as a Non-Executive Director of the Company since 20th June 2011, and participated in the planning and decision making of the Group. He has joined and been appointed as the Director and Deputy General Manager of CKSE since April 2009. Mr. Yu has worked in shipping sector since 1971. He has over 40 years of experience in navigation logistics, human resources and administration management.

Mr. Zhang Lei ("Mr. Zhang") has been appointed as a Non-Executive Director of the Company for an initial term commencing from 20th June 2011 until the next Annual General Meeting of the Company.

Mr. Zhang, aged 46, graduated from the School of Communication, South China University of Technology, majoring in shipping machine, and has been appointed as the Chairman of Yuet Hing Marine Supplies Co., Ltd. since February 2011. Mr. Zhang has over 25 years of experience in marine industry management.

DIRECTORS *(continued)*

Save as disclosed above, each of Mr. Liu, Mr. Huang, Mr. Yu and Mr. Zhang has not held any directorship in other listed public companies in the last three years and has no major appointments and qualifications; neither are they connected with any directors, senior management or substantial or controlling shareholders of the Company. Save as disclosed above, each of Mr. Liu, Mr. Huang, Mr. Yu and Mr. Zhang has no other appointments in the Company or its member companies; neither do they have any other interests in shares of the Company within the meaning of Part XV of the SFO (Cap. 571, Laws of Hong Kong).

There is no service contract entered into between the Company and each of Mr. Liu, Mr. Huang, Mr. Yu and Mr. Zhang. They are subject to retirement and rotation and re-election in accordance with the Articles of Association of the Company. Mr. Liu, Mr. Yu and Mr. Zhang receive no emolument for their respective term of directorship. The amount of emoluments of Mr. Huang for his initial term of directorship is HK$20,833.33 per month as determined by the Board with regard to his duties, responsibilities, and time spent on the affairs of the Company.

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

By Order of the Board
Huang Liezhang
Managing Director

Hong Kong, 30th August 2011

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 unaudited condensed consolidated interim financial information set out on pages 26 to 64, 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 2011 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 unaudited condensed consolidated 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 unaudited condensed consolidated interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this unaudited condensed consolidated 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 unaudited condensed consolidated 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 unaudited condensed consolidated interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30th August 2011

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2011

	Note	**As at 30th June 2011 HK$'000**	As at 31st December 2010 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	5	**1,118,732**	1,068,688
Investment properties	5	**9,994**	10,049
Land use rights	5	**306,431**	302,788
Intangible assets – goodwill		**38,032**	37,169
Jointly controlled entities		**474,188**	583,110
Loan to a jointly controlled entity	7	**–**	4,839
Land deposits		**45,734**	–
Deferred income tax assets		**1,526**	387
		1,994,637	2,007,030
Current assets			
Trade and other receivables	6	**267,669**	259,273
Loans to jointly controlled entities	7	**32,475**	27,629
Cash and cash equivalents		**288,047**	278,802
		588,191	565,704
Assets held for sale	8	**109,878**	–
		698,069	565,704
Total assets		**2,692,706**	2,572,734
EQUITY			
Share capital	9	**90,000**	90,000
Reserves		**1,724,511**	1,585,568
Final dividend proposed		**–**	36,000
Interim dividend declared		**9,000**	–
		1,823,511	1,711,568
Non-controlling interests		**174,063**	86,250
Total equity		**1,997,574**	1,797,818

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

(continued)
As at 30th June 2011

	Note	**As at 30th June 2011 HK$'000**	As at 31st December 2010 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**64,656**	54,377
Loans from the non-controlling interests of subsidiaries	12	**–**	3,104
Long term borrowings	10	**72,149**	82,266
		136,805	139,747
Current liabilities			
Trade and other payables	11	**407,898**	434,003
Loan from a jointly controlled entity	12	**24,050**	23,504
Loans from the non-controlling interests of subsidiaries	12	**23,707**	–
Short term borrowings	10	**50,000**	151,752
Current portion of long term borrowings	10	**24,052**	11,752
Income tax payables		**28,620**	14,158
		558,327	635,169
Total liabilities		**695,132**	774,916
Total equity and liabilities		**2,692,706**	2,572,734
Net current assets/(liabilities)		**139,742**	(69,465)
Total assets less current liabilities		**2,134,379**	1,937,565

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2011

	Note	Six months ended 30th June 2011 HK$'000	2010 HK$'000
Revenue	4	**628,829**	520,857
Cost of services rendered		**(493,532)**	(406,626)
Gross profit		**135,297**	114,231
Other income		**9,074**	4,524
Other gains – net	14	**31,740**	17,549
General and administrative expenses		**(92,263)**	(89,155)
Operating profit	13	**83,848**	47,149
Finance income		**1,106**	2,220
Finance cost		**(3,716)**	(3,035)
Share of profits less losses of jointly controlled entities	15	**22,385**	30,913
Profit before income tax		**103,623**	77,247
Income tax expense	16	**(21,674)**	(13,521)
Profit for the period		**81,949**	63,726
Attributable to:			
Equity holders of the Company		**73,282**	68,189
Non-controlling interests		**8,667**	(4,463)
		81,949	63,726
Earnings per share (HK cents)			
Basic and diluted	17	**8.14**	7.58
Dividends	18	**9,000**	18,000

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2011

	Six months ended 30th June	
	2011	2010
	HK$'000	HK$'000
Profit for the period	**81,949**	63,726
Other comprehensive income:		
Currency translation differences		
– Subsidiaries	**20,154**	2,583
– Jointly controlled entities	**12,121**	4,471
Transfer of exchange reserve upon disposal of a jointly control entity	**(1,587)**	–
Total comprehensive income for the period	**112,637**	70,780
Attributable to:		
Equity holders of the Company	**100,544**	74,649
Non-controlling interests	**12,093**	(3,869)
	112,637	70,780

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2011

		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 2011	90,000	787,762	128,835	23,009	171,997	(446,450)	956,415	1,621,568	1,711,568	86,250	1,797,818
Profit for the period	–	–	–	–	–	–	73,282	73,282	73,282	8,667	81,949
Other comprehensive income:											
Currency translation differences											
– Subsidiaries	–	–	17,426	–	–	–	–	17,426	17,426	2,728	20,154
– Jointly controlled entities	–	–	11,423	–	–	–	–	11,423	11,423	698	12,121
Transfer of reserves	–	–	–	–	–	929	(929)	–	–	–	–
Transfer upon a disposal of a jointly controlled entity *(note 14(b))*	–	–	(1,587)	–	–	–	–	(1,587)	(1,587)	–	(1,587)
Total comprehensive income for the period	–	–	27,262	–	–	929	72,353	100,544	100,544	12,093	112,637
Transaction with owners:											
Transfer upon disposal of a jointly controlled entity *(note 14(b))*	–	–	–	–	–	(4,207)	3,366	(841)	(841)	841	–
Partial disposal of a subsidiary, net of tax *(note 19)*	–	–	–	–	–	48,240	–	48,240	48,240	74,879	123,119
2010 final dividend	–	–	–	–	–	–	(36,000)	(36,000)	(36,000)	–	(36,000)
At 30th June 2011	90,000	787,762	156,097	23,009	171,997	(401,488)	996,134	1,733,511	1,823,511	174,063	1,997,574

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(continued)*

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											
– Subsidiaries	–	–	1,989	–	–	–	–	1,989	1,989	594	2,583
– Jointly controlled entities	–	–	4,471	–	–	–	–	4,471	4,471	–	4,471
Total comprehensive income for the period	–	–	6,460	–	–	–	68,189	74,649	74,649	(3,869)	70,780
Transaction with owners:											
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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

For the six months ended 30th June 2011

	Six months ended 30th June	
	2011	2010
	HK$'000	HK$'000
Net cash inflow from operating activities	**58,278**	34,322
Net cash generated from/(used in) investing activities	**85,364**	(103,561)
Net cash (used in)/generated from financing activities	**(136,783)**	28,865
Net increase/(decrease) in cash and cash equivalents	**6,859**	(40,374)
Cash and cash equivalents at beginning of the period	**278,802**	638,771
Effect of exchange rate changes	**2,396**	3,270
Cash and cash equivalents at the end of the period	**288,057**	601,667
Analysis of cash and cash equivalents		
Cash and bank balances	**288,047**	601,667
Cash and bank balances of a subsidiary reclassified as assets held for sale *(note 8)*	**10**	–
	288,057	601,667

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

Chu Kong Shipping Development Company Limited (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in cargo transportation, cargo handling and storage and passenger 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.

This unaudited condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated.

This unaudited condensed consolidated interim financial information has been approved for issue by the board of directors of the Company on 30th August 2011.

2 Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th June 2011 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 statements for the year ended 31st December 2010, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2 Basis of preparation *(Continued)*

The preparation of the unaudited condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the consolidated financial statements for the year ended 31st December 2010.

3 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2010, except the Group has adopted the following amendments to standards and interpretations issued by the HKICPA which are mandatory for the financial year beginning on or after 1st January 2011.

HKAS 32 (Amendment)	Classification of Rights Issue
HKFRS 1 (Amendment)	Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters
HK(IFRIC) – Int 14 (Amendment)	Prepayments of A Minimum Funding Requirement
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HKFRSs Amendments	Improvements to HKFRSs May 2010

The adoption of the above new HKFRSs in current period did not have any significant financial effect on the financial statements or result in any substantial changes in the Group's significant accounting policy.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 Accounting policies *(Continued)*

The HKICPA has issued the following new and revised standards and amendments to standards but not yet effective for the financial year beginning 1st January 2011:

		Effective for accounting periods beginning on or after
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets	1st January 2012
HKAS 27 (2011)	Separate Financial Statements	1st January 2013
HKAS 28 (2011)	Investments in Associate and Joint Ventures	1st January 2013
HKFRS 7 (Amendment)	Disclosure – Transfer of Financial Assets	1st July 2011
HKFRS 9	Financial Instruments	1st January 2013
HKFRS 10	Consolidated Financial Statements	1st January 2013
HKFRS 11	Joint Arrangements	1st January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1st January 2013
HKFRS 13	Fair Value Measurement	1st January 2013

The Group has not early adopted these new standards and amendments to standards in the unaudited condensed consolidated 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 statements will be resulted.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 Segment information

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 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

The board 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 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED 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	Total HK$'000
Six months ended 30th June 2011					
Total revenue	448,974	162,388	60,387	–	671,749
Inter-segment revenue	(7,957)	(34,963)	–	–	(42,920)
Revenue (from external customers)	441,017	127,425	60,387	–	628,829
Segment profit before income tax expense	3,727	65,129	27,508	7,259	103,623
Income tax expense	(1,972)	(12,725)	(3,668)	(3,309)	(21,674)
Segment profit after income tax expense	1,755	52,404	23,840	3,950	81,949
Segment profit before income tax expense includes:					
Finance income	194	362	9	541	1,106
Finance cost	–	(3,015)	–	(701)	(3,716)
Depreciation and amortisation	(5,371)	(26,042)	(148)	(344)	(31,905)
Share of profits less losses of jointly controlled entities	197	13,686	9,521	(1,019)	22,385

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED 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	Total HK$'000
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)	(414)	(24,391)
Share of profits less losses of jointly controlled entities	615	13,740	11,452	5,106	30,913

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED 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 2011						
Total segment assets	**503,196**	**1,730,693**	**430,098**	**801,217**	**(772,498)**	**2,692,706**
Total segment assets include: Jointly controlled entities	**25,206**	**191,078**	**227,022**	**30,882**	**–**	**474,188**
Total segment liabilities	**(399,984)**	**(610,769)**	**(76,236)**	**(380,641)**	**772,498**	**(695,132)**
As at 31st December 2010						
Total segment assets	467,157	1,600,970	423,349	721,643	(640,385)	2,572,734
Total segment assets include: Jointly controlled entities and long-term loan to a jointly controlled entity	24,485	196,698	235,558	131,208	–	587,949
Total segment liabilities	(348,705)	(525,455)	(69,856)	(471,285)	640,385	(774,916)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 Capital expenditure

	Property, plant and equipment HK$'000	**Investment properties HK$'000**	**Land use rights HK$'000**	**Total HK$'000**
Opening net book value as at 1st January 2011	**1,068,688**	**10,049**	**302,788**	**1,381,525**
Exchange differences	**17,462**	**–**	**6,930**	**24,392**
Additions	**59,425**	**–**	**–**	**59,425**
Acquisition of a subsidiary *(note 22(a))*	**2,000**	**–**	**–**	**2,000**
Disposal/write off	**(280)**	**–**	**–**	**(280)**
Depreciation and amortisation	**(28,563)**	**(55)**	**(3,287)**	**(31,905)**
Closing net book value as at 30th June 2011	**1,118,732**	**9,994**	**306,431**	**1,435,157**

	Property, plant and equipment HK$'000	Investment properties HK$'000	Land use rights HK$'000	Total HK$'000
Opening net book value as at 1st January 2010, as restated for merger accounting	596,566	4,910	407,320	1,008,796
Effect of adoption of HKAS 17 (Amendment)	189,485	7,265	(196,750)	–
Opening net book value as at 1st January 2010, as restated	786,051	12,175	210,570	1,008,796
Exchange differences	4,886	–	1,908	6,794
Additions	62,518	–	–	62,518
Disposal/write off	(5,652)	(2,016)	–	(7,668)
Depreciation and amortisation	(21,888)	(55)	(2,448)	(24,391)
Closing net book value as at 30th June 2010	825,915	10,104	210,030	1,046,049

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 Trade and other receivables

	As at 30th June 2011 HK$'000	As at 31st December 2010 HK$'000
Trade receivables, net of provision *(note (a))*:		
– third parties	**184,935**	143,161
– fellow subsidiaries	**5**	5
– jointly controlled entities	**2,000**	979
– other related companies	**1,589**	2,167
	188,529	146,312
Other receivables *(note (b))*:		
– immediate holding company	**7,285**	5,515
– jointly controlled entities	**14,445**	32,602
– other related companies	**704**	337
	22,434	38,454
Deposits and prepayments	**56,706**	74,507
Total trade and other receivables	**267,669**	259,273

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED 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 since invoice date is as follows:

	As at 30th June 2011 HK$'000	As at 31st December 2010 HK$'000
Within 3 months	**181,992**	144,608
4 to 6 months	**5,378**	1,422
7 to 12 months	**993**	104
Over 12 months	**4,366**	4,328
	192,729	150,462
Less: Provision for impairment	**(4,200)**	(4,150)
	188,529	146,312

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 Loans to jointly controlled entities

	As at 30th June 2011 HK$'000	As at 31st December 2010 HK$'000
Non-current		
– Unsecured	**–**	4,839
Current		
– Unsecured *(note (a))*	**32,475**	25,279
– Secured *(note (b))*	**–**	2,350
	32,475	27,629
Total loans to jointly controlled entities	**32,475**	32,468

Notes

(a) Loans aggregating HK$12,526,000, HK$5,303,000 and HK$3,463,000 (31st December 2010: HK$6,601,000, HK$3,878,000 and Nil) bear interest at floating rate announced by the People's Bank of China, 5.56% and 4.80% per annum respectively. The remaining loans to jointly controlled entities are interest free. Loans to jointly controlled entities are mainly denominated in Renminbi.

(b) As at 31st December 2010, a loan of HK$2,350,000 was secured by property, plant and equipment of a jointly controlled entity and bore interest rate at floating rate announced by the People's Bank of China. This loan was denominated in Renminbi and was settled during 2011.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 Assets held for sale

	As at 30th June 2011 HK$'000	As at 31st December 2010 HK$'000
Net assets of the Disposal Group reclassified as held for sale	**109,878**	–

On 31st May 2011 the Group entered into a sale and purchase agreement with its immediate holding company, pursuant to which the Group will dispose of its expressway business (the "Disposal Group") to the immediate holding company (note 24). Assets and liabilities of the Disposal Group are reclassified as held for sale.

	As at 30th June 2011 HK$'000
Assets	
A jointly controlled entity	**90,440**
Trade and other receivables	**19,428**
Cash and cash equivalents	**10**
	109,878
Liabilities	
Trade and other payables	**(464)**
Less: Amount due to group companies	**464**
	–
Net assets of the Disposal Group reclassified as held for sale	**109,878**

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 Share capital

	As at 30th June 2011 HK$'000	As at 31st December 2010 HK$'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

10 Borrowings

	As at 30th June 2011 HK$'000	As at 31st December 2010 HK$'000
Secured, short term bank loan	**–**	11,752
Unsecured, short term bank loan	**50,000**	140,000
	50,000	151,752
Secured, long term bank loans	**96,201**	94,018
	146,201	245,770

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 Borrowings *(Continued)*

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

	As at 30th June 2011 HK$'000	As at 31st December 2010 HK$'000
Repayable within one year	**24,052**	11,752
Repayable within one to two years	**36,075**	11,752
Repayable within two to five years	**36,074**	35,257
Repayable after five years	**–**	35,257
	96,201	94,018
Current portion included in current liabilities	**(24,052)**	(11,752)
	72,149	82,266

The secured bank loans at 30th June 2011 and 31st December 2010 were secured by certain land use rights and property, plant and equipment of the Group, bore interest at the floating rate announced by the People's Bank of China and denominated in Renminbi.

The unsecured bank loan was denominated in Hong Kong dollar and bore interest at Hong Kong Interbank Offered Rate plus 1.5% (31st December 2010: Hong Kong Interbank Offered Rate plus 1%) per annum.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 Trade and other payables

	As at 30th June 2011 HK$'000	As at 31st December 2010 HK$'000
Trade payables *(notes (a) and (b))*:		
– third parties	**216,152**	195,089
– immediate holding company	**5,201**	1,369
– fellow subsidiaries	**17,403**	14,692
– jointly controlled entities	**24,775**	27,897
– other related companies	**5,410**	6,782
	268,941	245,829
Other payables *(note (b))*:		
– third parties	**177**	39,582
– fellow subsidiaries	**48**	82
– jointly controlled entities	**30,100**	18,206
– other related companies	**389**	432
– owner of the non-controlling interest in a subsidiary	**–**	15,244
– key management	**1,847**	1,658
	32,561	75,204
Accruals	**106,396**	112,970
	407,898	434,003

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 Trade and other payables *(Continued)*

Notes:

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

	As at 30th June 2011 HK$'000	As at 31st December 2010 HK$'000
Within 3 months	**213,548**	241,724
4 to 6 months	**53,103**	200
7 to 12 months	**42**	123
Over 12 months	**2,248**	3,782
	268,941	245,829

(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.

12 Loans from a jointly controlled entity and the non-controlling interests of subsidiaries

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

Except for the loans amounting to HK$3,104,000 at 31st December 2010 which were not repayable within 12 months from balance sheet date, the remaining loans from the non-controlling interests of subsidiaries are repayable within 12 months. Except for loans amounting to HK$5,829,000 (31st December 2010: HK$3,104,000) which are interest free, all other loans from non-controlling interests of subsidiaries bear interest at the floating rate announced by the People's Bank of China. All loans from non-controlling interests of subsidiaries are unsecured and denominated in Hong Kong dollar or Renminbi.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 Operating profit

Operating profit is stated after charging the following:

	Six months ended 30th June	
	2011	2010
	HK$'000	HK$'000
Amortisation of land use rights	**3,287**	2,448
Costs of cargo transportation and container hauling and trucking (including fuel cost), passenger transportation, cargo handling and storage	**314,539**	261,232
Depreciation of property, plant and equipment	**28,563**	21,888
Depreciation of investment properties	**55**	55
Operating lease rental expenses		
– vessels and barges	**56,521**	53,118
– buildings	**13,286**	7,552
Staff costs (including directors' emoluments)	**105,874**	85,004

14 Other gains – net

	Six months ended 30th June	
	2011	2010
	HK$'000	HK$'000
Exchange gains, net	**6,670**	150
Gain on disposal of property, plant and equipment	**272**	663
Write-back of other payables *(note a)*	**–**	16,744
Provision for impairment of trade receivables	**(40)**	(8)
Gain on disposal of a jointly controlled entity *(note b)*	**24,597**	–
Gains on re-measurement of interest in a jointly controlled entity *(note 22 (a))*	**241**	–
	31,740	17,549

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 Other gains – net *(Continued)*

Note:

(a) The amount represented waiver given by a fellow subsidiary for service charges payable to that fellow subsidiary arisen in previous years.

(b) On 8th March 2011, the Group disposed of its entire shareholding in Dongguan Humen Great Trade Containers Port Co., Ltd., a jointly controlled entity, at a consideration of HK$32,979,000 and recognised a pre-tax gain of HK$24,597,000, of which HK$1,587,000 represents a realisation of exchange reserve.

15 Share of profits less losses of jointly controlled entities

	Six months ended 30th June	
	2011	2010
	HK$'000	HK$'000
Share of profits less losses before income tax	**33,802**	40,177
Share of income tax	**(11,417)**	(9,264)
	22,385	30,913

16 Income tax expense

	Six months ended 30th June	
	2011	2010
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**7,581**	8,352
– PRC corporate income tax	**11,158**	3,569
Deferred income tax	**2,935**	1,600
	21,674	13,521

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2010: 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 24% to 25% (2010: 22% to 25%).

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	
	2011	2010
Profit attributable to equity holders of the Company (HK$'000)	**73,282**	68,189
Weighted average number of ordinary shares in issue ('000)	**900,000**	900,000
Basic and diluted earnings per share (HK cents)	**8.14**	7.58

The diluted earnings per share for the six months ended 30th June 2011 and 2010 is equal to the basic earnings per share as there are no potential dilutive ordinary shares in issue during both periods.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 Dividends

	Six months ended 30th June	
	2011	2010
	HK$'000	HK$'000
Interim, declared, of HK1 cent (2010: HK2 cents) per ordinary share	**9,000**	18,000

On 30th August 2011, the board of directors declared an interim dividend of HK1 cent per ordinary share for the year ending 31st December 2011. 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 2011.

19 Partial disposal of a subsidiary without a loss of control

On 1st February 2011 the Group disposed of 20% equity interest in Chu Kong River Trade Terminal Co., Ltd. ("CKRTT"), originally a wholly-owned subsidiary, at a consideration of HK$131,368,000. The Group retains 80% equity interest and voting power in CKRTT after the disposal and retains control of the CKRTT's board.

HKAS 27 (Revised) "Consolidated and Separate Financial Statements" requires a change in ownership interest in a subsidiary that does not result in a loss of control to be accounted for as an equity transaction. As a result, net gain on disposal of HK$48,240,000 (after tax) is recognised directly in equity. The Group recognised 20% non-controlling interest amounting to HK$74,879,000 upon the disposal.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 Capital commitments

	As at 30th June 2011 HK$'000	As at 31st December 2010 HK$'000
Contracted but not provided for		
– Land use rights	**38,736**	47,260
– Property, plant and equipment	**34,670**	20,355
– Investments *(note (a))*	**251,532**	89,795
Authorised but not contracted for		
– Property, plant and equipment	**21,220**	26,689
– Investment *(note (b))*	**13,228**	–
	359,386	184,099

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

	As at 30th June 2011 HK$'000	As at 31st December 2010 HK$'000
Contracted but not provided for	**34,248**	13,839

Note:

(a) The commitments include outstanding investment in a jointly controlled entity, Guangzhou Nansha Chu Kong Terminal Company Limited, amounting to HK$89,795,000 (31st December 2010: HK$89,795,000) and net purchase consideration for the Assets Swap (note 24) amounting to HK$161,737,000 (31st December 2010: Nil).

(b) The commitment represents a purchase of an additional 13% equity interest in a subsidiary, Zhaoqing New Port Co., Ltd. from its non-controlling shareholders at HK$13,228,000 (31st December 2010: Nil).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 Related party transactions

The directors of the Group regard Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE") as its immediate holding company, which owns 69.0% (31st December 2010: 69.0%) of the Company's ordinary shares at 30th June 2011. The parent company of the Group is Guangdong Province Navigation Holdings Company Limited ("GPNHCL"), a state-owned enterprise established in the PRC.

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 2011 and 2010, 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 statements, 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 UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 Related party transactions *(Continued)*

(a) Transactions with related parties

		Six months ended 30th June	
	Note	**2011 HK$'000**	2010 HK$'000
Revenues:			
Shipping agency, river trade cargo direct shipment and transshipment income	(i)		
– fellow subsidiaries		**193**	336
– jointly controlled entities		**5**	5,213
– a related company		**106**	98
Passenger transportation agency fees	(i)		
– fellow subsidiaries		**1,968**	818
– jointly controlled entities		**4,372**	3,709
– other related companies		**1,547**	1,764
Ferry terminal operation service fees	(i)		
– fellow subsidiaries		**2,408**	2,605
– jointly controlled entities		**11,404**	9,718
– other related companies		**5,983**	5,302
Management service fees	(ii)		
– a fellow subsidiary		**5,371**	5,237
– jointly controlled entities		**1,126**	1,125
– a related company		**110**	–
Vessel rental income	(i)		
– a related company		**980**	942
Office rental income	(i)		
– a fellow subsidiary		**1,068**	600
– a jointly controlled entity		**3**	–
Loan interest income	(iii)		
– jointly controlled entities		**664**	350
Proceeds from disposal of property, plant and equipment	(iv)		
– immediate holding company		**–**	7,473

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 Related party transactions *(Continued)*

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

	Note	Six months ended 30th June **2011** **HK$'000**	2010 HK$'000
Expenses:			
Shipping agency, river trade cargo direct shipment and transshipment expenses	(i)		
– a fellow subsidiary		**8,127**	5,635
– jointly controlled entities		**4,867**	4,000
– other related companies		**7,194**	7,338
Wharf cargo handling, cargo transportation and godown storage expenses	(i)		
– a fellow subsidiary		**7,618**	6,161
– jointly controlled entities		**19,620**	16,473
– a related company		**54**	49
Agency fee expense	(i)		
– fellow subsidiaries		**192**	37
– jointly controlled entities		**815**	206
– other related companies		**103**	14
Ferry terminal operation services fee	(i)		
– a fellow subsidiary		**2,853**	2,865
Luggage handling fee	(v)		
– a related company		**3,879**	3,861
Fuel charges	(i)		
– a fellow subsidiary		**42,382**	28,395
Vessel rental expenses	(i)		
– jointly controlled entities		**9,776**	10,890
Warehouse rental expenses	(vi)		
– immediate holding company		**2,735**	2,500
Office rental expenses	(i)		
– immediate holding company		**1,092**	1,437
Staff quarter rental expenses	(i)		
– immediate holding company		**955**	1,483
Loan interest expenses	(vii)		
– a jointly controlled entity		**225**	257
Management fee expense	(viii)		
– immediate holding company		**3,600**	3,600

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 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) Management service fees were charged based on the actual costs incurred for the service provided.

(iii) Loan interest was charged to jointly controlled entities at the rates as disclosed in note 7.

(iv) Land and building with a carrying amount of HK$7,473,000 of a subsidiary were sold to immediate holding company at its carrying amount and no gain or loss was recognised.

(v) Luggage handling fee was charged at HK$3.3 per item of luggage at China Ferry Terminal, Tsim Sha Tsui by an associate of immediate holding company as set out in the respective agreement governing these transactions.

(vi) The Group leased a warehouse from immediate holding company and rental was charged pursuant to agreement as entered into between the Group and immediate holding company.

(vii) 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.

(viii) Management fee expenses were charged at HK$600,000 per month for IT services by immediate holding company as set out in the respective agreement governing these transactions.

(ix) During the six months ended 30th June 2011 and 2010, the Company and immediate holding company interchanged the use of certain own floors of Chu Kong Shipping Tower without any income or charges for such interchanging arrangement.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 Related party transactions (Continued)

(b) Key management compensation

	Six months ended 30th June	
	2011 **HK$'000**	2010 HK$'000
Salaries and allowances	**2,623**	2,431
Directors' fees	**747**	750
Retirement benefit scheme contributions	**160**	43
	3,530	3,224

(c) Loans to jointly controlled entities

	As at 30th June 2011 HK$'000	As at 30th June 2010 HK$'000
Beginning of the period	**32,468**	38,541
Exchange differences	**792**	–
Loans advanced	**6,946**	–
Loans repayments received	**(2,891)**	(10,320)
Reclassification *(note 22(a))*	**(4,840)**	–
End of the period	**32,475**	28,221
Analysed into:		
Current	**32,475**	20,831
Non-current	**–**	7,390
	32,475	28,221

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22 Business combinations

(a) Acquisition in 2011

On 7th February 2011, the Company acquired the remaining 49% equity interest in Chu Kong Air-Sea Union Transportation Company Limited ("Air-Sea"), and since then Air-Sea becomes a wholly-owned subsidiary of the Company.

In accordance with HKFRS 3 (Revised) "Business Combinations", the Group is required to re-measure its previously held interest in Air-Sea at its acquisition-date fair value and recognise the related gain/(loss), including reclassification adjustments of amounts previously recognised in other comprehensive income, in the profit and loss account.

Details on re-measurement of previously held interest in Air-Sea are as follows:

	HK$'000
Fair value of net assets in Air-Sea	
Property, plant and equipment	2,000
Deposits	600
Deferred tax assets	1,793
Trade and other receivables	12,666
Restricted deposits	600
Cash and cash equivalents	3,872
Loan from shareholders	(4,840)
Trade and other payables	(13,540)
Tax payables	(164)
	2,987
Equity interest previously held by the Company	51%
Share of fair value of net assets by the Company	1,523
Interest in Air-Sea previously recognised as a jointly controlled entity by the Company	(1,282)
Gain on re-measurement of interest in Air-Sea *(note 14)*	241

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22 Business combinations *(Continued)*

(a) Acquisition in 2011 *(Continued)*

Details of net assets acquired and goodwill are as follows:

	HK$'000
Cash consideration	1,464
Fair value of nets assets previously held by the Company	1,523
Total purchase consideration	2,987
Less: Fair value of net assets acquired as shown above	(2,987)
Goodwill arising from acquisition	–

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

	HK$'000
Cash consideration	(1,464)
Cash and cash equivalents acquired	3,872
Net cash inflow on acquisition	2,408

Air-Sea contributed revenue of HK$21,143,000 and net profit of HK$2,806,000 to the Group for the period from acquisition to 30th June 2011. If the acquisition had occurred on 1st January 2011, revenue and profit for the six-month period ended 30th June 2011 of the Group would have increased by HK$2,104,000 and HK$100,000 respectively.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22 Business combinations *(Continued)*

(b) Acquisition in 2010

On 5th May 2010, Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE"), 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 became the holding company of CKPT and its subsidiary (collectively the "Acquired Group"), now comprising the Group.

The transactions resulting from the Reorganisation above were regarded as business combinations under common control. Accordingly, the unaudited condensed consolidated interim financial information for the six months ended 30th June 2010 was 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.

Statements of adjustments for common control combinations of the Acquired Group on the Group's unaudited condensed consolidated balance sheet as at 30th June 2010 and the Group's results for the six-month period then ended are as follows:

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22 Business combinations *(Continued)*

(b) Acquisition in 2010 *(Continued)*

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22 Business combinations *(Continued)*

(b) Acquisition in 2010 *(Continued)*

Notes:

(i) Adjustments to eliminate the investment costs and share capital of the Acquired Group against reserves.

(ii) Adjustments to eliminate the intra-group balances as at 30th June 2010.

(iii) Adjustments to eliminate the inter-group transactions for the six-month period ended 30th June 2010.

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.

23 Contingent liabilities

(a) Corporate guarantee given by the Group

At 30th June 2011, the Group gave a corporate guarantee of RMB26,250,000 (equivalent to approximately HK$31,566,000) for a jointly controlled entity in respect of loans granted to the jointly controlled entity.

(b) Guarantee given by a jointly controlled entity

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 UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

24 Events after the balance sheet date

Assets Swap with CKSE

On 31st May 2011, the Company entered into a sale and purchase agreement with CKSE, an immediate holding company. Pursuant to the agreements, the Company agreed to dispose of its 100% equity interest in Chu Kong Infrastructure Investment Limited, holding 25% of Guangzhou-Foshan Expressway Ltd. to CKSE for the acquisitions of 100% equity interest in CKS Container Terminal (Zhuhai Doumen) Co., Ltd. ("ZHDM") and 25% equity interest in Zhong Shan Port Goods Transportation United Co., Ltd. ("ZPGTU"), with the difference between the fair value of these equity interests amounting to RMB134,500,000 (equivalent to approximately HK$161,737,000) being settled by the Company in cash (the "Assets Swap"). The transaction is expected to be completed by the end of 2011.

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. Also, the accounting information of the Assets Swap has not been finalised and the financial effects of the Assets Swap cannot be estimated reliably.

Upon the completion of the Assets Swap, ZHDM will become a wholly-owned subsidiary and ZPGTU will become a jointly controlled entity of the Company.

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