Annual Report
2011

CKS

CHU KONG SHIPPING DEVELOPMENT COMPANY LIMITED

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

Stock Code : 00560

Contents

" Jointly Create Fortune
Jointly Enjoy Achievements"

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

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

Corporate Information

NON-EXECUTIVE DIRECTORS

Mr. Liu Weiqing (Chairman)

Mr. Yu Qihuo

Mr. Zhang Lei

EXECUTIVE DIRECTORS

Mr. Huang Liezhang
(Managing Director)

Mr. Zhang Daowu

Mr. Hua Honglin

Mr. Yang Bangming

Mr. Huang Shuping

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Kay-cheung

Ms. Yau Lai Man

Mr. Chow Bing Sing

COMPANY SECRETARY

Ms. Cheung Mei Ki, Maggie

AUDIT COMMITTEE

Mr. Chan Kay-cheung

Ms. Yau Lai Man

Mr. Chow Bing Sing

EXECUTIVE COMMITTEE

Mr. Huang Liezhang

Mr. Zhang Daowu

Mr. Hua Honglin

Mr. Yang Bangming

Mr. Huang Shuping

NOMINATION COMMITTEE

Mr. Liu Weiqing

Mr. Chan Kay-cheung

Ms. Yau Lai Man

Mr. Chow Bing Sing

REMUNERATION COMMITTEE

Mr. Chan Kay-cheung
Ms. Yau Lai Man
Mr. Chow Bing Sing
Mr. Huang Liezhang

AUDITOR

PricewaterhouseCoopers

PRINCIPAL BANKS

Bank of China (Hong Kong)
Nanyang Commercial Bank
Bank of Communications
Bank of East Asia
CITIC Bank International

REGISTRAR

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

REGISTERED OFFICE

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

BUSINESS HEADQUARTERS

24th Floor, Chu Kong Shipping Tower
143 Connaught Road
Central
Hong Kong
Tel: (852) 2581 3799
Fax: (852) 2851 0389
Website: www.cksd.com

Structure Of The Group

- Shenzhen Yantian Port Chu Kong Logistics Co., Ltd. — 40%
- Chu Kong Logistics (Singapore) Pte. Ltd. — 60%
- Guangzhou Nansha Chu Kong Terminal Company Limited — 65%
- Zhong Shan Port Goods Transportation United Co., Ltd. — 25%

- Chu Kong Passenger Transport Company Limited — 100%
  - Chu Kong Tourism Company Limited — 100%
  - Hong Kong International Airport Ferry Terminal Services Limited — 60%
  - Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd — 40%
  - Zhongshan-Hong Kong Passenger Shipping Co-op Co., Ltd — 40%

Subsidiary

Jointly Controlled Entity

Associate

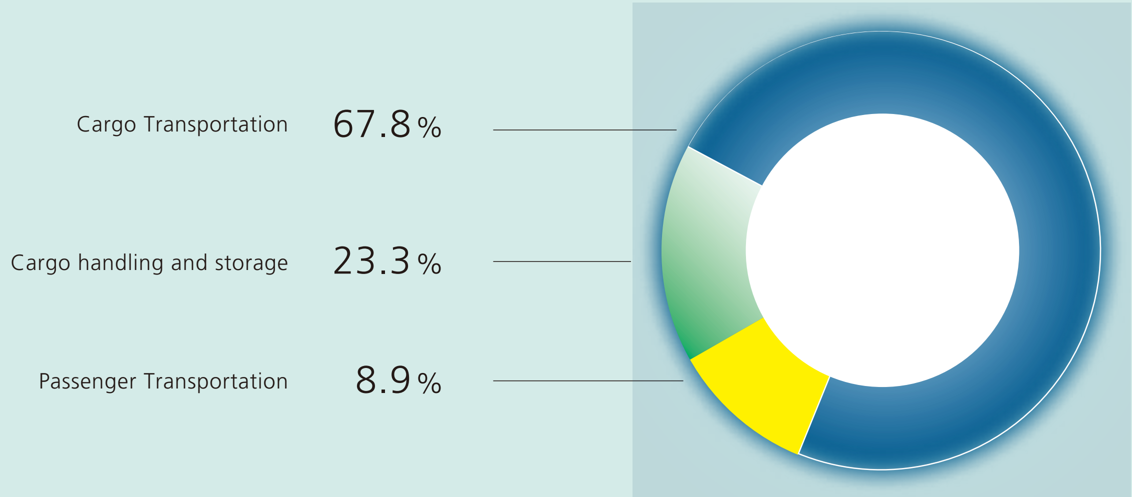
" We Believe In Our Missions"

Financial Highlights

(HK$ Million)	2011	2010 (restated)	Change %
Revenue	1,384.4	1,172.9	18.0
Profit attributable to the equity holders of the Company	146.8	160.1	(8.3)
Total assets	2,909.4	2,700.1	7.8
Net assets	1,976.1	1,918.7	3.0

Financial Ratio			
Operating profit margin (%)	11.2	11.1	0.9
Current ratio	0.9	1.0	(10.0)
Debt ratio (%)	32.1	28.9	11.1

Distribution of the Group's revenue in 2011 by operating segments:



Chairman's Statement

In 2011, Chu Kong Shipping Development Company Limited (the "Company") and its subsidiaries (the "Group") possessed itself to respond to the difficulties brought by the financial crisis and aimed at becoming stronger and better through aggressive and professional operation and integration of resources. Besides, it seized opportunities for development, acquired quality assets to achieve low-cost expansion. Hence, it achieved better operating results. I am pleased to announce that the Group recorded a consolidated revenue for the year ended 31st December 2011 amounting to HK$1,384,423,000, up by 18.0% against last year; profit for the year was HK$157,686,000, up by 4.4% against last year, which included, profit attributable to equity holders of the Company was HK$146,819,000 and profit attributable to non-controlling interests was HK$10,867,000. The board recommends a final dividend of HK2.5 cents per share.

In 2011, the Group made the following achievements for the logistics of terminal and shipping: first is, through the formation of a logistics business department in the Mainland; we integrated the management of the affiliated enterprises for the logistics of terminal and shipping in Hong Kong and the Mainland in order to strengthen the coordination of resources, cargo sources, information etc. and shorten the management chain and enhance usage efficiency of resources. Second is driving multi-dimensional marketing. We implemented segmental marketing management in areas such as Foshan, Zhongshan and Zhaoqing; strengthened the internal cooperation between the Group's shipping and terminal business, actively advanced the construction of overseas marketing network, formed a comprehensive logistics team and provided one-stop integrated logistics services for key customers. Third is processing redevelopment. We reformed the existing business processes, implemented terminal central control management, and through the implementation of ISO quality system, we improved operational efficiency. Fourth is deepening our cooperation with major shipping and hubs companies in order to set up a domestic feeder services between Pearl River Delta and Shenzhen Western Ports so as to increase the business volume of terminal logistics.

The above measures achieved good results. In 2011, the Group's container transportation volume reached 1,069,000 TEU, representing a corresponding increase of 16.3% as well as a record high; the terminal container throughput was 981,000 TEU, representing a corresponding increase of 32.3%; the bulk cargo throughput was 1,702,000 tons, representing a corresponding increase of 20.8%. The tonnage of the several main terminals of the Group also achieved record highs; among these, the container throughput of Foshan Gaoming Terminal reached over 200,000 TEU, bringing a profit contribution of HK$36,504,000 for the Group; and the container throughput of both Zhuhai Civet Terminal and Zhaoqing New Port Terminal each reached over 100,000 TEU.

Mr. Liu Weiqing
(Chairman)

Chairman's Statement

For the high-speed passenger transportation business, we mainly made the following achievements: first is, through building an integrated marketing network, we organised and launched Taiwan promotional events, and actively participated in the Canton Fair and a series of promotional activities by the Hong Kong Tourism Board. We signed new and renewed contracts with 50 travel agencies that hold consignment tickets and 30 airlines that provide baggage tag through service. Second is, we lowered the operating costs and increased the resource utilisation through the organisation and implementation of call-port operation of Gaoming-Heshan route, and the "water and land union transportation" for the Zhongshan-Jiangmen route. Third is expanding new businesses. Chu Kong Tourism Company Limited has successfully obtained first class agent qualification for ticket consignment of Cotai Jet, which has become a new profit growth point for passenger transportation business. In 2011, the total number of passenger for agency services was 6,030,000, representing a corresponding increase of 10.9%; achieving growth for three consecutive years and a new record high of the Group.

In 2011, leveraging on its low gearing ratio with available liquidity, the Group grasped the chance to acquire quality assets and solidify its competitiveness for development. In 2011, through assets swap, the Company acquired 100% equity interest of CKS Container Terminal (Zhuhai Doumen) Co., Ltd. and 25% equity interest of Zhong Shan Port Goods Transportation United Co., Ltd. held by the immediate holding company; at the same time, the Company sold its wholly-owned stake in Chu Kong Infrastructure Investment Limited to the immediate holding company. This assets swap increased the scale and profitability of the Group's main business in logistics of terminal and shipping and detached the non-core business; therefore the Group could focus more on the core business and its competitiveness was enhanced.

The Company also signed an asset management agreement with the immediate holding company; whereby we manage 8 companies in logistics of terminal and shipping business and high-speed passenger business on behalf of the immediate holding company. Through asset management, not only can the Company earn an additional annual income not lower than HK$20,000,000, but can also achieve synergies, in order to lay a foundation for future overall listing of the parent company's assets. During the year, these 8 companies operated very well.

Gaoming Terminal

Chairman's Statement

The Company continued to enhance the level of corporate governance; promoted institutionalisation, transparency, standardisation and refinement of management. At board level, a nomination committee, responsible for the selection work of directors and senior management, was established and additional directors were appointed so as to strengthen the board. The Company hired a professional advisory body to give advices on improving and optimising the Group's management structure and to enhance decision-making efficiency and enforcement power through reorganising the structure and shorten the management chain. By forming settlement center and implementing a comprehensive budgetary management, fund safety and usage efficiency were strengthened.

In 2012, the Group will focus on "stronger, better and faster development;" we will hold onto the themes of "industrial upgrade and planning optimisation", overcome difficulties, continuously improve our quality and efficiency and achieve a sustainable and healthy development. We will focus on the followings:

First is making use of the competitive advantages of our resources and speeding up transformation and upgrade; to change from the traditional inland transportation and terminal handling to the modern logistics and integrated logistics. Making full use of our resources, such as the existing terminal network, storage facilities and fleet, we will extend toward both upstream and downstream of logistics chain, initially forming the "one-stop" logistics supply chain network with the Company's distinguishing features, creating a win-win situation for Hong Kong, western Shenzhen and Nansha Port Area in Guangzhou. Second is reinforcing cost control; to strengthen integrated budget management and centralised procurement. Third is selecting superior projects; to achieve low-cost expansion. Fourth is continuing improvement in the fundamentals of the Group; to accelerate the development of existing investment projects and to make contributions to profitability as soon as possible. Fifth is enhancing the level of corporate governance; to keep on improvement of the board and the communication policies of shareholders. Sixth is stimulating brand advantage and continuing on reform and innovation; to make CKS an everlasting brand.

The year of 2012 marks the 15th anniversary of the Company being listed in Hong Kong. I would like to represent the board of directors to take this opportunity to express its appreciation to the stakeholders for their support to the Company over the years, and its compliment to all staff for their dedication to the Company's development!

Liu Weiqing
Chairman

Hong Kong, 28th March 2012

" We Strive For Corporate Synergy"

Management Discussion and Analysis

REVIEW OF OPERATIONS

For the year ended 31st December 2011, the Group recorded a consolidated revenue of HK$1,384,423,000 an increase of 18.0% as compared with last year, profit for the year was HK$157,686,000, increased by 4.4% as compared with last year, which included, profit attributable to the equity holders of the Company was HK$146,819,000 and profit attributable to non-controlling interests was HK$10,867,000.

In 2011, the global economy was still fluctuating and the market continued to be obsessed by the European and U.S. Debt issues, in particular the fluctuation in financial system which was caused by the European Debt and the drastic decrease in demand from the European market, which affected the global economy, especially for import and export trading in China. However, the overall economy in China and the U.S. has been recovered beyond expectation. In the U.S., there was an obvious sign of economy recovery with a decreasing unemployment rate, which indicated that the recovery had improved the employment and labor markets. Under the tightening policy, the national economic growth rate in China reached 9.2% in 2011, which successfully achieved a soft landing for the economy. While maintaining a rather rapid growth in the economy, consumer price index continued to drop since July 2011 whereas purchase management index of the manufacturing industry in China started to increase since November 2011 and returned to 51.0% in February 2012, which indicated that the recovery will become more stable in China's economy. According to the General Administration of Customs of the PRC, in 2011, the total amount of import and export for foreign trade was US$3,642.06 billion, which represented an increase of 22.5% year-on-year; however, the decrease in demand from the European and U.S. markets had put a negative effect on import and export trading in China. Besides, the practice of China to adopt appreciation of RMB as a cushion to inflation is not favorable to export trading to certain extent, especially under the condition that the growth in export for foreign trading in China has slowed down since the second half of the year with a gradual reduction in trade surplus. According to the information, the total amount of import and export for foreign trading in Guangdong Province only recorded a growth of 16.4%, which was lower than the average growth at the national level. The container throughput in Hong Kong was 24,365,000 TEU, an increase of only 2.8% year-on-year. There was a decrease in the year-on-year growth in both ocean and inland river transportation.

Under the unfavorable condition in the global economy, the Group proactively expanded its businesses and promoted professionalised operation, and recorded a growth in major operation indicators during the year, of which container transportation volume recorded an increase of 16.3%. Break bulk cargoes transportation volume decreased by 23.4% year-on-year as containerisation and bulk cargo volume decreased. Container

Tuen Mun Godown Wharf

Zhongshan Terminal

Management Discussion and Analysis

and break bulk cargoes handling volume recorded an increase of 32.3% and 20.8% respectively. The market share of the Group in 33 category-2 ports in Pearl River Delta with which the Group has business relationship also continued to increase, from 20.3% of last year to 21.5%. Besides, the passenger transportation business recorded a stable growth, the number of passengers for agency services and terminal services recorded an increase of 10.9% and 17.5% respectively. Due to higher international oil prices and an increase of oil consumption, the Group's average unit price of oil increased by 31.8% as compared with last year and the total oil cost increased by more than HK$49,286,000 or 60.1%.

During the year, the subsidiaries engaged in freight-related business contributed a profit of HK$61,617,000, almost as the same as last year. The profit from the Group's investment in jointly controlled entities and associates involved in freight-related business reached HK$24,673,000, a decrease of 10.7% compared with last year. The passenger transportation business segment (including investment in subsidiaries, jointly controlled entities and associates) contributed a profit to the Group of HK$61,635,000, a decrease of 7.6% year-on-year.

During the year, the Group signed an assets swap agreement with its immediate holding company, Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE"). Pursuant to the agreement, the Company agreed to sell 100% of its equity interest in Chu Kong Infrastructure Investment Limited, which holds 25% equity interest in Guangzhou-Foshan Expressway Ltd. ("Guangzhou-Foshan Expressway"), to CKSE. Meanwhile, the Company agreed to acquire 100 % equity interest in CKS Container Terminal (Zhuhai Doumen) Co., Ltd. ("Doumen Terminal") and 25% equity interest in Zhong Shan Port Goods Transportation United Co., Ltd. ("ZPGTU") held by CKSE. Subsequently, the Group included the annual results of Doumen Terminal and the results of ZPGTU since the completion of the acquisition. The assets swap not only expanded its existing businesses but also minimized the impact brought by the operating loss of Guangzhou-Foshan Expressway.

1. Freight Business

Affected by the decrease in demand from the European and U.S. markets, imports and exports by the Mainland factories decreased correspondingly. However, economy maintained a more rapid growth in China, which led to the significant improvement on the structure of demand and indicated that domestic needs reinforced its influence in driving the economic growth. Consequently, there was a relative increase in major business operations of the Group during the year. The market share of the Group in 33 category-2 ports in Pearl River Delta with which the Group has business relationship was 21.5%, an increase of 1.2% as compared with 20.3% last year, which increase was sustained.

Zhongshan Terminal

Management Discussion and Analysis

I. Business Operation Indicators

Performance statistics of our major business operations are as follows:

Indicators	For the year ended 31st December 2011	2010 (restated) (Note 1)	Change
Cargo transportation volume			
Container transportation volume (TEU)	**1,068,921**	919,133	16.3%
Break bulk cargoes transportation volume (revenue tons)	**314,755**	411,079	–23.4%
Cargo handling volume			
Container handling volume (TEU) (Note 2)	**980,535**	741,326	32.3%
Volume of break bulk cargoes handled (revenue tons) (Note 2)	**1,701,893**	1,409,339	20.8%
Volume of container hauling and trucking on land (TEU) (Note 2)	**217,599**	216,494	0.5%

Note:

1. The restated data of 2010 included the annual figures of Doumen Terminal.

2. From February 2011 onwards, the data of CKSA was included.

II. Container Transportation

During the year, affected by the European and U.S. markets and the tightened customs policies, the import and export factory trading cargo and the renewable resource business in Pearl River Delta decreased to a certain extent. However, with great efforts and increasing number of areas for cooperation between Chu Kong Transhipment & Logistics Company Limited ("CKTL"), which operates our major container transportation business, and other major shipping companies, the cargo source of Connected Carrier Agreement ("CCA") of major shipping companies increased significantly. Meanwhile, the Group established a close cooperation with Shenzhen Western Ports and developed various domestic feeder services which connect the inland ports in Pearl River Delta and Shenzhen Western Ports Area with major shipping companies. These measures drove the growth in container transportation volume and led to a year-on-year increase of 16.3% in container transportation volume. The expansion of marketing network and the deepened cooperation with major shipping companies helped to expand and strengthen its market share. The market share of 33 category-2 ports having business with the Group in Pearl River Delta remained a sustainable increase.

Management Discussion and Analysis

III. Break Bulk Cargoes Transportation

Under the promotion of its professionalised operation, the Group readjusted the business structure of its subsidiaries located in Hong Kong and CKTL was responsible for the Group's break bulk cargoes transportation business. Break bulk cargo was mainly divided into bulk cargo and general cargo that mainly focused on the sales to Hong Kong and transshipment cargo. The break bulk cargo business of the Group predominately served small-to-medium size enterprises. The Group is one of the shipping companies that run the largest number of Guangdong-Hong Kong route for break bulk cargoes. In recent years, as there has been a trend of containerisation and affected by the economy in surrounding regions and the decrease in bulk cargoes, break bulk cargoes transportation volume decreased by 23.4%. In 2011, the Group successfully won the tender and extended the contracts for 11 berths in Public Cargo Working Areas in Hong Kong. Following business integration, Chu Kong Agency Company Limited ("CKA") is currently engaging in the vessels management and customs declaration. Wharf handling business of the Group in Hong Kong, including container and break bulk cargo handling business, is mainly operated by Chu Kong Godown Wharf & Transportation Company Limited.

IV. Wharf Handling

Benefited from the increase in business volume of the newly acquired terminals and the change in operation mode with domestic and foreign trade, the Group's core terminal business volume also recorded marked growth year-on-year as its container and break bulk cargoes handling volume rose by 32.3% and 20.8% respectively.

Leveraging on its capability of fast customs clearance, Chu Kong Cargo Terminals (Gaoming) Co., Ltd. vigorously explored container cargo sources of foreign-trade export factory, and introduced export cargoes from various major shipping companies, which successfully attracted a number of international liner companies to select that terminal as their base port. The company adopted a multi-dimensional marketing model. During the year, container handling volume for foreign trade exceeded 200,000 TEU and total container throughput of the terminal significantly increased by 38.1% year-on-year, its profit contribution to the Group of HK$36,504,000 increased by 48.5% over last year.

Under the situation of and policy on customs clearance, the business of containers for renewable resources of Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd. dropped. However, the company adjusted its strategy in time according to the condition and paid more efforts in marketing for factory trade cargo, in particular, stones, ceramics and local products. There were stable and increasing sources from factory trade cargo during the year; the container handling volume for the year increased by 18.3% and its profit contribution to the Group increased by 32.7%.

Backed by the Asia renewable resource base, the core business of Zhaoqing Chu Kong Logistics (Sihui) Co., Ltd. developed rapidly. With more efforts paid in expanding markets and perfection of customs process, business volume of ceramics container and renewable resources businesses increased significantly. The business volume recorded a significant growth for the year; the container handling volume of the company for the year increased by 52.6% over last year. The profit attributable to the Group was HK$5,073,000 which was significantly increased by 158.9% year-on-year as affected by lower net profit base in prior year.

Management Discussion and Analysis

Zhaoqing New Port Co., Ltd. ("Zhaoqing New Port Terminal") expected to expand its foreign trade business in 2012 successfully. During the year, the terminal still focused on domestic trade and secured stable bulk cargo sources through actively explored in markets. Container for domestic and foreign trade and bulk cargo throughput significantly increased 35.7% and 270.0% year-on-year respectively. Affected by the loan interests and depreciation expenses incurred during the year, the company still recorded a loss of HK$11,670,000, representing a decrease in loss of HK$9,451,000 year-on-year.

The container handling volume for the year of Chu Kong Cargo Terminals (Kangzhou) Co., Ltd. increased by 19.5% year-on-year and the revenue for cargo handling recorded an increase as compared with last year. As setting off against the significant increase in staff salary, depreciation on fixed assets and loss on jointly leased vessels, the company's profit contribution to the Group decreased by 87.4%. In the future, the company will stabilize its domestic foreign trade business as well as strive for export cargoes from local market, optimise cargo source structure and strengthen its cooperation with shipping companies.

During the year, the vehicle inspection centre operated by Zhaoqing Chu Kong Logistics (Dawang) Co., Ltd. completed the integration of vehicle inspection centers in Zhaoqing, which allowed the smooth transfer of customers. However, operating revenue of the company was affected as the integration process took longer time than scheduled. During the year, as vehicle inspection centers in Zhaoqing lost certain customers, vehicle inspection centres of Dawang completed inspection for 25,000 vehicles, a decrease of 3.8% year-on-year.

With nurturing for two years, the wharf business of Civet (Zhuhai Bonded Area) Logistics Company Limited is becoming mature. After the appointment of the management by the Group, they improved the customs situation at the terminal, enhanced the competitiveness of the terminal and attracted more new customers and shipping companies, and hence resulting in a rapid growth in cargo handling volume. During the year, a total container throughput of 138,000 TEU was recorded, a significant increase of 59.3% year-on-year and the loss decreased by HK$3,973,000.

On 3rd February 2011, the Group completed the acquisition of 49% equity interest in Chu Kong Air-Sea Union Transportation Company Limited ("CKSA") and consolidated the results since 4th February 2011 according to the 100% shareholding. In 2010, profit attributable to the 51% equity interest held by the Group only amounted to HK$1,889,000. Upon the acquisition, the Group reinforced its management and successfully attracted a number of major customers, which effectively expanded its business scope and contributed a profit of HK$6,788,000 to the Group for the year.

Affected by the customs policies, the container handling volume of the newly acquired Doumen Terminal dropped by 15.3%, a profit contributed to the Group of HK$15,504,000 for the year. In the future, through strengthening the relationship with major customers and continuous promotion of the improvement on terminal operation model, the container handling volume is expected to grow.

Management Discussion and Analysis

V. Investment in Jointly Controlled Entities and Associates

As continuously impacted by domestic environmental policies and customs policies, the profit attributable by some of the Group's investment entities decreased. The container handling volume and break bulk cargo handling volume of Foshan Nankong Terminal Co., Ltd. decreased, contributing a profit of HK$4,459,000 to the Group and representing a decrease of 34.3% year-on-year; profit of Chu Kong Cargo Terminals (Beicun) Co., Ltd. attributable to the Group was HK$165,000, a year-on-year decrease of 83.1%; Foshan New Port Ltd. contributed a profit of HK$14,720,000, a decrease of 3.0% year-on-year; Shenzhen Yantian Port Chu Kong Logistics Co., Ltd. contributed a loss of HK$1,591,000 due to its higher cost.

For other terminals, profit of Sanshui Sangang Containers Wharf Co., Ltd. attributable to the Group was HK$2,355,000, a year-on-year increase of 9.2%; a stable growth in results of Guangdong Sanbu Passenger and Freight Transportation Co., Ltd. with a profit attributable to the Group of HK$993,000, a year-on-year increase of 75.5%; and there was a breakeven of Guangdong Zhu Chuan Navigation Co., Ltd.

Chu Kong Logistics (Singapore) Pte. Ltd. promoted the setting up of foreign marketing network and signed contracts and established business relationship with a number of freight forwarding companies. It successfully set up an agency network in South-East Asia and obtained satisfactory responses. During the year, the company contributed a profit of HK$608,000 to the Group, an increase of 38.3% year-on-year.

2. Passenger Transportation Business

The business of Chu Kong Passenger Transport Company Limited ("CKPT") recorded a stable growth with a total number of passengers for agency services of 6,030,000 during the year, an increase of 10.9% year-on-year. Guangdong-Hong Kong urban routes carried a number of passengers for agency services of 4,357,000, an increase of 8.2% year-on-year and airport routes were 1,673,000, an increase of 18.5% year-on-year. Except for Gaoming, Heshan, Jiangmen and Fuyong, other Guangdong-Hong Kong routes recorded a growth, of which Panyu, Zhongshan, Zhuhai, Shunde recorded a substantial growth for urban routes. As CKPT promoted its cooperation with tour companies in Guangdong, Hong Kong and Macau, traveling resources can be shared among the areas. It is believed that the number of cross-border visitors will further increase in these three regions.

Apart from this, there was a rapid growth in the sales of ferry tickets for Hong Kong-Macau routes of Chu Kong Tourism Co., Ltd., ("CK Tourism") which obtained the qualification as a First Class Ticketing Sales Agency for Cotai Jet, and established ticket alliance with various travel agencies, and finally increasing its market shares in terms of sales.

CKPT and CK Tourism contributed a total profit of HK$41,215,000 to the Group for the year.

Doumen Terminal

Shunde Passenger Terminal

Management Discussion and Analysis

I. Business Operation Indicators

Performance statistics of the major business operations are as follows:

	For the year ended 31st December Number of Passengers (in thousands)		
Indicators	**2011**	2010	Change
Number of passengers for agency services	**6,030**	5,436	10.9%
Number of passengers for terminal services	**6,348**	5,401	17.5%

II. Investment in Jointly Controlled Entities and Associates of CKPT

During the year, the number of passengers for terminal services of Skypier increased by 6.9% year-on-year with the number of passengers of 2,397,000. Hong Kong International Airport Ferry Terminal Services Ltd contributed a net profit after tax of HK$13,101,000 to the Group, up 8.4%. The passenger volume of Zhongshan-Hong Kong Passenger Shipping Co-op Co., Ltd. ("Zhongshan Passenger Terminal") and Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd. increased. However, as a result of the increase in oil cost, the share of profits attributable to the Group from them decreased, amounting to HK$4,501,000 and HK$2,818,000 respectively. The total share of profit for these investments amounted to HK$20,420,000.

In order to reduce the pressure from oil cost, the Group implemented the "water and land union transportation" between Zhongshan Passenger Terminal and Jiangmen Passenger Terminal from March onwards, and managed to have vessels under Heshan Line calling at Zhongshan Passenger Terminal from July onwards.

3. Other Businesses

In May 2011, the Company signed an assets swap agreement with CKSE. Relevant procedures had been completed by the end of the year, and the results of Guangzhou-Foshan Expressway would be excluded from 2012 onwards.

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 1st July 2011 to 30th June 2014. CKSE shall pay the Company the management fees during the term of the Management Agreement.

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

Management Discussion and Analysis

Financial Review

Review Of Financial Results

The Group recorded a profit attributable to equity holders of the Company of HK$146,819,000 in 2011, representing a decrease of HK$13,267,000 or 8.3%, as compared with last year, details of which are as follows:

	2011 HK$'000	2010 HK$'000 (restated)	Change HK$'000
Net operating profit*	102,831	103,360	–529
Share of profits less losses of jointly controlled entities and associates	43,988	56,726	–12,738
Profit attributable to equity holders of the Company	146,819	160,086	–13,267

* Net operating profit represents operating profit after finance income, finance cost, income tax expense and non-controlling interests (excluding share of profits less losses of jointly controlled entities and associates).

The Group's share of profits less losses of jointly controlled entities and associates for 2011 decreased by HK$12,738,000 or 22.5% from last year to HK$43,988,000. Among these: profit after taxation attributable to cargo transportation business was HK$24,673,000, profit after taxation attributable to passenger transportation business was HK$20,420,000 and Guang-Fo Expressway recorded a loss of HK$1,105,000.

Dividends

To align with our mission to jointly enjoy achievements with our shareholders, the Group has maintained a consistent dividend payout policy. With reference to the current cash and cash equivalents, the percentage of the profit attributable to the equity holders of the Company to the amount of dividends paid ("Dividend Coverage") was slightly decreased in 2011. The Group's Dividend Coverage in the past five years was as follows:

	Dividends per share HK$	Total dividends HK$'000	Profit Attributable to equity holder of the Company HK$'000	Dividend Coverage
2007	0.06	54,000	143,080	37.74%
2008	0.05	45,000	116,632	38.58%
2009	0.035	31,500	116,025	27.15%
2010 (restated)	0.06	54,000	160,086	33.73%
2011*	0.035	31,500	146,819	21.45%

* Dividends per share for 2011 included a proposed final dividend of HK$0.025 per share.

Employees

As at 31st December 2011, the Group employed 433 employees in Hong Kong and remunerated its employees according to the duty of their positions and market conditions.

Management Discussion and Analysis

Liquidity and Financial Resources

The Group keeps close track of its circulating capital and financial resources in an effort to maintain a solid financial position. As at 31st December 2011, the Group secured a total credit limit of HK$250,000,000 and RMB69,700,000 (equivalent to approximately HK$85,975,000) granted by bona fide banks.

As at 31st December 2011, the current ratio of the Group, represented by current assets divided by current liabilities, was 0.9 (2010 restated: 1.0) and the debt ratio, representing total liabilities divided by total assets, was 32.1% (2010 restated: 28.9%).

As at 31st December 2011, the Group's cash and cash equivalents amounted to HK$331,156,000 (2010 restated: HK$291,904,000), which represents 11.4% (2010 restated: 10.8%) of the total assets.

As at 31st December 2011, the gearing ratio of the Group, represented by bank borrowings divided by total equity and bank borrowings, was 12.6% (2010 restated: 11.4%).

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 31st December 2011, the Group had utilised bank loan facilities amounting to HK$200,000,000 and RMB69,700,000 (equivalent to approximately HK$85,975,000) (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 Terminal.

Exchange Risk

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

Currency Structure

As at 31st December 2011, cash and cash equivalents held by the Group, of which 44.8% were denominated in Hong Kong dollar ("HKD"), 41.1% in Renminbi ("RMB"), 11.1% in United States dollar ("USD"), 3.0% in Macau pataca and a small amount Euro, deposited with several banks of good reputation are as follows:

	Amount HK$'000	**Percentage** %
HKD	148,229	44.8
RMB	136,277	41.1
USD	36,606	11.1
Macau pataca	9,970	3.0
EURO	4	0.0
	331,156	100.0

Management Discussion and Analysis

Capital Structure

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

Capital Commitments

Details of capital commitments of the Group and the Company are set out in note 33(a) to the financial statements.

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

Financial Management And Control

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

Given the characteristics of the core business of the Group, emphasis of routine financial control is placed on the management of working capital, particularly the timely receipts of trade receivables. As at 31st December 2011, net trade receivables of the Group amounted to HK$185,586,000, an increase of 22.9% as compared with last year, 95.6% of which was aged within 3 months. The exposure to bad debts was controlled at a comfortable level.

Contingent Liabilities

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.

Events After the Balance Sheet Date

On 9th December 2011, the Company successfully won the tender of 13% equity interest in Zhaoqing New Port Terminal for RMB9,146,000 (equivalent to approximately HK$11,282,000) including the auction administrative cost of RMB305,000 (equivalent to approximately HK$376,000), and relevant procedures for industrial and commercial registration is in process. The transaction is expected to be completed by June 2012. Upon completion of relevant procedures, the Group will hold 90% equity interest in Zhaoqing New Port Terminal.

High-speed Passenger Ferry

Chu Kong Shipping Tower

" We Target On Better Corporate Governance"

Report Of The Directors

(Back row from left to right): Mr. Zhang Lei (Non-executive Director), Mr. Yang Bangming (Executive Director), Mr. Yu Qihuo (Non-executive Director), Mr. Zhang Daowu (Executive Director), Mr. Hua Honglin (Executive Director), Mr. Huang Shuping (Executive Director)

(Front row from left to right): Ms. Yau Lai Man (Independent Non-executive Director), Mr. Chan Kay-cheung (Independent Non-executive Director), Mr. Liu Weiqing (Chairman), Mr. Huang Liezhang (Managing Director), Mr. Chow Bing Sing (Independent Non-executive Director)

The directors are pleased to present their report and the audited financial statements of the Company and its subsidiaries (the "Group") for the year ended 31st December 2011.

Principal Activities And Geographical Analysis Of Operations

The principal activity of the Company is investment holding. The principal activities of the subsidiaries, jointly controlled entities and associates are set out in notes 10 and 11.

The Company had sold the expressway business this year. Besides the disposal of the expressway business, there were no other significant changes in the principal activities of the Group during the year.

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

Results And Appropriations

The Group's results for the year ended 31st December 2011 is set out on page 53 of the annual report. An interim dividend of HK1 cent per ordinary share was declared during the year, totalling HK$9,000,000, which was paid on 21st October 2011. The directors have proposed a final dividend of HK2.5 cents per ordinary share for the year, totalling HK$22,500,000 to shareholders on the register of members on 30th May 2012.

Financial Summary

A summary of the financial information of the Group for the last five financial years is set out on page 137 of the annual report. This summary does not form part of the audited financial statements.

Report Of The Directors

Property, Plant And Equipment And Investment Properties

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

Share Capital

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

Reserves

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

Distributable Reserves

As at 31st December 2011, the Company's reserves available for distribution, calculated in accordance with the provisions of Section 79B of the Hong Kong Companies Ordinance, amounted to HK$693,982,000 of which HK$22,500,000 has been proposed as final dividend for the year.

Major Customers And Suppliers

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

Directors

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

Non-executive Directors:
Mr. Liu Weiqing (Chairman) (Appointed on 20th June 2011)
Mr. Yu Qihuo (Appointed on 20th June 2011)
Mr. Zhang Lei (Appointed on 20th June 2011)

Executive Directors:
Mr. Huang Liezhang (Managing Director) (Appointed on 20th June 2011)
Mr. Zhang Daowu
Mr. Hua Honglin
Mr. Yang Bangming
Mr. Huang Shuping

Independent Non-executive Directors:
Mr. Chan Kay-cheung
Ms. Yau Lai Man
Mr. Chow Bing Sing

Report Of The Directors

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

Directors' Service Contracts

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

Directors' And Senior Management's Biographies

Details of the directors' and senior management's biographies are set out in pages 37 to 40 of this annual report.

Share Option Scheme

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

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

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

The maximum number of unexercised share options currently permitted to be granted is an amount equivalent, upon their exercise, to 10% of the Company's shares in issue at any time. At 31st December 2011, no ordinary shares were issuable under share options granted under the 2002 Scheme (2010: nil). The maximum number of shares issuable under share options to each eligible participant within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

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

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

Report Of The Directors

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

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

As at 31st December 2011, no share options are outstanding.

Directors' And Executives' Interests And/Or Short Positions In The Shares, Underlying Shares And Debentures Of The Company Or Any Associated Corporation

At 31st December 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 year, the directors and executives (including their spouses and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations required to be disclosed pursuant to the SFO.

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

Directors' Interests In Contracts

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

Confirmation of Independence

The Company has received from each of the independent non-executive directors a confirmation of his independence in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive directors are independent.

Report Of The Directors

Substantial Shareholders' Interests In The Shares Of The Company

As at 31st December 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	630,134,000
(ii)	Guangdong Province Navigation Holdings Co., Ltd ("GPNHCL")	630,134,000

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

Directors' Interests In Competing Businesses

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

Sufficiency Of Public Float

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

Connected Transactions

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

(1) Master Rental Agreement

On 1st December 2009, the Company, on behalf of the Group, as a lessee entered into a rental agreement (the "Master Rental Agreement") with GPNHCL, the parent company of the Company, on behalf of the GPNHCL Group, as a lessor in respect of leasing premises to the Group to be used as warehouses, offices, car parks and staff quarters.

The term of the Master Rental Agreement was three years from 1st January 2010 to 31st December 2012 at the rent in respect of the leasing of the premises which was based on arm's length negotiation between the parties involved with reference to the prevailing market rental. The annual caps of the Master Rental Agreement for the years ended 31st December 2010, 2011 and 2012 are HK$6,871,000, HK$10,800,000 and HK$13,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2011 was HK$10,627,000.

Report Of The Directors

(2) Master Leasing Agreement

On 1st December 2009, the Company, on behalf of the Group, as a lessor entered into a leasing agreement (the "Master Leasing Agreement") with GPNHCL, the parent company of the Company, on behalf of the GPNHCL Group, as a lessee in respect of leasing premises to the GPNHCL Group for office use.

The term of the Master Leasing Agreement was three years from 1st January 2010 to 31st December 2012 at the rent in respect of the leasing of the premises which was based on arm's length negotiation between the parties involved with reference to the prevailing market rental. The annual caps of the Master Leasing Agreement for the years ended 31st December 2010, 2011 and 2012 are HK$1,050,000, HK$1,070,000 and HK$1,090,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2011 was HK$937,000.

(3) Master Shipping Agency Agreement

On 1st December 2009, the Company, on behalf of the Group, as a service provider entered into a shipping agency agreement (the "Master Shipping Agency Agreement") with GPNHCL, the parent company of the Company, on behalf of the GPNHCL Group, as a service recipient in respect of the provision of (a) custom duty declaration and clearance services for cargo vessels and passenger ships of the GPNHCL Group in the Pearl River Delta Region and Hong Kong; and (b) berthing and dispatching services for cargo vessels and passenger ships of the GPNHCL Group in Hong Kong.

The term of the Master Shipping Agency Agreement was three years from 1st January 2010 to 31st December 2012 at the service fees which were based on arm's length negotiation between the parties involved with reference to the costs of the above services. The annual caps of the Master Shipping Agency Agreement for the years ended 31st December 2010, 2011 and 2012 are HK$5,200,000, HK$5,600,000 and HK$6,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2011 was HK$1,548,000.

(4) Master Vessels Leasing Agreement

On 1st December 2009, the Company, on behalf of the Group, as a lessor entered into a vessels leasing agreement (the "Master Vessels Leasing Agreement") with GPNHCL, the parent company of the Company, on behalf of the GPNHCL Group, as a lessee in respect of leasing cargo vessels to the GPNHCL Group.

The term of the Master Vessels Leasing Agreement was three years from 1st January 2010 to 31st December 2012 at the rent in respect of the leasing of cargo vessels which was based on the carrying capacity and the number of years of usage of each cargo vessel, the number of cargo vessels and related expenses for operating the cargo vessels. The rental was based on arm's length negotiation between the parties involved with reference to the prevailing market rental of cargo vessels and the cost of related expenses for operating the cargo vessels but other than fuel charge. The annual caps of the Master Vessels Leasing Agreement for the years ended 31st December 2010, 2011 and 2012 are HK$3,550,000, HK$3,600,000 and HK$3,650,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2011 was HK$3,049,000.

Report Of The Directors

(5) Master Transportation Agreement

On 1st December 2009, the Company, on behalf of the Group, as a service recipient entered into a transportation agreement (the "Master Transportation Agreement") with GPNHCL, the parent company of the Company, on behalf of the GPNHCL Group, as a service provider in respect of the provision of (a) shipping transportation services; (b) hauling and trucking services; (c) wharf cargo handling services; and (d) cargo agency services between Hong Kong and the PRC to the Group.

The term of the Master Transportation Agreement was three years from 1st January 2010 to 31st December 2012 at the services fees to be determined based on the destination of transportation, size of the cargo, weight of the cargo and the number of cargo after arm's length negotiation between the parties involved. The annual caps of the Master Transportation Agreement for the years ended 31st December 2010, 2011 and 2012 are HK$73,100,000, HK$87,400,000 and HK$102,300,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2011 was HK$69,335,000.

(6) Master Vessels Rental Agreement

On 1st December 2009, the Company, on behalf of the Group, as a lessee entered into a vessels rental agreement (the "Master Vessels Rental Agreement") with GPNHCL, the parent company of the Company, on behalf of the GPNHCL Group, as a lessor in respect of (a) leasing the GPNHCL Group's cargo vessels to the Group; and (b) the provision of non-scheduled vessel space or charter vessels for transportation of cargo between the PRC and Hong Kong to the Group.

The term of the Master Vessels Rental Agreement was three years from 1st January 2010 to 31st December 2012 at the rent in respect of the leasing of cargo vessels which was determined with reference to the prevailing market rental of cargo vessels and the cost of related expenses for operating the cargo vessels but other than fuel charge, while the service fees in respect of the provision of non-scheduled vessel space or charter vessels were based on the cargo space and the destination of transportation. The rental and services fee were based on arm's length negotiation between the parties involved. The annual caps of the Master Vessels Rental Agreement for the years ended 31st December 2010, 2011 and 2012 are HK$42,200,000, HK$47,200,000 and HK$51,200,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2011 was HK$19,191,000.

(7) Master Fuel Charge Agreement

On 1st December 2009, the Company, on behalf of the Group, as a purchaser entered into a fuel charge agreement (the "Master Fuel Charge Agreement") with GPNHCL, the parent company of the Company, on behalf of the GPNHCL Group, as a vendor in respect of supplying diesel and lubricants to the vessels owned or chartered by the Group in Hong Kong.

The term of the Master Fuel Charge Agreement was three years from 1st January 2010 to 31st December 2012 at the price of the diesel and lubricants which was based on arm's length negotiation between the parties involved with reference to the international oil price. The annual caps of the Master Fuel Charge Agreement for the years ended 31st December 2010, 2011 and 2012 are HK$73,000,000, HK$100,000,000 and HK$120,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2011 was HK$85,764,000.

Report Of The Directors

(8) Master IT Services Agreement

On 18th June 2010, CKPT, on behalf of CKPT and its subsidiaries (the "CKPT Group"), as a service recipient entered into a master IT services agreement (the "Master IT Services Agreement") with GPNHCL, the Company's parent company, on behalf of the GPNHCL Group, as a service provider in respect of the provision of IT consultancy services; server custodian services; maintenance services; and PTMS services to CKPT.

The term of the Master IT Services Agreement was two years and seven months from 18th June 2010 to 31st December 2012 at the fee for the provision of the IT services based on the usage amount for the IT Services, and were agreed from time to time after arm's length negotiation between the parties involved by taking reference to the prevailing market price. The annual caps of the Master IT Services Agreement for the years ended 31st December 2010, 2011 and 2012 are HK$4,400,000, HK$7,500,000 and HK$7,500,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2011 was HK$7,200,000.

(9) Master Passenger Transportation Agency Services Agreement

On 18th June 2010, CKPT, on behalf of the CKPT Group, as a service provider entered into a master passenger transportation agency services agreement (the "Master Passenger Transportation Agency Services Agreement") with GPNHCL, the Company's parent company, on behalf of the GPNHCL Group, as a service recipient in respect of appointing the CKPT Group as their exclusive agent/sub-agent in connection with their waterway passenger transport business in Hong Kong to from time to time provide the passenger transportation agency services to (a) the ferries operated and owned by the GPNHCL Group; and/or (b) the ferries operated and owned by any independent third parties in which any member of the GPNHCL Group is acting as agent (the "Relevant Ferries").

The term of the Master Passenger Transportation Agency Services Agreement was two years and seven months from 18th June 2010 to 31st December 2012 at the passenger transportation agency fee which were agreed from time to time after arm's length negotiation between the parties involved by taking reference to the prevailing market rate. The annual caps of the Master Passenger Transportation Agency Services Agreement for the years ended 31st December 2010, 2011 and 2012 are HK$7,618,000, HK$13,871,000 and HK$15,098,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2011 was HK$13,615,000.

(10) Master Ferry Technical Support Agency Services Agreement

On 18th June 2010, CKPT, on behalf of the CKPT Group, as a service recipient entered into a master ferry technical support agency services agreement (the "Master Ferry Technical Support Agency Services Agreement") with GPNHCL, the Company's parent company, on behalf of the GPNHCL Group, as a service provider in respect of the provision of the ferry technical support agency services to the Relevant Ferries from time to time.

The term of the Master Ferry Technical Support Agency Services Agreement was two years and seven months from 18th June 2010 to 31st December 2012 at the service fee for the provision of the ferry technical support agency services which were agreed from time to time after arm's length negotiation between the parties involved by taking reference to the prevailing market rate. The annual caps of the Master Ferry Technical Support Agency Services Agreement for the years ended 31st December 2010, 2011 and 2012 are HK$3,675,000, HK$6,300,000 and HK$6,600,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2011 was HK$5,970,000.

Report Of The Directors

(11) Master Sub-management Services Agreement

On 18th June 2010, CKPT, on behalf of the CKPT Group, as a service provider entered into a master sub-management services agreement (the "Master Sub-management Services Agreement") with GPNHCL, the Company's parent company, on behalf of the GPNHCL Group, as a service recipient in respect of the provision of the sub-management services in connection with the operation and management of the vessels managed by the GPNHCL Group (the "Relevant Vessels") from time to time.

The term of the Master Sub-management Services Agreement was two years and seven months from 18th June 2010 to 31st December 2012 at the service fee for the provision of the sub-management services based on the number of tickets sold in connection with the Relevant Vessels, and were agreed from time to time after arm's length negotiation between the parties involved by taking reference to the actual cost. The annual caps of the Master Sub-management Services Agreement for the years ended 31st December 2010, 2011 and 2012 are HK$7,792,000, HK$16,800,000 and HK$17,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2011 was HK$11,638,000.

(12) Master CKPT Rental Agreement

On 18th June 2010, CKPT, on behalf of the CKPT Group, as a lessee entered into a master rental agreement (the "Master CKPT Rental Agreement") with GPNHCL, the Company's parent company, on behalf of the GPNHCL Group, as a lessor in respect of leasing premises to the CKPT Group.

The term of the Master CKPT Rental Agreement was two years and seven months from 18th June 2010 to 31st December 2012 at the rent which was agreed from time to time after arm's length negotiation between the parties involved by taking reference to the prevailing market rent. The annual caps of the Master CKPT Rental Agreement for the years ended 31st December 2010, 2011 and 2012 are HK$2,027,000, HK$3,800,000 and HK$4,200,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2011 was HK$2,485,000.

(13) Master Ferry Terminal Luggage Facilities and Handling Services Agreement

On 18th June 2010, CKPT, on behalf of the CKPT Group, as a service recipient entered into a master ferry terminal luggage facilities and handling services agreement (the "Master Ferry Terminal Luggage Facilities and Handling Services Agreement") with GPNHCL, the Company's parent company, on behalf of the GPNHCL Group, as a service provider in respect of the provision of ferry terminal luggage facilities and handling services to the CKPT Group. The provision of the ferry terminal luggage facilities includes the provision of such facilities at the relevant terminals, which allows the passengers departing from and arriving in Hong Kong at the relevant terminals to check-in and/or claim their luggage at the relevant terminals. The provision of luggage handling services include the operation, maintenance and repairing of the luggage handling system and equipment situated at the relevant terminals, and the provision of luggage handling services and berthing services to all passenger ferries using the relevant terminals.

The term of the Master Ferry Terminal Luggage Facilities and Handling Services Agreement was two years and seven months from 18th June 2010 to 31st December 2012 at the service fee for the provision of the ferry terminal luggage facilities and handling services which comprise (a) the passenger levy (which is based on the number of passengers departing from and arriving in the relevant terminals); and (b) luggage handling charges (which is based on the number of luggage handled at the relevant terminals). The passenger levy and the luggage handling charges were agreed from time to time after arm's length negotiation between the parties involved by taking reference to the prevailing rate

Report Of The Directors

chargeable against other ferry service carriers for other routes at the same relevant terminals at the relevant time. The annual caps of the Master Ferry Terminal Luggage Facilities and Handling Services Agreement for the years ended 31st December 2010, 2011 and 2012 are HK$4,558,000, HK$8,200,000 and HK$8,600,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2011 was HK$7,178,000.

(14) Master Sub-baggage Handling Services Agreement

On 18th June 2010, CKPT, on behalf of the CKPT Group, as a service provider entered into a master sub-baggage handling services agreement (the "Master Sub-baggage Handling Services Agreement") with GPNHCL, the Company's parent company, on behalf of the GPNHCL Group, as a service recipient in respect of the provision of baggage handling services direct to all ferry service carriers who stop their ferries at the relevant terminals for passengers departing from and arriving in Hong Kong at the relevant terminals to the GPNHCL Group.

The term of the Master Sub-baggage Handling Services Agreement was two years and seven months from 18th June 2010 to 31st December 2012 at the baggage handling charges which were agreed from time to time after arm's length negotiation between the parties involved by taking reference to the amount of the handling charges received by the GPNHCL Group from all ferry service carriers. The annual caps of the Master Sub-baggage Handling Services Agreement for the years ended 31st December 2010, 2011 and 2012 are HK$5,258,000, HK$9,900,000 and HK$10,300,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2011 was HK$8,933,000.

(15) Management Agreement

On 20th June 2011, the Company, as a service provider entered into a management agreement (the "Management Agreement") with CKSE, the Company's immediate holding company, as a service recipient in respect of the provision of management services for the assets of CKSE.

The term of the Management Agreement was 3 years from 1st July 2011 to 30th June 2014, and the management fees were determined after arm's length negotiation between the parties with reference to the value of the assets concerned. The annual caps of the Management Agreement for the years ended 31st December 2011, 2012, 2013 and 2014 are HK$15,000,000, HK$30,000,000, HK$30,000,000 and HK$15,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2011 was HK$10,000,000.

The above items (1) to (4) and (8) to (15) were the continuing connected transactions subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirement while items (5) to (7) were the continuing connected transactions subject to the reporting, announcement requirement and the independent shareholders' approval requirements which were approved by the independent shareholders at the Extraordinary General Meeting held on 19th January 2010 and 2nd November 2011.

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

Report Of The Directors

The board of directors engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagement 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions set out above in accordance with Listing Rule 14A.38 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

Management Contracts

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

Purchase, Redemption Or Sale Of The Company's Listed Securities

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

Compliance With The Code On Corporate Governance Practice

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

Adoption Of Model Code For Securities Transaction By Directors

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

Executive Committee

The Company has established an executive committee to approve and enter into transactions on behalf of the board in respect of any investment project or other day-to-day business operations within an authorised limit. Members of the committee shall be executive directors of the Company and have written terms of reference.

Report Of The Directors

Audit Committee

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

Remuneration Committee

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

Nomination Committee

During the year, the Company had established a nomination committee for proposing nomination of directors and senior management to the Board. Members of the committee shall be directors of the Company and the number of which shall not be less than three, with a majority of independent non-executive directors and have written terms of reference.

Auditor

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

ON BEHALF OF THE BOARD

Mr. Huang Liezhang
Managing Director

Hong Kong, 28th March 2012

Directors' and Senior Management

Non-Executive Directors

Mr. Liu Weiqing, aged 54, was appointed as chairman of the board and non-executive director of the Company on 20th June 2011, is responsible for strategic planning and decision making of the Group. Mr. Liu graduated from Guangdong Communication Polytechnic in 1977, 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 35 years. Mr. Liu was the deputy secretary of Guangdong Province Highway Transportation Authority from 1993 to 1995, the Chairman and General Manager of Kee Kwan Motor Road Co., Ltd. from 1996 to 2000, director and deputy general manager of Guangdong Communication Group Co., Ltd. from 2000 to 2006, director and general manager of GPNHCL from 2006 to 2008. Mr. Liu was appointed as chairman and legal representative of GPNHCL in January 2008 and the director of CKSE in February 2008.

Mr. Yu Qihuo, aged 59, was appointed as non-executive director of the Company on 20th June 2011 and participates in strategic planning and decision making of the Group. Mr. Yu has worked in shipping sector since 1971, and was appointed as manager of the Built Factory of Guangdong Boyun Co. from March 1998 to March 1999, held senior management position with the same company from March 1999 to March 2000 and was appointed as the general manager of the management department of GPNHCL from March 2000 to March 2009. Currently, he is also the deputy managing director of CKSE, the chairman of Guangdong Zhujiang Shipping Co., Ltd. and the director of Guangzhou Yinggang Real Estate Co., Ltd.. Mr. Yu graduated from Guangdong Institute of Public Administration and has over 41 years of experience in navigation logistics, human resources and administration management.

Mr. Zhang Lei, aged 47, was appointed as non-executive director of the Company on 20th June 2011 and participates in strategic planning and decision making of the Group. Mr. Zhang graduated from the School of Communication, South China University of Technology, majoring in shipping machine. Mr. Zhang has worked in marine industry sector since 1986, and was appointed as assistant general manager and deputy general manager of Guangdong New China Shipyard Ltd. from July 1996 to October 2000, managing director of the same company from November 2000 to April 2007, the chairman of the same company from April 2007 to November 2010. Mr. Zhang has been appointed as director of CKSE, chairman of Yuet Hing Marine Supplies Co., Ltd and Chu Kong Group Shipyard Co. Ltd since February 2011. Mr. Zhang has over 26 years of experience in marine industry management.

Zhaoqing New Port Terminal

Directors' and Senior Management

Executive Directors

Mr. Huang Liezhang, aged 45, was appointed as managing director of the Company on 20th June 2011 and is responsible for operational development of the Group. Mr. Huang graduated from Jimei University in July 1988 and 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 worked in shipping sector since 1988 and was appointed as deputy managing director and general manager of Guangdong Pearl River Tanker Transportation Co. Ltd. from June 1999 to July 2005, the chairman of the Company from August 2005 to May 2006 and executive managing director of CKSE from July 2005 to June 2011. He is currently the chairman of Guangzhou Yinggang Real Estate Co., Ltd. and Hong Kong International Airport Ferry Terminal Services Limited. Mr. Huang has more than 24 years of experience in navigation and terminal logistics management and administration management.

Mr. Zhang Daowu, aged 44, was appointed as executive director of the Company on 14th October 2008 and participates in strategic planning and decision making of the Group. He joined Chu Kong Shipping Group ("CKS") after graduating as a Bachelor of International Navigation from the Shanghai Maritime University (formerly Shanghai Maritime College) in 1990. He had worked for CKSE and its various subsidiaries. He is also the vice general manager of GPNHCL, the chairman of the board of Cotai Chu Kong Shipping Management Services Co. Ltd. and Cotai Chu Kong Shipping Management Services (Macau) Co. Ltd.. Mr. Zhang has over 22 years of experience in shipping and corporate management.

Mr. Hua Honglin, aged 44, obtained a doctoral degree in management from Sun Yatsen University in 2008 and a certified senior economist and accountant in the PRC with over 21 years of experience in shipping and corporate governance. Mr. Hua had worked for GPNHCL, CKS and its subsidiaries. Among them, Mr. Hua was the manager of the development department of GPNHCL from March 2000 to June 2002, the office manager of GPNHCL from July 2002 to May 2006, the director and vice general manager of CKSE from May 2006 to June 2011. Mr Hua was appointed as executive director of the Company on 6th April 2006, and appointed as deputy general manager of the Company on 20th June 2011, responsible for capital operation and information technology of the Company. Mr. Hua worked as the chairman of the board of the Company from May 2006 to June 2011 and he is currently a Guangdong Province Diligence and Strategy Advisory Expert and the vice chairman of Guangdong Ship-owners Association.

Mr. Yang Bangming, aged 46, was appointed as executive director of the Company on 14th October 2008 and participates in strategic planning and decision making of the Group. He was appointed as general manager of the logistics business department of the Company, responsible for overseeing logistics business of the Company. Mr. Yang graduated as a Bachelor of Accounting from the Shanghai Maritime University (formerly Shanghai Maritime College) in 1988 and he is a certified advanced accountant in the PRC. Mr. Yang worked in GPNHCL and its subsidiaries. He was also the director and vice general manager of CKSE and is currently the chairman of Chu Kong River Trade Terminal Co., Ltd. and Guangdong Zhu Chuan Logistics Services Co., Ltd. Mr. Yang has more than 23 years of experience in shipping and corporate management.

Mr. Huang Shuping, aged 47, was appointed as executive director of the Company on 1st November 2006 and was appointed as deputy general manager of the Company on 20th June 2011, responsible for investment and development. Mr. Huang was the deputy managing director of CKSE, currently he is also the chairman of Guangzhou Nansha Chu Kong Terminal Company Limited and Zhongshan City Huangpu Port Cargo and Container Terminal Co., Ltd., director of Guangzhou Nansha International Logistics Park Development Co., Ltd and Chu Kong Maritime Consultant Company Limited. He has over 27 years of experience in transportation sectors. Mr. Huang graduated from Nanjing College of Navigation Engineering, majoring in port sea routes. He also acquired a postgraduate certificate in economics from Guangdong Academy of Social Sciences. Mr. Huang also holds qualification certificates of marine works engineer and financial economist.

Directors' and Senior Management

Independent Non-executive Directors

Mr. Chan Kay-cheung, FHKIB. Aged 65, is a senior advisor of The Bank of East Asia, Limited, vice chairman of The Bank of East Asia (China) Limited and chairman of Shaanxi Fuping BEA Rural Bank Corporation. Mr. Chan was an executive director and deputy chief executive of The Bank of East Asia, Limited. Mr. Chan joined The Bank of East Asia, Limited in 1965 and possesses extensive knowledge and experience in the banking industry. Mr. Chan is a fellow member of the Hong Kong Institute of Bankers, a member of the Process Review Committee for the oversight of Hong Kong Monetary Authority, a member of the Clearing and Settlement Systems Appeals Tribunal, a member of The China Unionpay International Advisory Group, an international senior economic consultant of The People's Government of Shaanxi Province and a member of the Committee of Overseers of Lee Woo Sing College, The Chinese University of Hong Kong. Mr. Chan is also an independent non-executive director of Hong Kong Food Investment Holdings Limited, China Electronics Corporation Holdings Company Limited and SOCAM Development Limited. Mr. Chan was appointed as independent non-executive director of the Company in April 1998.

Ms. Yau Lai Man, aged 48, was appointed as independent non-executive director on 1st January 2005. Ms. Yau graduated from The University of Warwick in the United Kingdom with a master degree in business administration. Ms. Yau is a member holding Practising Certificate of the Hong Kong Institute of Certified Public Accountants. Ms. Yau is also a member of the Institute of Chartered Accountants in England & Wales. She has over 21 years auditing and commercial experiences. Ms. Yau presently is the financial controller and company secretary of Essex Bio-Technology Limited listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

Mr. Chow Bing Sing, aged 62, was appointed as independent non-executive director of the Company on 1st June 2011. Mr. Chow graduated as a bachelor of social sciences at the University of Hong Kong in 1974. He worked as a social worker in his early career years and later joined the aviation industry. He had held senior management positions with the Civil Aviation Department of the Government of Hong Kong and the Airport Authority Hong Kong and has over 30 years of experience in aviation and logistics sectors. Mr. Chow is not only the chartered member of the Hong Kong Chartered Institute of Logistics and Transport and the member of the Hong Kong Logistics Association but also the Chairman of the Advisory Committee of the Logistics Research Centre of the Hong Kong Polytechnic University.

Senior Management

Mr. Xiong Gebing, aged 46, has been appointed as deputy general manager of the Company since October 2011 and is responsible for the passenger transport business of the Company. Mr. Xiong graduated from South China University of Technology (Internal Combustion Engine Engineering Specialty) in 1988 with a bachelor degree. Mr. Xiong joined the vessel engineering and the international trade sectors in 1988, and worked as the deputy managing director of Guangdong Shipbuilding Industry Import & Export Corporation from 2001 to 2007, the deputy managing director of Guangdong New China Shipyard Ltd. from 2007 to 2009, the deputy managing director of Chu Kong Group Shipyard Co., Ltd. from 2009 to 2010 and the managing director of the same company from 2010 to 2011. Mr. Xiong has 23 years of experience in vessel engineering and trading.

Mr. Ke Guigen, aged 48, has been appointed as financial controller of the Company since June 2011, responsible for financial management and control of the Group. Mr. Ke graduated from Anhui University of Finance & Economics (formerly Anhui Institute of Finance and Trade) with a bachelor degree in economics in 1987 and had worked as a lecturer in the accounting faculty of the University. Mr. Ke also worked as specialized supervisor of GPNHCL. Mr. Ke joined CKS in 2006 and was engaged in capital, finance and audit management. Mr. Ke is a certified advanced accountant in the PRC, and a certified associate professor in accounting in the PRC. Mr. Ke has 25 years of experience in accounting, financial management and audit.

Directors' and Senior Management

Mr. Zhou Xiong, aged 42, has been appointed as deputy general manager of the logistics business department of the Company since June 2011. Mr. Zhou joined CKS in 1992, and then worked successively in Chu Kong Transhipment & Logistics Company Limited ("CKTL"), Chu Kong (Guangdong) International Freight Forwarding Co., Ltd. ("CKIFF"), Chu Kong Cargo Terminals (Gaoming) Co., Ltd., and CKSE, and he was the deputy general manager of the Company during the period from 2008 to 2011. Mr. Zhou graduated from Shanghai Maritime University (formerly Shanghai Maritime College) with a bachelor degree of international navigation. He also obtained a master degree in business administration from Sun Yat-sen University and a master degree in supply chain management from The Hong Kong Polytechnic University. Mr. Zhou has over 20 years of experience in corporate management and marketing.

Mr. Hu Jun, aged 39, has been appointed as deputy general manager of the logistics business department of the Company since June 2011. He joined CKS in 1992. Prior to that, he had worked for Waibert Steam Ship Co., Ltd. ("Waibert"), CKTL, CKIFF and Chu Kong Agency Company Limited ("CKA"), and he was the deputy general manager of the Company during the period of 2008 to 2011. Mr. Hu graduated from University of South Australia with a master degree in business administration. He is also the chief representative of the Guangdong Shipowners Association, Hong Kong branch. He has over 20 years of experience in shipping management and marketing.

Mr. Chen Yu, aged 45, has been appointed as deputy general manager of the logistics business department of the Company since June 2011. Mr. Chen jointed CKS in 1991 and worked successively for Waibert, Heshan County Hekong Associated Forwarding Co. Ltd., and CKTL. He was the deputy general manager of the Company during the period from 2008 to 2009. Mr. Chen graduated from Shanghai Maritime University (formerly Shanghai Maritime College) and obtained a bachelor degree in international shipping. Mr. Chen has over 21 years of experience in shipping operation and management and marketing.

Mr. Lu Xin, aged 45, has been appointed as chief accountant of the logistics business department of the Company since June 2011. Mr. Lu graduated from Shanghai Maritime University (formerly Shanghai Maritime College) in 1989 with a bachelor degree in economics and obtained a postgraduate degree in accounting from the Sun Yat-sen University in 2002. Mr. Lu joined CKS in 1989 and acted as the financial manager of the Company during the period from 1996 to 1999, acted as the financial controller of the Company during the period from 2005 to 2011. Mr. Lu is also a certified accountant in the PRC and has over 22 years of experience in accounting and financial management.

Ms. Cheung Mei Ki, Maggie, aged 45, joined the Company in 2008, and has been appointed as general manager in assurance since 2011 and was appointed as the Company Secretary on 1st April 2012, responsible for overseeing the Group's internal control, financial reporting procedures, company secretarial and corporate governance matters. Before joining the Company, Ms. Cheung had held position in Hong Kong Air Cargo Terminals Limited. Ms. Cheung graduated from the Hong Kong Polytechnic University in 2011 with a master degree in corporate governance and graduated from the University of Strathclyde (in the United Kingdom) in 2003 with a master degree in business administration. She is a member of the Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administration in the United Kingdom, the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants in the United Kingdom, a fellow of the Taxation Institute of Hong Kong and a Certified Tax Adviser in Hong Kong. She has over 26 years' experience in accounting, financial management and corporate governance.

Mr. Liu Wuwei, aged 40, has been appointed as director and general manager of CKTL since July 2010. He joined CKS in 1992 and had worked for CKIFF, Chu Kong Air-Sea Union Transportation Company Limited, Chu Kong Cargo Terminals (Beicun) Co., Ltd. and CKTL. Mr. Liu graduated from University of South Australia with a master degree in business administration. He is also a certified economist in the PRC. He has over 20 years of experience in river trade cargo shipping, river trade terminal operation management and marketing.

Mr. Luo Jian, aged 37, has been appointed as managing director of CKPT since January 2011. He graduated from the Wuhan University of Technology (formerly Wuhan College of Water Transportation Engineering) in 1995. He also acquired graduation certificate in accounting and a master degree in business administration from Jinan University. Mr. Luo joined GPNHCL in 1995 and had worked for GPNHCL, CKSE and CKPT. Mr. Luo is also a certified economist in the PRC and has over 17 years of experience in navigation operation and management and sales marketing.

Corporate Governance Report

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

Code On Corporate Governance Practice

The Stock Exchange requires that starting from 1st January 2005, listed companies must comply with the Code as set out in Appendix 14 of the Listing Rules. The Company has since then implemented the Code as the principle of the Company on corporate governance, and adopted and complied with part of the recommended best practices based on the practical needs of the Company in its corporate governance.

During the year, the Stock Exchange has amended provisions of the Listing Rules and those of Appendix 14 to further enhance corporate governance of the listed companies and their communication with shareholders. Appendix 14 to the Listing Rules sets out the principles of good corporate governance, and two levels of recommendations:

The first is code provisions. Listed companies shall comply with such Code provisions. Listed companies shall provide reasons after due consideration for any deviation from Code provisions, and confess to shareholders how it can achieve good corporate governance other than complying strictly with relevant Code provisions.

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

Since most of the amended provisions of the Listing Rules and those of Appendix 14 shall take effect by 1st January and 1st April 2012, the Company has already embarked on intensifying its corporate governance during the year, and adopted the new and amended Code provisions step by step as principal of the Company's corporate governance. In future, the Company will adopt more Recommended Best Practices according to actual needs, so as to further enhance the level of corporate governance. On the other hand, in order to help directors understand further relevant amended provisions, the Company has submitted highlights of the amended provisions to all directors, and is planning to provide training course for them.

The Board Of Directors

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

Composition Of The Board Of Directors:

The board of the Company consists of eleven members, namely five executive directors, three non-executive directors and three independent non-executive directors. The personal biographies of the directors are set out in pages 37 to 40 of the Annual Report. The directors understand that they should fulfill their duties diligently in the best interest of the Company and its shareholders.

The board delegated its authorities and obligations in daily operations, business strategies and the Group's business management to the executive directors and executives, and delegated certain specific responsibilities to the committees of the board.

Corporate Governance Report

Responsibilities Of The Chairman And Managing Director:

The chairman and managing director of the Company are not performed by the same individual so as to ensure the accountability and independence of the policy making process of the Company. The chairman of the Group is responsible for leading the board of directors. The chairman should ensure that the board works effectively and discharges its responsibilities, building the management of the Company, organizing to formulate the development strategies and etc. The managing director is responsible for managing the daily business operations of the Company, implementing the development strategies formulated by the board of directors, expediting development of modern logistics business, driving the passenger transportation business and informatisation of the Company.

According to the new amended Code provisions, the chairman of the Group has held a meeting with the non-executive directors without other executive directors present.

Directors Of The Company:

The Company forms its board of directors based on the characteristics and uniqueness of its operations to ensure that each director possesses the required experience and managerial expertise. In order to ensure the independence of the policy making process of the board and protect the interest of its shareholders, the Company appoints three qualified independent non-executive directors, who are professionals experienced in banking, finance and logistics services. The Company undertakes to give them adequate access to the information of the Company and encourage them to discuss and provide independent opinions on matters of the Company.

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

The Company has received from each of the current independent non-executive Directors a confirmation of his independence in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive directors have maintained their respective independence in accordance with the Listing Rule.

Directors' Responsibilities For Financial Statements:

During each financial period, the directors are responsible for the preparation of the financial statements that give a true and fair view of the state of affairs of the Group and of its results and cash flows during the relevant period. In preparing the financial statements for the year ended 31st December 2011, the directors selected and applied consistently appropriate accounting policies, made careful and reasonable judgment and estimates, and prepared the financial statements on a going concern basis. The directors are responsible for the filing of appropriate accounting records that reasonably and accurately disclose the financial position of the Company from time to time.

Board Of Directors Meeting Procedures:

The board held regular meetings during the year. The time, agenda and related documents of the board meeting will be available to the directors at least 7 days in advance to enable each director to fully understand the matters to be discussed and make an informed opinion. Each director has the right to seek independent professional advice in furtherance of his/her duties at the expense of the Company. No director has requested to seek professional advice as mentioned above during the year of 2011. In order to facilitate the exercise of power by the directors, the Company has already arranged suitable insurance in respect of the legal action threatened against the directors to indemnify them from the liabilities that may arise in the decision-making process of the Company.

Corporate Governance Report

During 2011, the attendance of the board members at the meetings of the board and its respective committees is as follows:

	Board	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Liu Weiqing *(Chairman, appointed on 20th June 2011)*	2/2	N/A	N/A	N/A	1/1
Mr. Huang Liezhang *(Managing Director, appointed on 20th June 2011)*	2/2	6/6	N/A	1/1	1/1
Mr. Zhang Daowu *(Executive director)*	3/4	11/12	N/A	N/A	N/A
Mr. Hua Honglin *(Executive director)*	4/4	12/12	N/A	N/A	N/A
Mr. Yang Bangming *(Executive director)*	4/4	6/12	N/A	1/1	N/A
Mr. Huang Shuping *(Executive director)*	4/4	12/12	N/A	N/A	N/A
Mr. Yu Qihuo *(Non-executive director, appointed on 20th June 2011)*	2/2	N/A	N/A	N/A	1/1
Mr. Zhang Lei *(Non-executive director, appointed on 20th June 2011)*	2/2	N/A	N/A	N/A	N/A
Mr. Chan Kay-cheung *(Independent non-executive director)*	4/4	N/A	2/2	2/2	N/A
Ms. Yau Lai Man *(Independent non-executive director)*	4/4	N/A	2/2	2/2	N/A
Mr. Chow Bing Sing *(Independent non-executive director)*	4/4	N/A	2/2	2/2	N/A

Sub-committees Of The Board:

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

Executive Committee:

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

The Executive Committee comprises:

Mr. Huang Liezhang – Chairman of the committee
Mr. Zhang Daowu
Mr. Hua Honglin
Mr. Yang Bangming
Mr. Huang Shuping

Corporate Governance Report

Audit Committee:

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

The Audit Committee comprises:

Mr. Chan Kay-cheung – Chairman of the committee
Ms. Yau Lai Man
Mr. Chow Bing Sing

The Audit Committee held two meetings in 2011 with an attendance rate of 100% to review the following matters with the Company's senior management and independent auditor:

- Accounting policies adopted by the Company for preparing financial statements;
- Draft annual report, interim report and financial statements of the Company;
- Scope of audit work of external auditor;
- Independent audit results of the Company's financial statements;
- Internal recommendations issued by external auditor to the management and management's response;
- Appointment of external auditor for providing non-audit services to the Company;
- Audit fee proposal for 2011;
- Internal audit function of the Company including internal audit policy, internal audit plan and internal audit reports, covering internal control and risk management;
- Connected party transactions of the Company; and
- Terms of reference of Audit Committee.

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

Remuneration Committee:

The Remuneration Committee was established in 2005 and is chaired by an independent non-executive director. The Remuneration Committee met twice in 2011 and the average attendance rate is 100%. Currently, the Remuneration Committee comprises three independent non-executive directors and one executive director.

Corporate Governance Report

The Remuneration Committee comprises:

Mr. Chan Kay-cheung – Chairman of the committee
Ms. Yau Lai Man
Mr. Chow Bing Sing
Mr. Huang Liezhang (Executive director)

Functions of the Remuneration Committee include:

- To determinate and review the remuneration packages and structures of directors and senior management; and

- To work out incentive schemes such as option and other proposals to the board.

Remuneration of Executive Directors:

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

Remuneration Of Independent Non-executive Directors:

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

Nomination Committee:

The committee was established in 2011 and it is mainly responsible for making recommendations to the board on the appointment of directors and senior management. Members of the committee shall be directors of the Company and the number of which shall not be less than three, with a majority of independent non-executive directors.

The Nomination Committee comprises:

Mr. Liu Weiqing – Chairman of the committee
Mr. Chan Kay-cheung (appointed on 28th March 2012)
Ms. Yau Lai Man (appointed on 28th March 2012)
Mr. Chow Bing Sing (appointed on 28th March 2012)

Functions of the Nomination Committee are as follows:

- To make recommendations to the board on the scale and composition of the board based on the Company's operations activities, assets scale and structure of the equity interest;

- To review the structure, size and composition (including the skills, knowledge and experience) of the board and the senior executives on a regular basis and make recommendations to the board regarding any proposed changes;

- To identify individuals suitably qualified to become members of the board and senior executives and select or make recommendations to the board on the selection of, individuals nominated for directorship and senior executive;

- To assess the independence of independent non-executive directors;

- To examine and make recommendations on the candidates for the position of directors and senior executives;

Corporate Governance Report

- To make recommendations to the board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the managing director;

- To set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting why they believe the individual should be elected and the reasons why they consider the individual to be independent where the board proposes a resolution to elect an individual as an independent non-executive director at a general meeting; and

- To exercise such other powers, authorities and discretions, and perform such other duties, of the directors in relation to the nomination of directors as the board from time to time delegate to it, having regard to the Hong Kong Companies Ordinance, the Listing Rules and the Memorandum and Articles of Association.

Directors' And Employees' Securities Transactions

The Company has adopted the requirements of the Model Code as set out in Appendix 10 of the Listing Rules regarding the securities transactions of the Directors of the Company. The Company has had the confirmations from all directors that they have complied with the requirements of the Model Code for the year ended 31st December 2011.

The Company has also formulated written guidelines regarding the securities transactions of the employees of the Company that may expose to price-sensitive information. The requirements of the written guidelines are no less exacting than those set out in the Model Code. The Company recorded no non-compliance events during 2011.

Remuneration Of Senior Management:

Number of senior management according to the level of remuneration:

Level of remuneration HK$'000	Numbers of Senior Management
401 – 800	5
801-1,200	4

Internal Control

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

Corporate Governance Report

During the year, the Company has conducted the following major works relating to internal control and risk management:

- Completed risk assessment for subsidiaries, listed out 31 significant risks that may exist, reverted 11 risk feedbacks that require most attention to relevant subsidiaries, and required all risk controllers to ensure functionality of existing relevant control measures and to conduct regular review on the same to guarantee their efficacy;

- Conducted risk re-assessment for companies in Hong Kong that had completed logistics segment integration;

- Completed the investigation and study on receivables of wholly-owned companies in Hong Kong, so as to reduce risks associated with receivables;

- Established a settlement center in the Mainland for centralized administration of funds of all subsidiaries in the PRC, so as to augment fund management and reduce risks associated with fund operation;

- Improved function of the accounting system to enhance timeliness and quality of disclosure of financial information; and

- Appointed professionals to provide training for our finance staff in the Mainland, which includes courses on taxation, which may help deepen their tax knowledge and reduce risks of breaching tax regulations.

Remuneration Of Auditor

For the financial year ended 31st December 2011, the Company paid the auditor of the Company the following fees for audit and non-audit services.

	2011 HK$'000	2010 HK$'000
Audit Services	**2,751**	2,077
Non-audit Services	**1,199**	1,048
	3,950	3,125

Relations With Shareholders

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

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

Corporate Governance Report

Investor Relations And Communications

The Company regards investor relations of utmost importance. The Company discloses relevant information timely under the guidelines of the Listing Rules. In 2011, the Company frequently met with fund managers and investment bank analysts and responded swiftly to the queries of the small and medium investors. The Company discloses its operational data on its website on a monthly basis to provide reference for the investors.

Compliance With Listing Rules

The directors of the Company were not aware of any information which could reasonably point out that the Company did not comply with the requirements of the Code on Corporate Governance Practices in Appendix 14 of the Listing Rules throughout the year ended 31st December 2011.

There were no amendments to the Articles of Association in 2011.

Independent Auditor's Report

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

We have audited the consolidated financial statements of Chu Kong Shipping Development Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 50 to 136, which comprise the consolidated and company balance sheets as at 31st December 2011, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Consolidated Financial Statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 28th March 2012

Consolidated Balance Sheet

As At 31st December 2011

	Note	31st December 2011 HK$'000	2010 HK$'000 (restated) (note 36(b)(i))
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,217,826**	1,127,643
Investment properties	7	**9,939**	10,049
Land use rights	8	**375,091**	323,542
Intangible assets – goodwill	9	**39,013**	37,169
Jointly controlled entities and associates	11	**508,240**	583,110
Loan to a jointly controlled entity	11	**–**	4,839
Deposits and prepayments	12	**59,777**	–
Deferred income tax assets	13	**3,501**	387
		2,213,387	2,086,739
Current assets			
Trade and other receivables	14	**334,614**	293,862
Loans to jointly controlled entities	14	**30,228**	27,629
Cash and cash equivalents	15	**331,156**	291,904
		695,998	613,395
Total assets		**2,909,385**	2,700,134
EQUITY			
Share capital	16	**90,000**	90,000
Share premium	16	**787,762**	787,762
Reserves	17	**897,196**	918,700
Final dividend proposed	17	**22,500**	36,000
		1,797,458	1,832,462
Non-controlling interests		**178,640**	86,250
Total equity		**1,976,098**	1,918,712

Consolidated Balance Sheet

As At 31st December 2011

	Note	31st December 2011 HK$'000	2010 HK$'000 (restated) (note 36(b)(i))
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	13	**66,770**	54,377
Amount due to the non-controlling interest of a subsidiary	19	**–**	3,104
Long term borrowings	20	**74,009**	82,266
		140,779	139,747
Current liabilities			
Trade and other payables	18	**477,152**	438,778
Loans from a jointly controlled entity and an associate	19	**24,670**	23,504
Amounts due to the non-controlling interests of subsidiaries	19	**51,408**	–
Amount due to a related party	19	**14,834**	–
Income tax payables		**12,478**	15,889
Short term borrowings	20	**200,000**	151,752
Current portion of long term borrowings	20	**11,966**	11,752
		792,508	641,675
Total liabilities		**933,287**	781,422
Total equity and liabilities		**2,909,385**	2,700,134
Net current liabilities		**(96,510)**	(28,280)
Total assets less current liabilities		**2,116,877**	2,058,459

The notes on 58 to 136 are an integral part of these consolidated financial statements.

The financial statements on page 50 to 136 were approved by the board of directors on 28th March 2012 and were signed on its behalf.

Director

Director

Balance Sheet

As At 31st December 2011

	Note	31st December 2011 HK$'000	2010 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	10,012	11,075
Investment properties	7	40,367	40,822
Subsidiaries	10	1,235,488	1,008,622
Jointly controlled entities	11	89,430	52,493
Loan to a jointly controlled entity	11	–	4,839
Prepayments	12	10,906	–
		1,386,203	1,117,851
Current assets			
Trade and other receivables	14	627,314	615,582
Loans to jointly controlled entities	14	13,525	12,068
Cash and cash equivalents	15	79,457	21,724
		720,296	649,374
Total assets		2,106,499	1,767,225
EQUITY			
Share capital	16	90,000	90,000
Share premium	16	787,762	787,762
Retained profits	17	671,482	39,019
Final dividend proposed	17	22,500	36,000
Total equity		1,571,744	952,781
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	13	4,213	512
Current liabilities			
Trade and other payables	18	305,872	650,428
Loans from a jointly controlled entity and an associate	19	24,670	23,504
Short term borrowings	20	200,000	140,000
		530,542	813,932
Total liabilities		534,755	814,444
Total equity and liabilities		2,106,499	1,767,225
Net current assets/(liabilities)		189,754	(164,558)
Total assets less current liabilities		1,575,957	953,293

The notes on 58 to 136 are an integral part of these financial statements.

The financial statements on page 50 to 136 were approved by the board of directors on 28th March 2012 and were signed on its behalf.

Director *Director*

Consolidated Income Statement

For The Year Ended 31st December 2011

	Note	2011 HK$'000	2010 HK$'000 (restated) (note 36(b)(i))
Revenue	5	1,384,423	1,172,862
Cost of services rendered	23	(1,086,176)	(895,988)
Gross profit		298,247	276,874
Other income	21	22,181	17,996
Other gains – net	22	57,508	26,741
General and administrative expenses	23	(222,376)	(191,459)
Operating profit		155,560	130,152
Finance income	24	4,163	4,982
Finance cost	24	(7,301)	(5,031)
Share of profits less losses of jointly controlled entities and associates	25	43,988	56,726
Profit before income tax		196,410	186,829
Income tax expense	26	(38,724)	(35,789)
Profit for the year		157,686	151,040
Attributable to:			
Equity holders of the Company		146,819	160,086
Non-controlling interests		10,867	(9,046)
		157,686	151,040
Earnings per share (HK cents)			
Basic and diluted	29	16.31	17.79
Dividends	28	31,500	54,000

The notes on 58 to 136 are an integral part of these consolidated financial statements.

Consolidated Statement Of Comprehensive Income

For The Year Ended 31st December 2011

	Note	2011 HK$'000	2010 HK$'000 (restated) (note 36(b)(i))
Comprehensive income			
Profit for the year		157,686	151,040
Other comprehensive income			
Currency translation differences			
– Subsidiaries		52,299	22,300
– Jointly controlled entities and associates		20,518	17,301
Exchange reserve transfer upon disposal of jointly controlled entities	10(d), 11(e)	(16,704)	–
Other comprehensive income for the year		56,113	39,601
Total comprehensive income for the year		213,799	190,641
Attributable to:			
Equity holders of the Company		196,288	198,172
Non-controlling interests		17,511	(7,531)
		213,799	190,641

The notes on 58 to 136 are an integral part of these consolidated financial statements.

Consolidated Statement Of Changes In Equity

For The Year Ended 31st December 2011

	Attributable to owners of the Company					
	Share capital HK$'000	**Share premium** HK$'000	**Reserves** HK$'000 (note 17)	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1st January 2011, as previously reported	90,000	787,762	833,806	1,711,568	86,250	1,797,818
Adoption of merger accounting (note 36(b)(i))	–	–	120,894	120,894	–	120,894
At 1st January 2011, as restated	90,000	787,762	954,700	1,832,462	86,250	1,918,712
Comprehensive income						
Profit for the year	–	–	146,819	146,819	10,867	157,686
Other comprehensive income						
Currency translation differences	–	–	67,014	67,014	5,803	72,817
Exchange reserve transfer upon disposal of jointly controlled entities (notes 10(d),11(e))	–	–	(17,545)	(17,545)	841	(16,704)
Total comprehensive income for the year	–	–	196,288	196,288	17,511	213,799
Transactions with owners						
Gain on partial disposal of a subsidiary net of tax (note 38)	–	–	48,240	48,240	74,879	123,119
Dividend paid to the former shareholder of a jointly controlled entity	–	–	(4,455)	(4,455)	–	(4,455)
Dividend paid to the former shareholder of a subsidiary	–	–	(58,282)	(58,282)	–	(58,282)
Capital injection by the former shareholder of a subsidiary	–	–	55,368	55,368	–	55,368
Acquisition of a subsidiary under common control (note 36(b)(i))	–	–	(227,163)	(227,163)	–	(227,163)
2010 final dividend	–	–	(36,000)	(36,000)	–	(36,000)
2011 interim dividend	–	–	(9,000)	(9,000)	–	(9,000)
Total transactions with owners			(231,292)	(231,292)	74,879	(156,413)
At 31st December 2011	90,000	787,762	919,696	1,797,458	178,640	1,976,098

Consolidated Statement Of Changes In Equity

For The Year Ended 31st December 2011

	Attributable to owners of the Company					
	Share capital HK$'000	**Share premium** HK$'000	**Reserves** HK$'000 (note 17)	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1st January 2010, as previously reported	90,000	787,762	715,935	1,593,697	76,060	1,669,757
Adoption of merger accounting	–	–	122,866	122,866	–	122,866
At 1st January 2010, as restated	90,000	787,762	838,801	1,716,563	76,060	1,792,623
Comprehensive income						
Profit for the year	–	–	160,086	160,086	(9,046)	151,040
Other comprehensive income						
Currency translation differences	–	–	38,086	38,086	1,515	39,601
Total comprehensive income for the year	–	–	198,172	198,172	(7,531)	190,641
Transactions with owners						
Non-controlling interests arising on business combination (note 36(c)(ii))	–	–	–	–	39,324	39,324
Changes in ownership interests in a subsidiary that do not result in change in control (note 37)	–	–	(6,282)	(6,282)	(24,346)	(30,628)
Capital contribution by a non-controlling interest	–	–	–	–	2,743	2,743
Dividend paid to the former shareholder of a jointly controlled entity	–	–	(1,668)	(1,668)	–	(1,668)
Dividend paid to the former shareholder of a subsidiary	–	–	(29,323)	(29,323)	–	(29,323)
2009 final dividend	–	–	(27,000)	(27,000)	–	(27,000)
2010 interim dividend	–	–	(18,000)	(18,000)	–	(18,000)
Total transactions with owners			(82,273)	(82,273)	17,721	(64,552)
At 31st December 2010, as restated	90,000	787,762	954,700	1,832,462	86,250	1,918,712

The notes on 58 to 136 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For The Year Ended 31st December 2011

	Note	2011 HK$'000	2010 HK$'000 (restated) (note 36(b)(i))
Cash flows from operating activities			
Cash generated from operations	32(a)	**194,858**	74,412
Hong Kong profits tax paid		**(18,652)**	(10,066)
PRC corporate income tax paid		**(21,051)**	(17,155)
Net cash generated from operating activities		**155,155**	47,191
Cash flows from investing activities			
Acquisition of subsidiaries	36	**2,408**	(568,047)
Additional acquisition of a subsidiary	37	**–**	(20,669)
Prepayments for additional acquisition of a subsidiary	12(b)	**(10,906)**	–
Payment for the Assets Swap	36(a)	**(120,054)**	–
Purchase of property, plant and equipment		**(112,964)**	(102,998)
Purchase of land use rights		**(43,197)**	(271)
Deposit for purchase of land use rights		**–**	(1,322)
Proceed from partial disposal of a subsidiary	38	**91,958**	39,410
Proceed from disposal of a jointly controlled entity	11(e)	**32,979**	–
Proceeds from disposal of property, plant and equipment and investment properties		**4,333**	14,219
Loans advanced to jointly controlled entities	35(c)	**(6,946)**	(3,748)
Repayments of loans advanced to jointly controlled entities	35(c)	**5,957**	10,732
Dividends received from jointly controlled entities		**6,407**	22,133
Decrease in amount due from immediate holding company		**–**	74,786
Interest received		**4,163**	4,982
Net cash used in investing activities		**(145,862)**	(530,793)
Cash flows from financing activities			
Dividends paid		**(44,995)**	(44,996)
Dividend paid to the former shareholder of a jointly controlled entity		**(4,455)**	–
Dividend paid to the former shareholder of a subsidiary	32(c)	**(2,915)**	(11,551)
Increase in amount due to the non-controlling interests of subsidiaries		**47,902**	–
Capital contribution by a non-controlling interest		**–**	2,743
Interest paid		**(7,301)**	(5,031)
Repayment of bank loans		**(114,733)**	(62,378)
Drawdown of bank loans		**150,000**	244,309
Net cash generated from financing activities		**23,503**	123,096
Net increase/(decrease) in cash and cash equivalents		**32,796**	(360,506)
Cash and cash equivalents at the beginning of the year		**291,904**	649,087
Effect of exchange rate changes		**6,456**	3,323
Cash and cash equivalents at the end of the year	15	**331,156**	291,904

The notes on 58 to 136 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

1 General information

Chu Kong Shipping Development Company Limited (the "Company") is a limited liability company incorporated in Hong Kong. The address of its registered office is 24th Floor, Chu Kong Shipping Tower, 143 Connaught Road Central, Hong Kong.

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

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

These financial statements have been approved for issue by the board of directors of the Company on 28th March 2012.

2 Summary of significant accounting policies

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

(i) The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention.

As at 31st December 2011, the Group's current liabilities exceeded its current assets by HK$96,510,000. Based on the cash flow forecast up to twelve months from the balance sheet date, the asset backing, and the available banking facilities, the Group will have sufficient working capital to meet the Group's liabilities as and when the liabilities fall due and to continue its operations for the foreseeable future. The directors believe that the Group will continue as a going concern. Consequently, the directors have prepared the financial statements on a going concern basis.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

Notes to the Financial Statements

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(ii) Assets Swap

On 31st May 2011, the Company entered into sale and purchase agreements with Chu Kong Shipping Enterprises (Holdings) Company Limited ("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 ("CKIIL"), holding 25% equity interest in Guangzhou-Foshan Expressway Ltd. ("GZFEL"), 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$165,602,000) being settled by the Company in cash (the "Assets Swap"). Upon completion of the Assets Swap, ZHDM becomes a wholly owned subsidiary and ZPGTU becomes a jointly controlled entity of the Company.

The acquisition of ZHDM resulting from the Assets Swap is regarded as business combination under common control. Accordingly, the annual financial statements for the year ended 31st December 2011, including the comparative figures, have 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 ZHDM 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 2011 and 2010 and the Group's results for the years then ended are set out in note 36(b)(i).

(iii) Adoption of new HKFRSs

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2010, except that the Group has adopted the following 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 2011.

HKAS 32 (Amendment)	Financial Instruments: Presentation
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards
HK(IFRIC) – Int 19	Extinguishing Financial Liabilities with Equity Instruments
HKFRSs Amendments	Improvements to HKFRSs

The adoption of the above new HKFRSs had no material impact on the consolidated financial statements of the Group.

Notes to the Financial Statements

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iv) Standards, amendments and interpretations to published standards that are not yet effective for the year ended 31st December 2011 and have not been early adopted by the Group

The following new/revised standards, interpretations and amendments to existing standards which are relevant to the Group's operation, have been issued but are not effective for 2011 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendments)	Presentation of Financial Statements	1st July 2012
HKAS 12 (Amendment)	Income Taxes	1st January 2012
HKAS 19 (2011)	Employee Benefits	1st January 2013
HKAS 27 (2011)	Separate Financial Statements	1st January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1st January 2013
HKAS 32 (Amendment)	Financial Instruments: Presentation	1st January 2014
HKFRS 7 (Amendments)	Financial Instruments: Disclosure	1st July 2011
HKFRS 9	Financial Instruments	1st January 2015
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 will adopt the above new/revised standards, interpretations and amendments to existing standards as and when they become effective.

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

(b) Merger accounting for common control combinations

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

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

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

Notes to the Financial Statements

2 Summary of significant accounting policies (Continued)

(b) Merger accounting for common control combinations (Continued)

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

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

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

(c) Consolidation

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

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control. De-facto control may arise from circumstances such as enhanced minority rights or contractual terms between shareholders, etc..

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

The Group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Notes to the Financial Statements

2 Summary of significant accounting policies (Continued)

(c) Consolidation (Continued)

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(d) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control or significant influence, any retained interest in the entity is remeasured to its fair value, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

(e) Jointly controlled entities and associates

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

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor a jointly controlled entity.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

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

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

Notes to the Financial Statements

2 Summary of significant accounting policies (Continued)

(e) Jointly controlled entities and associates (Continued)

Unrealised gains on transactions between the Group and its jointly controlled entities and associates are eliminated to the extent of the Group's interest in the jointly controlled entities and associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of jointly controlled entities and associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

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

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

(f) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes. Goodwill is monitored at the operating segment level.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(g) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Hong Kong dollar (HK$), which is the Company's functional and the Group's presentation currency.

Notes to the Financial Statements

2 Summary of significant accounting policies (Continued)

(g) Foreign currency translation (Continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-ended exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other (losses)/gains – net'.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(iii) Group companies

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

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

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

– all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholder's equity. When a foreign operation is sold, exchange differences that were recorded in equity are recognised in the consolidated income statement as part of the gain or loss on sale.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a jointly controlled entity that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the company are reclassified to profit or loss.

Notes to the Financial Statements

2 Summary of significant accounting policies (Continued)

(g) Foreign currency translation (Continued)

(iii) Group companies (Continued)

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or jointly controlled entities that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

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

(h) Property, plant and equipment

(i) Construction in progress

Construction in progress represents warehouse, vessels and barges or other property, plant and equipment under construction which is carried at cost less any accumulated impairment losses.

Construction in progress includes construction expenditure incurred, borrowing costs and other direct costs attributable to the construction. On completion, the construction in progress is transferred to appropriate categories of property, plant and equipment. No depreciation is provided for construction in progress.

Leasehold land classified as finance lease and all other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

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

(ii) Other property, plant and equipment

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	20 – 50 years
Leasehold land classified as finance lease	Shorter of remaining lease term of 37 – 889 years or useful life
Leasehold improvements	5 – 8 years
Plant and machinery	4 – 8 years
Furniture, fixtures and equipment	3 – 8 years
Motor vehicles	3 – 8 years
Containers	4 – 8 years
Vessels and barges	8 – 15 years

Notes to the Financial Statements

2 Summary of significant accounting policies (Continued)

(h) Property, plant and equipment (Continued)

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

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

Vessel repairs and survey costs are charged as operating expenses as they are incurred. Vessel component costs include the cost of major components which are usually replaced or renewed at dry-dockings. Dry-docking costs of vessel and the costs incurred in replacing or renewing the separate assets are capitalised and depreciated over the period to the next estimated dry-dock date.

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

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

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

(i) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property in the financial statements.

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

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

(j) Land use rights

Land use rights represent operating lease payments for land and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the operating lease payments over the remaining lease term.

(k) Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

Notes to the Financial Statements

2 Summary of significant accounting policies (Continued)

(l) Cash and cash equivalents

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

(m) Financial assets

(i) Classification

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

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables include trade and other receivables excluding deposits and prepayments (note 14), loans to jointly controlled entities and associates (notes 11 and 14) and cash and cash equivalents (note 15).

(b) Held-to-maturity financial assets

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

(c) Available-for-sale financial assets

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

(ii) Recognition and measurement

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

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

Notes to the Financial Statements

2 Summary of significant accounting policies (Continued)

(m) Financial assets (Continued)

(ii) Recognition and measurement (Continued)

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

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

(n) Impairment of investments in subsidiaries, jointly controlled entities, associates and non-financial assets

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

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

(o) Impairment of financial assets carried at amortised cost

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

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

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;
- It becomes probable that the borrower will enter into bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or

Notes to the Financial Statements

2 Summary of significant accounting policies (Continued)

(o) Impairment of financial assets carried at amortised cost (Continued)

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

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

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

The Group first assesses whether objective evidence of impairment exists.

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

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

(p) Share capital

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

(q) Trade payables

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

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

(r) Current and deferred income tax

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

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

Notes to the Financial Statements

2 Summary of significant accounting policies (Continued)

(r) Current and deferred income tax (Continued)

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

(s) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave and long service leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave and long service leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefit obligations

The contributions to defined contribution schemes are recognised as employee benefit expense when they are due and are not reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Bonus entitlements

The Group recognises a liability and an expense for bonus when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

Notes to the Financial Statements

2 Summary of significant accounting policies (Continued)

(s) Employee benefits (Continued)

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

(t) Revenue/income recognition

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

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Cargo transportation

Revenues from the rendering of services in river trade cargo direct shipment and transhipment are recognised in the financial period in which the services are rendered.

(ii) Cargo handling and storage

Revenues from the rendering of services in river trade wharf cargo handling, cargo consolidation and godown storage and container hauling and trucking are recognised in the financial period in which the services are rendered.

(iii) Passenger transportation agency service

Revenues from passenger transportation agency services are recognised based on net agency fee upon departure of ferries at terminals.

(iv) Ferry terminal operation service

Revenues from ferry terminal operation service are recognised based on net ferry terminal operation service fee upon departure of ferries at terminals.

(v) Management service

Revenues from management service are recognised when the service is rendered.

(vi) Advertising service

The Group provides advertising services to customers to advertise at terminals and ferries. Revenue is recognised upon provision of services.

(vii) Travel agency service

Revenue from travel agency services is recognised upon provision of services.

Notes to the Financial Statements

2 Summary of significant accounting policies (Continued)

(t) Revenue/income recognition (Continued)

(viii) Interest income

Interest income is recognised using the effective interest method.

(ix) Dividend income

Dividend income is recognised when the right to receive payment is established.

(u) Operating leases

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

(v) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

(w) Dividend distribution

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

(x) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

Notes to the Financial Statements

2 Summary of significant accounting policies (Continued)

(y) Contingent liabilities

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

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

(z) Segment reporting

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

(aa) Borrowings and borrowing costs

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

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

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

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

3 Financial risk management

(a) Financial risk factors

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

(i) Foreign exchange risk

The Group mainly operates in Hong Kong and the PRC and is exposed to foreign exchange risk primarily arising from Renminbi and United States dollar, with respect to the Hong Kong dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in the PRC. The Group continuously monitors its foreign currency position and will consider hedging significant foreign currency exposure by using foreign exchange forward contracts when the need arises.

Notes to the Financial Statements

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(i) Foreign exchange risk (Continued)

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

At 31st December 2011, if Hong Kong dollar had weakened or strengthened by 5% against the Renminbi with all other variables held constant, profit after income tax for the year would have been HK$1,027,000 (2010 restated: HK$299,000) higher or lower, mainly as a result of foreign exchange gains on translation of bank balances, receivable and payable balances denominated in Renminbi.

At 31st December 2011, if Hong Kong dollar had weakened or strengthened by 5% against the United States dollar with all other variables held constant, profit after income tax for the year would have been HK$757,000 (2010 restated: HK$1,287,000) higher or lower, mainly as a result of foreign exchange gains on translation of bank balances, receivable and payable balances denominated in United States dollar.

(ii) Interest rate risk

The Group's loans to jointly controlled entities and associates, bank balances and bank borrowings bear interest at floating rates which expose the Group to cash flow interest rate risk. The Group currently does not have a hedging policy on interest rate exposure. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure if necessary.

At 31st December 2011, if interest rates on financial assets had been 50 basis points higher or lower with all other variables held constant, profit after income tax for the year would have been HK$454,000 (2010 restated: HK$546,000) higher or lower, mainly as a result of higher or lower finance income from floating rate loans to jointly controlled entities and associates and bank balances.

As 31st December 2011, if interest rates on financial liabilities had been 50 basis points higher or lower with all other variables held constant, profit after income tax for the year would have been HK$1,884,000 (2010 restated: HK$1,362,000) lower or higher, mainly as a result of higher or lower finance cost from floating rate bank borrowings.

(iii) Credit risk

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

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

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

Loans to jointly controlled entities and associates are granted taken into account of their financial position, past experience and other factors. The Group monitors the credibility of jointly controlled entities and associates continuously.

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

Notes to the Financial Statements

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk

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

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

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Group					
At 31st December 2011					
Bank borrowings	217,634	17,016	51,893	19,138	305,681
Amounts due to the non-controlling interests of subsidiaries	51,563	–	–	–	51,563
Amount due to a related party	15,807	–	–	–	15,807
Loans from a jointly controlled entity and an associate	25,225	–	–	–	25,225
Trade and other payables	477,152	–	–	–	477,152
At 31st December 2010 (restated)					
Bank borrowings	168,883	16,289	44,680	37,350	267,202
Amount due to the non-controlling interest of a subsidiary	–	3,104	–	–	3,104
Loans from a jointly controlled entity and an associate	24,033	–	–	–	24,033
Trade and other payables	438,778	–	–	–	438,778
Company					
At 31st December 2011					
Bank borrowings	204,045	–	–	–	204,045
Loans from a jointly controlled entity and an associate	25,225	–	–	–	25,225
Trade and other payables	305,872	–	–	–	305,872
At 31st December 2010					
Bank borrowings	140,137	–	–	–	140,137
Loans from a jointly controlled entity and an associate	24,033	–	–	–	24,033
Trade and other payables	650,428	–	–	–	650,428

As 31st December 2011, the Group's net current liabilities amounted to HK$96,510,000. The directors of the Company believe that the Group and the Company will have sufficient financial resources to satisfy their working capital requirements, payments of liabilities as and when they fall due and its future capital commitments. The directors closely monitor the cash flow forecasts of the Group's and the Company's liquidity positions.

Notes to the Financial Statements

3 Financial risk management (Continued)

(b) Capital risk management

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

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

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

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

(c) Fair value estimation

The carrying values less impairment provision (if applicable) of financial assets (including cash and cash equivalents) and financial liabilities with maturities less than twelve months from the end of the reporting period are reasonable approximation of their fair values.

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

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future financial periods are stated below.

(i) Impairment of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of cash generating units have been determined based on value-in-use calculations. These calculations require the use of significant estimates (note 9).

(ii) Income taxes

The Group is mainly subject to income taxes in Hong Kong and the PRC. Significant judgement is required in determining the provision for income taxes in Hong Kong and the PRC. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

(iii) Provision for trade and other receivables

Management determines the provision for impairment of trade and other receivables based on the credit history of its customers and the current market situation. Management will reassess the estimations at each balance sheet date.

Notes to the Financial Statements

4 Critical accounting estimates and judgements (Continued)

(iv) Useful lives of fixed assets

The annual depreciation charges are sensitive to the estimated economic useful lives the Group allocates to each type of fixed assets. Management performs annual reviews to assess the appropriateness of their estimated economic useful lives. Such reviews take into account the technological changes, prospective economic utilisation and physical condition of the assets concerned. The useful lives are estimated at the time the purchases are made after considering the future, business developments and the Group's strategies. Should there be unexpected adverse changes in the circumstances or events, the Group assesses the need to shorten the useful lives and/or make impairment provisions. Indications of these unexpected adverse changes include declines in projected operating results, negative industry or economic trends and rapid advancement in technology.

(v) Impairment of property, plant and equipment

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management judgement is required in the area of asset impairment particularly in assessing; (i) whether an event has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs to sell or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of the operations.

5 Revenue and segment information

Turnover consists of sales from cargo transportation, cargo handling and storage, and passenger transportation.

	2011 HK$'000	2010 HK$'000 (restated)
Cargo transportation	**938,193**	814,586
Cargo handling and storage	**322,934**	242,851
Passenger transportation	**123,296**	115,425
	1,384,423	1,172,862

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.

Notes to the Financial Statements

5 Revenue and segment information (Continued)

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

(i) Cargo transportation – Shipping agency, river trade cargo direct shipment and transshipment and container handling 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 of directors of the Company assesses the performance of the operating segments based on their segment profit before income tax expense, which is measured in a manner consistent with that in the consolidated financial statements.

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

Notes to the Financial Statements

5 Revenue and 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
Year ended 31st December 2011					
Total revenue	950,946	394,973	123,296	–	1,469,215
Inter-segment revenue	(12,753)	(72,039)	–	–	(84,792)
Revenue (from external customers)	938,193	322,934	123,296	–	1,384,423
Segment profit before income tax expense	5,194	97,867	65,021	28,328	196,410
Income tax expense	(2,540)	(21,646)	(3,386)	(11,152)	(38,724)
Segment profit after income tax expense	2,654	76,221	61,635	17,176	157,686
Segment profit before income tax expense includes:					
Share of profits less losses of jointly controlled entities and associates	(983)	25,646	20,420	(1,095)	43,988
Finance income	356	936	321	2,550	4,163
Finance cost	–	(5,272)	–	(2,029)	(7,301)
Depreciation and amortisation	(11,176)	(55,086)	(257)	(6,584)	(73,103)
Year ended 31st December 2010 (Restated)					
Total revenue	820,991	307,209	115,425	–	1,243,625
Inter-segment revenue	(6,405)	(64,358)	–	–	(70,763)
Revenue (from external customers)	814,586	242,851	115,425	–	1,172,862
Segment profit before income tax expense	16,156	82,423	74,997	13,253	186,829
Income tax expense	(3,318)	(20,328)	(8,290)	(3,853)	(35,789)
Segment profit after income tax expense	12,838	62,095	66,707	9,400	151,040
Segment profit before income tax expense includes:					
Share of profits less losses of jointly controlled entities and associates	532	26,846	24,902	4,446	56,726
Finance income	1,796	1,424	286	1,476	4,982
Finance cost	–	(4,520)	–	(511)	(5,031)
Depreciation and amortisation	(9,030)	(48,866)	(307)	(770)	(58,973)

Notes to the Financial Statements

5 Revenue and 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 31st December 2011						
Total segment assets	490,968	1,838,971	469,712	774,990	(665,256)	2,909,385
Total segment assets include:						
Jointly controlled entities and associates	24,591	220,693	226,907	36,049	–	508,240
Addition to non-current assets (excluding deferred income tax assets)	14,559	165,948	403	–	–	180,910
Total segment liabilities	(394,680)	(503,735)	(50,913)	(649,215)	665,256	(933,287)
As at 31st December 2010 (Restated)						
Total segment assets	467,157	1,737,091	423,349	721,643	(649,106)	2,700,134
Total segment assets include:						
Jointly controlled entities and associates and loan to a jointly controlled entity	24,485	196,698	235,558	131,208	–	587,949
Addition to non-current assets (excluding deferred income tax assets)	11,616	411,755	413	1,992	–	425,776
Total segment liabilities	(348,705)	(540,682)	(69,856)	(471,285)	649,106	(781,422)

Notes to the Financial Statements

5 Revenue and segment information (Continued)

Geographical analysis

Over 90% of the Group's revenue is derived from operations carried out in Mainland China and Hong Kong and customers are located in Mainland China and Hong Kong. Geographical segment information is not presented as the directors consider that the nature of the provision of cargo transportation services, which are carried out in Mainland China and Hong Kong, preclude a meaningful allocation of operating profit to specific geographical segments.

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

	2011 HK$'000	2010 HK$'000 (restated)
Non-current assets excluding jointly controlled entities and associates, loan to a jointly controlled entity and deferred income tax assets		
Hong Kong	**372,409**	312,173
Mainland China	**1,329,237**	1,186,230
	1,701,646	1,498,403
Jointly controlled entities and associates and loan to a jointly controlled entity		
Hong Kong	**36,604**	47,455
Singapore	**2,290**	1,682
Mainland China	**469,346**	538,812
	508,240	587,949
Deferred income tax assets	**3,501**	387
	2,213,387	2,086,739

Notes to the Financial Statements

6 Property, plant and equipment

Group

	Land and buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Containers HK$'000	Vessels and barges HK$'000	Total HK$'000
Cost									
At 1st January 2011, as restated for merger accounting	1,001,648	59,264	21,919	211,701	35,964	69,516	15,804	24,338	1,440,154
Exchange differences	35,148	3,610	361	10,841	1,278	1,726	3	–	52,967
Additions	13,688	25,477	3,848	49,824	7,068	10,942	2,117	–	112,964
Transfer	20,574	(33,156)	–	12,582	–	–	–	–	–
Acquisition of a subsidiary (note 36(b)(i))	–	–	–	2,000	–	–	–	–	2,000
Disposals/write-off	(745)	–	(586)	(1,936)	(1,389)	(5,239)	(424)	–	(10,319)
At 31st December 2011	1,070,313	55,195	25,542	285,012	42,921	76,945	17,500	24,338	1,597,766
Accumulated depreciation									
At 1st January 2011, as restated for merger accounting	134,528	–	16,709	74,281	19,773	34,571	13,960	18,689	312,511
Exchange differences	3,671	–	158	3,365	406	766	1	–	8,367
Charge for the year	31,061	–	2,113	19,919	3,058	7,164	1,436	777	65,528
Disposals/write-off	(143)	–	(283)	(1,472)	(1,023)	(3,121)	(424)	–	(6,466)
	169,117	–	18,697	96,093	22,214	39,380	14,973	19,466	379,940
Net book value									
At 31st December 2011	901,196	55,195	6,845	188,919	20,707	37,565	2,527	4,872	1,217,826

Notes to the Financial Statements

6 Property, plant and equipment (Continued)

Group

	Land and buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Containers HK$'000	Vessels and barges HK$'000	Total HK$'000
Cost									
At 1st January 2010	653,053	151,412	21,389	161,128	26,778	60,637	16,811	24,338	1,115,546
Exchange differences	14,875	3,442	371	3,578	471	945	–	–	23,682
Additions	78,696	54,318	2,336	25,210	2,794	16,981	–	–	180,335
Transfer	138,753	(159,189)	–	19,642	794	–	–	–	–
Acquisition of a subsidiary (note 36(c)(ii))	123,353	9,281	–	11,327	5,249	1,083	–	–	150,293
Disposals/write-off	(7,082)	–	(2,177)	(9,184)	(122)	(10,130)	(1,007)	–	(29,702)
At 31st December 2010	1,001,648	59,264	21,919	211,701	35,964	69,516	15,804	24,338	1,440,154
Accumulated depreciation									
At 1st January 2010	110,335	–	14,388	63,523	16,365	37,478	13,698	17,912	273,699
Exchange differences	1,542	–	125	1,904	169	450	–	–	4,190
Charge for the year	24,277	–	2,760	14,811	3,334	5,948	1,269	777	53,176
Disposals/write-off	(1,626)	–	(564)	(5,957)	(95)	(9,305)	(1,007)	–	(18,554)
	134,528	–	16,709	74,281	19,773	34,571	13,960	18,689	312,511
Net book value									
At 31st December 2010, as restated	867,120	59,264	5,210	137,420	16,191	34,945	1,844	5,649	1,127,643

Notes to the Financial Statements

6 Property, plant and equipment (Continued)

Company

	Land and buildings HK$'000	Construction in progress HK$'000	Leasehold improve-ments HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1st January 2011	6,338	4,636	2,309	2,152	3,244	18,679
Exchange differences	–	–	–	23	58	81
Additions	–	248	–	–	–	248
Transfer	–	(1,029)	–	1,029	–	–
Disposals	–	–	(3)	(1,049)	(22)	(1,074)
At 31st December 2011	6,338	3,855	2,306	2,155	3,280	17,934
Accumulated depreciation						
At 1st January 2011	451	–	2,277	2,099	2,777	7,604
Exchange differences	–	–	–	22	54	76
Charge for the year	57	–	19	46	165	287
Disposals	–	–	(3)	(20)	(22)	(45)
At 31st December 2011	508	–	2,293	2,147	2,974	7,922
Net book value						
At 31st December 2011	5,830	3,855	13	8	306	10,012

Notes to the Financial Statements

6 Property, plant and equipment (Continued)

Company

	Land and buildings HK$'000	Construction in progress HK$'000	Leasehold improve-ments HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Total HK$'000
Cost						
At 1st January 2010	6,338	2,646	2,307	2,139	3,204	16,634
Exchange differences	–	–	2	13	40	55
Additions	–	1,990	–	–	–	1,990
At 31st December 2010	6,338	4,636	2,309	2,152	3,244	18,679
Accumulated depreciation						
At 1st January 2010	394	–	2,240	1,999	2,606	7,239
Exchange differences	–	–	3	12	35	50
Charge for the year	57	–	34	88	136	315
At 31st December 2010	451	–	2,277	2,099	2,777	7,604
Net book value						
At 31st December 2010	5,887	4,636	32	53	467	11,075

Depreciation of HK$56,114,000 (2010 restated: HK$40,635,000) and HK$9,414,000 (2010 restated: HK$12,541,000) have been included in cost of services rendered and general and administrative expenses respectively.

Property, plant and equipment of the Group with net book value amounting to HK$29,069,000 (2010: HK$29,666,000) have been pledged as security for the bank loans of the Group.

As at 31st December 2011, the Group was in the process of obtaining ownership certificates for certain land use rights (note 8) and buildings with net book value totalling HK$86,750,000 (2010: HK$88,187,000).

At the date of these accounts, the Group was still in the process of obtaining an ownership certificate of another building with net book value of HK$4,330,000 (2010: HK$4,370,000).

Notes to the Financial Statements

6 Property, plant and equipment (Continued)

The Group's interests in land represent leasehold land situated in Hong Kong and their net book values are analysed as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Leases of over 50 years	**20,586**	20,611	**3,665**	3,669
Leases of between 10 to 50 years	**155,891**	160,300	**–**	–
	176,477	180,911	**3,665**	3,669

7 Investment properties

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cost				
At 1st January	**10,889**	13,476	**44,289**	44,289
Disposal	**–**	(2,587)	**–**	–
At 31st December	**10,889**	10,889	**44,289**	44,289
Accumulated depreciation				
At 1st January	**840**	1,301	**3,467**	3,012
Charge for the year	**110**	110	**455**	455
Disposal	**–**	(571)	**–**	–
At 31st December	**950**	840	**3,922**	3,467
Net book value				
At 31st December	**9,939**	10,049	**40,367**	40,822

The Group's and the Company's interests in investment properties are held on leases of over 50 years in Hong Kong.

The fair values of the Group's and the Company's investment properties were HK$83,300,000 (2010: HK$55,840,000) and HK$330,700,000 (2010: HK$221,750,000) respectively by reference to a professional valuation conducted by an independent valuer on an open market value basis.

The Company's investment properties of carrying amount of HK$30,428,000 (2010: HK$30,773,000) (fair value of HK$247,400,000 (2010: HK$165,910,000)) were leased to its subsidiaries. These investment properties were classified as land and buildings in the financial statements of the Group.

Notes to the Financial Statements

7 Investment properties (Continued)

The net book value of leasehold land included in the carrying amount of investment properties of the Group and the Company is analysed as follows:

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Leases of over 50 years	**5,641**	5,647	**22,562**	22,587

8 Land use rights

	Group	
	2011	2010
	HK$'000	HK$'000
		(restated)
Mainland China		
Leases of between 10 to 50 years	**375,091**	323,542
At 1st January, as restated	**323,542**	231,041
Exchange differences	**15,817**	7,904
Additions	**43,197**	13,751
Acquisition of a subsidiary (note 36(c)(ii))	**–**	76,533
Amortisation	**(7,465)**	(5,687)
At 31st December	**375,091**	323,542

Land use rights of the Group with net book value amounting to HK$63,165,000 (2010: HK$61,479,000) have been pledged as security for the bank loans of the Group.

9 Intangible assets – goodwill

	Group	
	2011	2010
	HK$'000	HK$'000
At 1st January	**37,169**	31,190
Acquisition of a subsidiary (note 36(c)(ii))	**–**	4,864
Exchange differences	**1,844**	1,115
At 31st December	**39,013**	37,169

Goodwill arose from the acquisitions of Chu Kong Cargo Terminals (Gaoming) Co., Ltd., Zhaoqing New Port Co., Ltd. and Civet (Zhuhai Bonded Area) Logistics Company Limited in 2004, 2009 and 2010 respectively.

Notes to the Financial Statements

9 Intangible assets – goodwill (Continued)

The goodwill is allocated to the cargo handling and storage segment in the PRC.

The recoverable amount of the goodwill is determined based on a value-in-use calculation. This calculation uses cash flow projections based on actual financial results for the year ended 31st December 2011 which are extrapolated using the key assumptions stated below.

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

	2011	2010
Growth rates of revenue		
– Year 2011	**–**	(4%)
– Year 2012	**2%**	2%
– After year 2012	**2%**	2%
Gross margin	**51%**	40%
Discount rate	**10%**	10%

Zhaoqing New Port Co., Ltd.

	2011	2010
Growth rates of revenue		
– Year 2011	**–**	162%
– Year 2012	**57%**	62%
– Year 2013	**58%**	30%
– Year 2014	**19%**	20%
– Year 2015	**10%**	10%
– After year 2015	**0% – 3%**	3%
Gross margin	**43% – 63%**	47%
Discount rate	**10%**	10%

Civet (Zhuhai Bonded Area) Logistics Company Limited

	2011	2010
Growth rates of revenue		
– Year 2012	**29%**	–
– Years 2013 to 2015	**11% – 22%**	–
– After year 2015	**0% – 8%**	–
Gross margin	**53% – 80%**	–
Discount rate	**10%**	–

Management determines budgeted gross margins and growth rates based on past performance and the expectations for the market development. The discount rate used is before income tax and reflects related specific risks.

No goodwill impairment assessment was performed in 2010 for Civet (Zhuhai Bonded Area) Logistics Company Limited ("Civet") acquired in October 2010 as the directors were of the opinion that the recoverable amount of its fair value less costs to sell was higher than or equal to the carrying amount.

Notes to the Financial Statements

10 Subsidiaries

	Company 2011 HK$'000	Company 2010 HK$'000
Unlisted investments, at cost	**1,348,488**	1,121,622
Less: provision for impairment	**(113,000)**	(113,000)
	1,235,488	1,008,622

(a) Details of the principal subsidiaries as at 31st December 2011 are as follows:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held 2011	Interest held 2010
Directly-held subsidiaries					
Chu Kong Agency Company Limited	Hong Kong	Shipping agency and freight forwarding agency in Hong Kong	100 ordinary shares of HK$1 each	100%	100%
			100,000 deferred shares of HK$1 each (note (b))	100%	100%
Chu Kong Air-Sea Union Transportation Company Limited	Hong Kong	Operation and management of a marine cargo terminal in Hong Kong	10,000 ordinary shares of HK$1 each	100%	51%#^ (note 36(c)(i))
Chu Kong Container Transportation Company Limited	Hong Kong	Container and cargo transportation and towing in Hong Kong	100 ordinary shares of HK$1 each	100%	100%
			10,000 deferred shares of HK$1 each (note (b))	100%	100%
Chu Kong (Guangdong) International Freight Forwarding Co., Ltd. @	PRC	Shipping agency and freight forwarding agency in the PRC	RMB22,660,000	75%	75%
Chu Kong Infrastructure Investment Limited (note (d))	British Virgin Islands	Investment holding in the PRC	2 ordinary shares of US$1 each	–	100%
Chu Kong Godown Wharf & Transportation Company Limited	Hong Kong	Godown and wharf operations in Hong Kong	100 ordinary shares of HK$1 each	100%	100%
			1,000,000 deferred shares of HK$1 each (note (b))	100%	100%
Chu Kong River Trade Terminal Co., Ltd. (note 38)	British Virgin Islands	Investment holding in the PRC	100 ordinary shares of US$1 each	80%	100%

Notes to the Financial Statements

10 Subsidiaries (Continued)

(a) Details of the principal subsidiaries as at 31st December 2011 are as follows: (Continued)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held 2011	Interest held 2010
Directly-held subsidiaries (Continued)					
Chu Kong Transhipment & Logistics Company Limited	Hong Kong	Transshipment and transportation in Hong Kong	100 ordinary shares of HK$1 each	100%	100%
			100,000 deferred shares of HK$1 each (note (b))	100%	100%
Chu Kong Transportation (H.K.) Limited	Hong Kong	Wharf cargo handling and transportation in Hong Kong	100 ordinary shares of HK$1 each	100%	100%
			100,000 deferred shares of HK$1 each (note (b))	100%	100%
Chu Kong Warehouse Properties Co., Ltd.	British Virgin Islands	Property holding in Hong Kong	100 ordinary shares of US$1 each	100%	100%
			9,900 preferred shares of US$1 each (note (c))	100%	100%
Chu Kong Passenger Transport Company Limited	Hong Kong	Provision of agency services and management of ships in Hong Kong	300,000 ordinary shares of HK$1 each	100%	100%
Chu Kong Infrastructure Investment (Hong Kong) Limited	Hong Kong	Investment holding in Hong Kong	1 ordinary share of HK$1 each	100%	100%
Chu Kong River Trade Terminal (Hong Kong) Company Limited	Hong Kong	Investment holding in Hong Kong	1 ordinary share of HK$1 each	100%	100%
CKS Container Terminal (Zhuhai Doumen) Co., Ltd. (note 36(b)(i))	PRC	Cargo transportation and consolidation in the PRC	RMB73,000,000	100%	–
Guangdong Zhu Chuan Logistics Services Co., Ltd. #	PRC	Provision of logistics services in the PRC	RMB10,000,000	100%	100%
Zhaoqing Chu Kong Cargo Terminals (Dawang) Co., Ltd. #	PRC	Cargo transportation and consolidation in the PRC	US$3,620,000	100%	100%

Notes to the Financial Statements

10 Subsidiaries (Continued)

(a) Details of the principal subsidiaries as at 31st December 2011 are as follows: (Continued)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held 2011	Interest held 2010
Directly-held subsidiaries (Continued)					
Zhaoqing Chu Kong Logistics (Dawang) Co., Ltd. #	PRC	Provision of logistics services in the PRC	US$3,620,000	100%	100%
Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd. #	PRC	Provision of logistics services in the PRC	US$6,000,000	100%	100%
Zhongshan City Huangpu Port Cargo and Container Terminal Co., Ltd. ##	PRC	Cargo handling and transportation in the PRC	RMB50,000,000	80%	80%
Zhaoqing New Port Co., Ltd. (note 37) ##	PRC	Cargo handling and transportation in the PRC	RMB101,288,600	77%	77%
Zhaoqing Chu Kong Logistics (Sihui) Co., Ltd. #	PRC	Cargo handling and transportation in the PRC	US$4,000,000	100%	100%
Indirectly-held subsidiaries					
Chu Kong Tourism Company Limited	Hong Kong	Tour operations and provision of advertising services in Hong Kong	2,000,000 ordinary shares of HK$1 each	100%	100%
Chu Kong International Airfreight Company Limited	Hong Kong	Freight forwarding agency in Hong Kong	10,000 ordinary shares of HK$1 each	100%	100%
Ever Sky Transportation Limited	Hong Kong	Wharf cargo handling in Hong Kong	10,000 ordinary shares of HK$1 each	100%	100%
Zhaoqing Chu Kong Transportation (Dawang) Co., Ltd. #	PRC	Cargo transportation in the PRC	RMB1,800,000	100%	100%

Notes to the Financial Statements

10 Subsidiaries (Continued)

(a) Details of the principal subsidiaries as at 31st December 2011 are as follows: (Continued)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held 2011	Interest held 2010
Indirectly-held subsidiaries (Continued)					
Chu Kong Cargo Terminals (Qingyuan) Co., Ltd. ##	PRC	Wharf cargo handling in the PRC	RMB27,460,000	72%*	90%
Chu Kong Cargo Terminals (Gaoming) Co., Ltd. #	PRC	Cargo transportation and consolidation in the PRC	RMB43,300,000	80%*	100%
Chu Kong Cargo Terminals (Kangzhou) Co., Ltd. #	PRC	Cargo handling and transportation in the PRC	RMB11,200,000	80%*	100%
Shenzhen Zhu Chuan International Freight Forwarding Co., Ltd. ##@	PRC	Freight forwarding agency in the PRC	US$1,000,000	87.25%*	87.25%*
Chu Kong (Guangdong) International Shipping Agency Co., Ltd. ##	PRC	Shipping agency in the PRC	RMB3,000,000	67.5%*	67.5%*
Civet (Zhuhai Bonded Area) Logistics Company Limited (note 36(c)(ii)) ##	PRC	Cargo handling and transportation in the PRC	HK$66,000,000	60%*	75%
Chu Kong Logistics (Zhaoqing) Declaration Co., Ltd.	PRC	Customs declaration services in the PRC	RMB1,300,000	100%	–

@ The Group holds 100% voting right in the subsidiary with effect from 1st January 2010.

^ The company was a jointly controlled entity of the Group at 31st December 2010.

* These companies are held by non-wholly owned subsidiaries of the Company and the interests held in these companies as disclosed represent effective interests held by the Group.

\# Wholly owned enterprise established in the PRC.

\## Equity joint venture established in the PRC.

All other subsidiaries without # or ## are limited liability companies.

Notes to the Financial Statements

10 Subsidiaries (Continued)

(b) The holders of the deferred shares of respective subsidiaries are entitled to minimal rights as to dividends and returns of capital, but are not entitled to share the subsidiary's profits, to attend or vote at any general meeting of the subsidiary or to have the rights which are vested in the holding of the ordinary shares.

(c) The holders of the preferred shares have a non-cumulative preferential right to the profit of the subsidiary at 8% of the nominal amount of the share capital of that subsidiary, but are not entitled to receive notice of or to attend or vote at any meeting of members or directors.

(d) Pursuant to the Assets Swap as mentioned in Note 2(a)(ii), the Company disposed of its 100% equity interest in CKIIL, which held 25% equity interest in GZFEL, in December 2011 and recognised a pre-tax gain of HK$8,626,000, of which HK$15,117,000 represents a realisation of exchange reserve.

11 Jointly controlled entities and associates

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Unlisted investments, at cost	**–**	–	**89,430**	52,493
Share of net assets	**477,214**	553,550	**–**	–
Goodwill	**31,026**	29,560	**–**	–
	508,240	583,110	**89,430**	52,493
Loan to a jointly controlled entity (note (b))	**–**	4,839	**–**	4,839

Notes to the Financial Statements

11 Jointly controlled entities and associates (Continued)

(a) Details of the principal jointly controlled entities and associates as at 31st December 2011 are as follows:

Name	Place of incorporation and operation	Principal activities	Percentage of interest in ownership/voting power/ profit sharing 2011	2010
Direct jointly controlled entities				
Shenzhen Yantian Port Chu Kong Logistics Co., Ltd.	PRC	Container transportation and repairs	40%/33%/40%	40%/33%/40%
Chu Kong Logistics (Singapore) Pte. Ltd. ^	Singapore	Shipping agency and freight forwarding agency	60%	60%
Zhong Shan Port Goods Transportation United Co., Ltd. (note (c))	PRC	Wharf cargo handling, godown storage and river trade cargo transportation	25%	–
Indirect jointly controlled entities				
Chu Kong Cargo Terminals (Beicun) Co., Ltd. ^^	PRC	Wharf cargo handling and godown storage	40%/50%/40%*	50%
Dongguan Humen Great Trade Containers Port Co., Ltd. (note (e))	PRC	Wharf cargo handling and godown storage	–	30%/29%/30%
Foshan New Port Ltd.	PRC	Cargo transportation and consolidation	30%/40%/30%*	37.5%/40%/37.5%
Foshan Nankong Terminal Co., Ltd. ##	PRC	Cargo transportation and consolidation	42.5%/50%/42.5%*	47.5%/50%/47.5%
Guangdong Zhu Chuan Navigation Co., Ltd.	PRC	Cargo transportation	49%/40%/49%	49%/40%/49%
Guangzhou-Foshan Expressway Ltd. (note (d))	PRC	Operation of an expressway	–	25%/40%/25%
Heshan County Hekong Associated Forwarding Co., Ltd.	PRC	Wharf cargo handling, godown storage and river trade cargo transportation	40%/50%/40%*	50%
Heshan Port Construction & Development General Company #	PRC	Investment holding	40%/50%/40%*	50%

Notes to the Financial Statements

11 Jointly controlled entities and associates (Continued)

(a) Details of the principal jointly controlled entities and associates as at 31st December 2011 are as follows: (Continued)

Name	Place of incorporation and operation	Principal activities	Percentage of interest in ownership/voting power/ profit sharing 2011	2010
Indirect jointly controlled entities (Continued)				
Heshan Shipping Company #	PRC	Vessel leasing	40%/50%/40%*	50%
Heshan Port Storage & Transportation Company #	PRC	Cargo transportation and godown storage	40%/50%/40%*	50%
Heshan Port Loading Co., Ltd. #	PRC	Wharf cargo handling	40%/50%/40%*	50%
Heshan Port Declaration Company #	PRC	Custom declaration services	40%/50%/40%*	50%
Sanshui Sangang Containers Wharf Co., Ltd.	PRC	Cargo transportation and consolidation	24%/25%/24%*	30%/25%/30%
Hong Kong International Airport Ferry Terminal Service Limited^	Hong Kong	Ferry linkage services between the Hong Kong International Airport and Pearl River Delta	60%	60%
Zhongshan-Hong Kong Passenger Shipping Co-op Co., Ltd. #	PRC	Passenger carrier	40%/43%/40%	40%/43%/40%
Indirect associates				
Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd. #	PRC	Passenger carrier	40%	40%
Guangdong Sanbu Passenger and Freight Transportation Co., Ltd.	PRC	Cargo and passenger transportation	32%/40%/32%*	40%
Zhaoqing City Declaration Co., Ltd. #^	PRC	Custom declaration services	40%	40%

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

\## 22.5% of this jointly controlled entity is directly held by the Company.

* These jointly controlled entities are directly-held by Chu Kong River Trade Terminal Co., Ltd., which became a non-wholly owned subsidiaries of the Company in 2011 (note 38). The changes in percentage of interest in ownership and profit sharing in 2011 represent the change in effective interest held by the Group.

^ Limited liability companies incorporated in Singapore, Hong Kong and the PRC.

^^ Co-operative joint ventures in the PRC.

All other jointly controlled entities without "^" or "^^" are Sino-foreign equity joint ventures in the PRC.

Voting power shown above represents the Group's voting power in making general business and financial decisions. For all significant matters including approvals of dividend payment, budgets or material acquisitions, it requires consent of all joint venture partners. Hence, the Group classifies these companies as jointly controlled entities.

Notes to the Financial Statements

11 Jointly controlled entities and associates (Continued)

(b) The loan to a jointly controlled entity by the Group and the Company was unsecured, interest free and not repayable within twelve months from the balance sheet date.

(c) ZPGTU was acquired by the Company from CKSE under the Assets Swap in December 2011 as mentioned in Note 2(a)(ii) and the fair value of the net assets of ZPGTU acquired by the Company at acquisition date was RMB30,000,000 (equivalent to approximately HK$36,937,000).

(d) The Company disposed of 25% equity interest in GZFE to CKSE through a disposal of CKIIL in December 2011 as described in Note 10(d).

(e) On 8th March 2011, the Group disposed of its entire shareholding in Dongguan Humen Great Trade Containers Port Co., Ltd., to a third party 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 realisation of exchange reserve.

(f) The following amounts represent the aggregate of the Group's share of the results, assets and liabilities of its jointly controlled entities and associates:

	2011 HK$'000	2010 HK$'000
Results for the year:		
Revenue	413,629	441,938
Operating expenses	(353,656)	(371,928)
Profit before income tax expense	59,973	70,010
Income tax expense	(15,985)	(13,284)
Profit for the year	43,988	56,726
Assets		
Non-current assets	369,494	591,005
Current assets	319,350	314,201
	688,844	905,206
Liabilities		
Non-current liabilities	15,439	60,260
Current liabilities	196,191	291,396
	211,630	351,656
Net assets	477,214	553,550

Except as disclosed in note 40, there were no contingent liabilities relating to the Group's interests in the jointly controlled entities and associates and no significant contingent liabilities of the jointly controlled entities and associates themselves as at 31st December 2011 and 2010.

Notes to the Financial Statements

12 Deposits and prepayments

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Land deposit (note a)	**48,871**	–	**–**	–
Prepayments for acquisition of a subsidiary (note b)	**10,906**	–	**10,906**	–
	59,777	–	**10,906**	–

Notes:

(a) Land deposit represents deposit paid by the Group for acquiring land use right in the PRC. Upon completion of the acquisition, the balance will be reclassified to land use right.

(b) The prepayments were made by the Company to the PRC government authority for an acquisition of additional 13% equity interest in a subsidiary, Zhaoqing New Port Co., Ltd. This acquisition is expected to be completed by June 2012 (note 41).

13 Deferred income tax

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

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Deferred income tax assets:				
To be recovered after more than 12 months	**(2,952)**	(135)	**–**	–
To be recovered within 12 months	**(549)**	(252)	**–**	–
	(3,501)	(387)	**–**	–
Deferred income tax liabilities:				
To be settled after more than 12 months	**65,009**	52,165	**4,213**	512
To be settled within 12 months	**1,761**	2,212	**–**	–
	66,770	54,377	**4,213**	512
	63,269	53,990	**4,213**	512

Notes to the Financial Statements

13 Deferred income tax (Continued)

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

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
At 1st January	**53,990**	23,973	**512**	512
Charged to income statement (note 26)	**5,394**	2,274	**3,701**	–
Charged to reserve upon partial disposal of a subsidiary (note 38)	**8,249**	–	**–**	–
Transfer to current income tax payables	**(2,571)**	(2,164)	**–**	–
Acquisitions of subsidiaries (note 36(c))	**(1,793)**	29,901	**–**	–
Exchange differences	**–**	6	**–**	–
At 31st December	**63,269**	53,990	**4,213**	512

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

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Deferred tax assets:				
Gross deferred tax assets	**(4,125)**	(710)	**–**	–
Set off deferred tax liabilities within common tax jurisdictions	**624**	323	**–**	–
As at 31st December	**(3,501)**	(387)	**–**	–
Deferred tax liabilities:				
Gross deferred tax liabilities	**67,394**	54,700	**4,213**	512
Set off deferred tax assets within common tax jurisdictions	**(624)**	(323)	**–**	–
As at 31st December	**66,770**	54,377	**4,213**	512

Notes to the Financial Statements

13 Deferred income tax (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Group

Deferred income tax assets	**Tax losses** HK$'000	**Accelerated tax depreciation** HK$'000	**Total** HK$'000
At 1st January 2010	(326)	(351)	(677)
Charged/(credited) to income statement	3	(36)	(33)
At 31st December 2010	(323)	(387)	(710)
(Credited)/charged to income statement	(1,777)	155	(1,622)
Acquisition of a subsidiary (note 36(c)(i))	–	(1,793)	(1,793)
At 31st December 2011	(2,100)	(2,025)	(4,125)

Deferred income tax liabilities	**Capital gain tax** HK$'000	**Accelerated tax depreciation** HK$'000	**Undistributed profits of PRC enterprises** HK$'000	**Total** HK$'000
At 1st January 2010	–	21,335	3,315	24,650
(Credited)/charged to income statement	–	(1,368)	3,675	2,307
Transfer to current income tax payables	–	–	(2,164)	(2,164)
Acquisition of a subsidiary (note 36(c)(ii))	–	29,901	–	29,901
Exchange differences	–	6	–	6
At 31st December 2010	–	49,874	4,826	54,700
Charged/(credited) to income statement	3,701	(1,303)	4,618	7,016
Charged to reserve upon partial disposal of a subsidiary (note 38)	8,249	–	–	8,249
Transfer to current income tax payables	–	–	(2,571)	(2,571)
At 31st December 2011	11,950	48,571	6,873	67,394

Company

Deferred income tax liabilities	**Capital gain tax** HK$'000	**Accelerated tax depreciation** HK$'000	**Total** HK$'000
At 1st January and 31st December 2010	–	512	512
Charged to income statement	3,701	–	3,701
At 31st December 2011	3,701	512	4,213

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through the future taxable profits is probable. As at 31st December 2011, the Group and the Company have unrecognised tax losses of HK$127,702,000 (2010: HK$99,775,000) and HK$37,071,000 (2010: HK$34,197,000) respectively to carry forward. These tax losses have no expiry dates except for the tax losses of HK$87,663,000 (2010: HK$63,618,000) of the Group which will expire on various dates through 2014 (2010: 2013).

Notes to the Financial Statements

14 Trade and other receivables and loans to jointly controlled entities

	Group		Company	
	2011 HK$'000	2010 HK$'000 (restated)	**2011 HK$'000**	2010 HK$'000
Trade receivables (note (a)):				
– third parties	**182,032**	152,400	**–**	–
– fellow subsidiaries	**254**	5	**–**	–
– jointly controlled entities and associates	**6,523**	979	**–**	–
– other related companies	**1,025**	1,799	**–**	–
	189,834	155,183	**–**	–
Less: provision for impairment – third parties	**(4,248)**	(4,150)	**–**	–
Trade receivables, net	**185,586**	151,033	**–**	–
Other receivables:				
– third parties	**–**	90	**477**	821
– parent company (note (b))	**28,371**	27,891	**–**	–
– immediate holding company (note (b))	**18,718**	5,529	**–**	–
– fellow subsidiaries (note (b))	**5,198**	–	**–**	–
– subsidiaries (note (b))	**–**	–	**525,371**	519,623
– jointly controlled entities and associates (note (b))	**45,539**	32,602	**956**	352
– other related companies (note (b))	**751**	337	**–**	–
	98,577	66,449	**526,804**	520,796
Deposits and prepayments	**50,451**	76,380	**100,510**	94,786
Total trade and other receivables	**334,614**	293,862	**627,314**	615,582
Loans to jointly controlled entities (note (c))	**30,228**	27,629	**13,525**	12,068

Notes to the Financial Statements

14 Trade and other receivables and loans to jointly controlled entities (Continued)

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

	Group	
	2011 **HK$'000**	2010 HK$'000 (restated)
Within 3 months	**181,555**	148,425
4 to 6 months	**3,895**	2,321
7 to 12 months	**56**	109
Over 12 months	**4,328**	4,328
	189,834	155,183
Less: provision for impairment	**(4,248)**	(4,150)
	185,586	151,033

Trade receivables that are less than three months past due are not considered impaired. As of 31st December 2011, trade receivables of HK$4,031,000 (2010 restated: HK$2,608,000) were past due but not impaired. Fully performing receivables and balances that are past due but not impaired relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of past due but not impaired trade receivables is as follows:

	2011 **HK$'000**	2010 HK$'000 (restated)
Up to 3 months	**3,895**	2,321
4 to 6 months	**51**	102
Over 6 months	**85**	185
	4,031	2,608

As of 31st December 2011, trade receivables of HK$4,248,000 (2010: HK$4,150,000) were impaired and have been fully provided for. The individually impaired receivables mainly relate to independent customers, which are in unexpected difficult economic situations or have defaulted on payments. The ageing of these receivables is as follows:

	2011 **HK$'000**	2010 HK$'000
7 to 12 months	**5**	7
Over 12 months	**4,243**	4,143
	4,248	4,150

Notes to the Financial Statements

14 Trade and other receivables and loans to jointly controlled entities (Continued)

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

	2011 HK$'000	2010 HK$'000
At 1st January	**4,150**	4,122
Acquisition of a subsidiary	**1**	–
Provision/(write-back of provision) for impairment (note 22)	**4**	(69)
Exchange differences	**93**	97
At 31st December	**4,248**	4,150

The creation and release of provision for impaired receivables have been included in "other gains – net" in the consolidated income statement (note 22). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security.

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

(b) Other receivables due from related parties are interest free, unsecured and are repayable on demand, except for the amount due from parent company which bears interest rates ranging from 2.25% to 3.50% per annum (2010 restated: ranging from 1.71% to 2.25% per annum).

(c) Loans to jointly controlled entities of the Group and the Company are repayable on demand or within twelve months from balance sheet date, and are mainly denominated in Renminbi.

	Group		Company	
	2011 HK$'000	2010 HK$'000 (restated)	2011 HK$'000	2010 HK$'000
Secured loan – at floating rates (note (i))	**–**	2,350	**–**	–
Unsecured loans				
– interest free	**11,471**	14,800	**4,533**	12,068
– at fixed interest rates (note (ii))	**8,992**	3,878	**8,992**	–
– at floating rates (note (iii))	**9,765**	6,601	**–**	–
	30,228	27,629	**13,525**	12,068

Notes to the Financial Statements

14 Trade and other receivables and loans to jointly controlled entities (Continued)

(i) The loan bore interest at the floating rate announced by the People's Bank of China (2010: floating rate announced by the People's Bank of China) and was secured by property, plant and equipment of a jointly controlled entity.

(ii) The loans bear interest rates ranging from 4.8% to 5.56% per annum (2010: 5.56% per annum).

(iii) The loans bear interest at the floating rate announced by the People's Bank of China (2010: floating rate announced by the People's Bank of China).

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

	Group		Company	
	2011 HK$'000	2010 HK$'000 (restated)	**2011 HK$'000**	2010 HK$'000
Hong Kong dollar	**159,724**	198,554	**206,930**	275,264
Renminbi	**174,890**	89,375	**265,951**	209,614
United States dollar	**–**	5,933	**154,433**	130,704
	334,614	293,862	**627,314**	615,582

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

15 Cash and cash equivalents

	Group		Company	
	2011 HK$'000	2010 HK$'000 (restated)	**2011 HK$'000**	2010 HK$'000
Cash at bank and in hand	**260,888**	186,019	**14,357**	16,724
Short-term bank deposits	**70,268**	105,885	**65,100**	5,000
	331,156	291,904	**79,457**	21,724

Notes to the Financial Statements

15 Cash and cash equivalents (Continued)

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

	Group		Company	
	2011 **HK$'000**	2010 HK$'000 (restated)	**2011** **HK$'000**	2010 HK$'000
Hong Kong dollar	**148,299**	120,389	**79,221**	15,943
Renminbi	**136,277**	112,409	**235**	143
United States dollar	**36,606**	49,136	**1**	5,638
Macau pataca	**9,970**	9,966	**–**	–
Euro	**4**	4	**–**	–
	331,156	291,904	**79,457**	21,724

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

16 Share capital

	Ordinary shares HK$'000	**Share premium** HK$'000	**Total** HK$'000
At 31 December 2010 and 2011	90,000	787,762	877,762

The total authorised number of ordinary shares is 2,000 million shares (2010: 2,000 million) with a par value of HK$0.1 per share (2010: HK$0.1 per share). All issued shares are fully paid.

Share option schemes

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

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

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

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

Notes to the Financial Statements

17 Reserves

Group

	Exchange reserve HK$'000	Revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Merger reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2011, as previously reported	128,835	23,009	171,997	31,860	(478,310)	956,415	833,806
Adoption of merger accounting	4,167	–	–	24,593	30,664	61,470	120,894
At 1st January 2011, as restated	133,002	23,009	171,997	56,453	(447,646)	1,017,885	954,700
Profit for the year	–	–	–	–	–	146,819	146,819
Currency translation differences							
– subsidiaries	47,904	–	–	–	–	–	47,904
– jointly controlled entities and associates	19,110	–	–	–	–	–	19,110
Transfer of reserves	–	–	–	8,649	–	(8,649)	–
Exchange reserve transfer upon disposal of jointly controlled entities (notes 10(d), 11(e))	(16,704)	–	–	(22,611)	–	21,770	(17,545)
Gain on partial disposal of a subsidiary, net of tax (note 38)	–	–	–	–	–	48,240	48,240
Dividend paid to the former shareholder of a subsidiary	–	–	–	–	–	(58,282)	(58,282)
Dividend paid to the former shareholder of a jointly controlled entity	–	–	–	–	–	(4,455)	(4,455)
Capital injection by the former shareholder of a subsidiary	–	–	–	–	55,368	–	55,368
Acquisition of a subsidiary under common control (note 36(b)(i))	–	–	–	–	(227,163)	–	(227,163)
2010 final dividend	–	–	–	–	–	(36,000)	(36,000)
2011 interim dividend	–	–	–	–	–	(9,000)	(9,000)
At 31st December 2011	183,312	23,009	171,997	42,491	(619,441)	1,118,328	919,696
Representing:							
2011 final dividend proposed							22,500
Reserves							897,196
							919,696

Notes to the Financial Statements

17 Reserves (Continued)

Group (Continued)

	Exchange reserve HK$'000	Revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Merger reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2010, as previously reported	94,916	23,009	179,947	30,500	(478,310)	865,873	715,935
Adoption of merger accounting	–	–	–	18,639	30,664	73,563	122,866
At 1st January 2010, as restated	94,916	23,009	179,947	49,139	(447,646)	939,436	838,801
Profit for the year	–	–	–	–	–	160,086	160,086
Currency translation differences							
– subsidiaries	20,785	–	–	–	–	–	20,785
– jointly controlled entities and associates	17,301	–	–	–	–	–	17,301
Transfer of reserves	–	–	–	7,314	–	(7,314)	–
Change in ownership interests in a subsidiary that do not result in change in control (note 37)	–	–	(6,282)	–	–	–	(6,282)
Dividend paid to the former shareholder of a subsidiary	–	–	–	–	–	(29,323)	(29,323)
Dividend paid to the former shareholder of a jointly controlled entity	–	–	(1,668)	–	–	–	(1,668)
2009 final dividend	–	–	–	–	–	(27,000)	(27,000)
2010 interim dividend	–	–	–	–	–	(18,000)	(18,000)
At 31st December 2010	133,002	23,009	171,997	56,453	(447,646)	1,017,885	954,700
Representing:							
2010 final dividend proposed							36,000
Reserves							918,700
							954,700

Notes to the Financial Statements

17 Reserves (Continued)

Group (Continued)

(a) Capital reserve

The capital reserve mainly represents a capital contribution made by CKSE during the reorganisation in 2010 which restated the capital reserve as at 1st January 2010 under merger accounting. CKSE transferred to the Group one subsidiary at a consideration of HK$1 and two jointly controlled entities at nil consideration. Accordingly, the fair values of the net assets of the subsidiary and jointly controlled entities transferred to the Group were accounted for as capital contributions.

(b) Statutory reserve

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

Company

	Retained profits HK$'000
At 1st January 2011	75,019
Profit for the year	663,963
2010 final dividend	(36,000)
2011 interim dividend	(9,000)
At 31st December 2011	693,982
Representing:	
Retained profits	671,482
2011 final dividend proposed	22,500
	693,982
At 1st January 2010	67,039
Profit for the year	52,980
2009 final dividend	(27,000)
2010 interim dividend	(18,000)
At 31st December 2010	75,019
Representing:	
Retained profits	39,019
2010 final dividend proposed	36,000
	75,019

Notes to the Financial Statements

18 Trade and other payables

	Group		Company	
	2011 HK$'000	2010 HK$'000 (restated)	**2011 HK$'000**	2010 HK$'000
Trade payables (notes (a) and (c)):				
– third parties	**189,570**	195,689	**–**	–
– immediate holding company	**1,389**	1,369	**–**	–
– fellow subsidiaries	**14,412**	14,692	**–**	–
– jointly controlled entities and associates	**24,388**	27,897	**–**	–
– other related companies	**3,215**	6,782	**–**	–
	232,974	246,429	**–**	–
Other payables:				
– third parties	**377**	40,117	**761**	40,117
– immediate holding company (note (c))	**50,621**	6,342	**45,754**	–
– fellow subsidiaries (note (c))	**11,434**	413	**–**	–
– subsidiaries (note (c))	**–**	–	**251,765**	603,085
– jointly controlled entities and associates (note (c))	**60,518**	18,531	**–**	12
– other related companies (note (c))	**403**	432	**–**	–
– non-controlling interest in a subsidiary (note (c))	**–**	15,244	**–**	–
– key management (note (c))	**1,473**	1,500	**1,673**	1,658
	124,826	82,579	**299,953**	644,872
Accruals	**119,352**	109,770	**5,919**	5,556
	477,152	438,778	**305,872**	650,428

Notes to the Financial Statements

18 Trade and other payables (Continued)

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

	Group	
	2011 HK$'000	2010 HK$'000 (restated)
Within 3 months	217,163	242,324
4 to 6 months	1,491	200
7 to 12 months	851	123
Over 12 months	13,469	3,782
	232,974	246,429

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

	Group		Company	
	2011 HK$'000	2010 HK$'000 (restated)	2011 HK$'000	2010 HK$'000
Hong Kong dollar	362,368	342,181	305,872	650,405
Renminbi	114,784	95,342	–	23
United States dollar	–	1,255	–	–
	477,152	438,778	305,872	650,428

(c) The trade and other payables due to related parties are unsecured and interest free. Trading balances have similar terms of settlement as those of third party payables whereas other balances are repayable on demand.

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

Notes to the Financial Statements

19 Loans from a jointly controlled entity and an associate, and amounts due to the non-controlling interests of subsidiaries and amount due to a related party – Group and Company

(a) The loans from a jointly controlled entity and an associate of the Group and the Company are unsecured, interest bearing at 3.50% per annum (2010: 2.25% per annum), repayable on demand and are denominated in Renminbi.

(b) Breakdown of amounts due to the non-controlling interests of subsidiaries

	Group		Company	
	2011 **HK$'000**	2010 HK$'000	**2011** **HK$'000**	2010 HK$'000
Non-current (note (i))	**–**	3,104	**–**	–
Current				
– interest free (note (ii))	**47,666**	–	**–**	–
– at fixed interest rates (note (iii))	**3,742**	–	**–**	–
	51,408	3,104	**–**	–

(i) The amount was denominated in Hong Kong dollar, unsecured, interest-free and not repayable within twelve months from the balance sheet date.

(ii) The amounts were denominated in Hong Kong dollar, unsecured and repayable on demand.

(iii) The amounts are unsecured, repayable on demand and of which HK$3,372,000 is denominated in Hong Kong dollar and interest-bearing at 4% per annum and HK$370,000 is denominated in Renminbi and interest-bearing at 5.31% per annum.

(c) The amount due to a related party bears interest at the floating rate announced by the People's Bank of China, is unsecured, repayable on demand and denominated in Renminbi.

Notes to the Financial Statements

20 Borrowings

	Group		Company	
	2011	2010	**2011**	2010
	HK$'000	HK$'000	**HK$'000**	HK$'000
Secured, short term bank loan	**–**	11,752	**–**	–
Unsecured, short term bank loans	**200,000**	140,000	**200,000**	140,000
	200,000	151,752	**200,000**	140,000
Secured, long term bank loans	**85,975**	94,018	**–**	–
	285,975	245,770	**200,000**	140,000

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

	Group	
	2011	2010
	HK$'000	HK$'000
Repayable within one year	**11,966**	11,752
Repayable within one to two years	**12,335**	11,752
Repayable within two to five years	**43,173**	35,257
Repayable after five years	**18,501**	35,257
	85,975	94,018
Current portion included in current liabilities	**(11,966)**	(11,752)
	74,009	82,266

The secured bank loans are secured by certain land use rights and property, plant and equipment of the Group (note 6 and note 8), denominated in Renminbi and bearing interest at the floating rate announced by the People's Bank of China (2010: floating rate announced by the People's Bank of China). The unsecured bank loans are denominated in Hong Kong dollar and bear interest ranging from 1.97 to 2.28% per annum (2010: 1.3% per annum).

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are within one year.

Notes to the Financial Statements

21 Other income

	2011 HK$'000	2010 HK$'000 (restated)
Management fee income from CKSE (note 35(a)(iii))	10,000	–
Property rental income	9,624	9,534
Subsidies from the PRC government	943	7,148
Others	1,614	1,314
	22,181	17,996

22 Other gains – net

	2011 HK$'000	2010 HK$'000 (restated)
Exchange gains, net	22,080	7,413
Gains on disposal of jointly controlled entities (notes 10(d), 11(e))	33,223	–
Gains on re-measurement of interest in a jointly controlled entity (note 36(c)(i))	241	–
Gains on disposal of property, plant and equipment, net	480	1,055
(Provision)/write-back of provision for impairment of trade receivables, net (note 14)	(4)	69
Write-back of other payables (note a)	–	16,744
Others	1,488	1,460
	57,508	26,741

Note:

(a) The amount represented provision for service charges payable to a fellow subsidiary in previous years. The amount was waived by the fellow subsidiary in 2010.

Notes to the Financial Statements

23 Costs and expenses by nature

	2011 HK$'000	2010 HK$'000 (restated)
Amortisation of land use rights	**7,465**	5,687
Auditor's remuneration		
– audit services	**2,751**	2,077
– non-audit services	**1,199**	1,048
Costs of passenger transportation, cargo transportation, handling, storage, container hauling and trucking	**704,227**	578,287
Depreciation of property, plant and equipment	**65,528**	53,176
Depreciation of investment properties	**110**	110
Operating lease rental expenses		
– vessels and barges	**129,336**	102,178
– buildings	**15,514**	15,364
Staff costs (including directors' emoluments) (note 30)	**245,364**	211,048
Others	**137,058**	118,472
Total cost of services rendered and general and administrative expenses	**1,308,552**	1,087,447

24 Finance income and cost

	2011 HK$'000	2010 HK$'000 (restated)
Finance income		
Interest income on short-term bank deposits and bank balances	**2,139**	3,225
Interest income on loans to jointly controlled entities	**1,252**	810
Interest income on amount due from parent company	**772**	947
	4,163	4,982
Finance cost		
Interest expense on bank borrowings	**(6,979)**	(5,548)
Interest expense on loans from a jointly controlled entity and an associate	**(841)**	(511)
Interest expense on amounts due to the non-controlling interests	**(942)**	(19)
Less: amounts capitalised on qualifying assets	**1,461**	1,047
	(7,301)	(5,031)

Notes to the Financial Statements

25 Share of profits less losses of jointly controlled entities and associates

	2011 HK$'000	2010 HK$'000
Share of profits less losses before income tax	**59,973**	70,010
Share of income tax	**(15,985)**	(13,284)
	43,988	56,726

26 Income tax expense

	2011 HK$'000	2010 HK$'000 (restated)
Current income tax		
– Hong Kong profits tax	**12,584**	14,838
– PRC corporate income tax	**22,277**	16,871
– (Over)/under provision in prior years	**(1,531)**	1,806
Deferred income tax expense (note 13)	**5,394**	2,274
	38,724	35,789

Hong Kong profits tax has been provided at the rate of 16.5% (2010: 16.5%) on the estimated assessable profit for the year. PRC corporate income tax has been calculated on the estimated assessable profit for the year at the income tax rates of the PRC entities ranging from 22% to 25% (2010: 22% to 25%).

Share of income tax of jointly controlled entities and associates for the year has been included in the consolidated income statement as share of profits less losses of jointly controlled entities and associates (note 25).

Notes to the Financial Statements

26 Income tax expense (Continued)

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

	2011 HK$'000	2010 HK$'000 (restated)
Profit before share of profits less losses of jointly controlled entities and associates, and income tax expense	152,422	130,103
Calculated at a tax rate of 16.5% (2010: 16.5%)	25,150	21,467
Effect of different tax rates applicable to the subsidiaries in the PRC	2,686	2,131
Income not subject to income tax	(102,220)	(80,421)
Expenses not deductible for income tax purposes	94,114	77,922
Tax losses not recognised	9,378	10,069
(Over)/under provision in prior years	(1,531)	1,806
Others	(45)	(860)
	27,532	32,114
Withholding income tax on undistributed profits of PRC enterprises	4,293	3,675
Capital gain tax on disposal of a jointly-controlled entity and a subsidiary	6,899	–
Income tax expense	38,724	35,789

27 Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company includes a profit of HK$663,963,000 (2010: profit of HK$52,980,000) which is dealt with in the financial statements of the Company.

Notes to the Financial Statements

28 Dividends

	2011 HK$'000	2010 HK$'000
Interim, paid, of HK1 cent (2010: HK2 cents) per ordinary share	**9,000**	18,000
Final, proposed, of HK2.5 cents (2010: HK4 cents) per ordinary share	**22,500**	36,000
	31,500	54,000

The dividends paid during the years ended 31st December 2011 and 2010 were HK$45,000,000 (HK5 cents per share) and HK$45,000,000 (HK5 cents per share) respectively.

On 28th March 2012, the board of directors proposed a final dividend of HK0.25 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements.

The aggregate amounts of the dividends paid and proposed during 2011 and 2012 have been disclosed in the consolidated income statement in accordance with the Hong Kong Companies Ordinance.

29 Earnings per share

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

	2011	2010 (restated)
Profit attributable to equity holders of the Company (HK$'000)	**146,819**	160,086
Weighted average number of ordinary shares in issue ('000)	**900,000**	900,000
Basic earnings per share (HK cents)	**16.31**	17.79

The diluted earnings per share for the years ended 31st December 2011 and 2010 are equal to the basic earnings per share as there are no potential dilutive ordinary shares in issue during both years.

Notes to the Financial Statements

30 Employee benefit expenses (including directors' emoluments)

	2011 HK$'000	2010 HK$'000 (restated)
Salaries and allowances	**233,106**	201,968
Retirement benefit costs – defined contribution plans (note)	**12,258**	9,080
	245,364	211,048

Note:

The Group operates defined contribution schemes which are available to all employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries or a fixed sum and are charged to the consolidated income statement as incurred. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group has no further payment obligations once the contributions have been paid.

Pursuant to the regulations of the relevant authorities in the PRC, the subsidiaries of the Group in this country participate in respective government retirement benefit schemes (the "Schemes") whereby the subsidiaries are required to contribute to the Schemes to fund the retirement benefits of eligible employees. Contributions made to the Schemes are calculated based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC. The relevant authorities of the PRC are responsible for the entire retirement benefit obligations payable to the retired employees. The only obligation of the Group with respect to the Schemes is to pay the ongoing required contributions under the Schemes.

Notes to the Financial Statements

31 Directors' and five highest paid individuals' emoluments

(a) Directors' and senior management's emoluments

The remuneration of each director is set out below:

Name of director	Fees	Salaries	Discretionary bonuses	Other benefits	Employer's contributions to retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
2011						
Mr. Liu Weiqing	**–**	**–**	**–**	**–**	**–**	**–**
Mr. Huang Liezhang	**134**	**153**	**478**	**–**	**6**	**771**
Mr. Zhang Daowu	**250**	**94**	**407**	**–**	**6**	**757**
Mr. Hua Honglin	**273**	**140**	**431**	**–**	**6**	**850**
Mr. Yang Bangming	**116**	**483**	**345**	**90**	**2**	**1,036**
Mr. Huang Shuping	**250**	**141**	**430**	**–**	**6**	**827**
Mr. Yu Qihuo	**–**	**–**	**–**	**–**	**–**	**–**
Mr. Zhang Lei	**–**	**–**	**–**	**–**	**–**	**–**
Mr. Chan Kay-cheung	**250**	**–**	**–**	**–**	**–**	**250**
Ms. Yau Lai Man	**100**	**–**	**–**	**–**	**–**	**100**
Mr. Chow Bing Sing	**100**	**–**	**–**	**–**	**–**	**100**
	1,473	**1,011**	**2,091**	**90**	**26**	**4,691**
2010						
Mr. Hua Honglin	300	–	–	–	–	300
Mr. Yang Bangming	250	304	742	–	12	1,308
Mr. Zhang Daowu	250	–	–	–	–	250
Mr. Huang Shuping	250	–	–	–	–	250
Mr. Chan Kay-cheung	250	–	–	–	–	250
Mr. Choi Kim-Lui	42	–	–	–	–	42
Ms. Yau Lai Man	100	–	–	–	–	100
Mr. Chow Bing Sing	58	–	–	–	–	58
	1,500	304	742	–	12	2,558

Notes to the Financial Statements

31 Directors' and five highest paid individuals' emoluments (Continued)

(b) Five highest paid individuals' emoluments

The five individuals whose emoluments were the highest in the Group for the year include two (2010: one) directors whose emoluments are shown above. The emoluments to the remaining three (2010: four) highest paid individuals during the year are as follows:

	2011 HK$'000	2010 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**949**	955
Bonuses	**1,561**	2,379
Retirement benefit costs – defined contribution plans	**24**	238
	2,534	3,572

During the year, the emoluments of the four (2010: four) highest paid individuals were below HK$1,000,000 each.

(c) During the year, no emoluments have been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. None of the directors waived or has agreed to waive any emoluments. No share options were granted to the directors and senior management as at 31st December 2011 and 2010.

Notes to the Financial Statements

32 Notes to consolidated cash flow statement

(a) Reconciliation of operating profit to cash generated from operations

	2011 HK$'000	2010 HK$'000 (restated)
Operating profit	**155,560**	130,152
Amortisation of land use rights	**7,465**	5,687
Depreciation of property, plant and equipment and investment properties	**65,638**	53,286
Exchange gain, net	**(22,080)**	(7,413)
Gains on disposal of property, plant and equipment	**(480)**	(1,055)
Gains on disposal of jointly controlled entities (note 22)	**(33,223)**	–
Gain on re-measurement of interest in a jointly controlled entity (note 22)	**(241)**	–
Provision/(write-back of provision) for impairment of trade receivables, net	**4**	(69)
Write back of other payables	**–**	(16,744)
Operating profit before working capital changes	**172,643**	163,844
Increase in trade and other receivables	**(8,723)**	(42,980)
Increase/(decrease) in trade and other payables	**30,938**	(46,452)
Cash generated from operations	**194,858**	74,412

(b) The 2010 balance includes non-cash transaction of additions of property, plant and equipment of HK$77,337,000 and land use rights of HK$13,480,000, which were transferred from prepayments.

(c) As mentioned in note 2(a)(ii), the Company acquired 100% equity interest in ZHDM. Pursuant to the sale and purchase agreement, before completion of the acquisition, CKSE, a former shareholder of ZHDM was required to increase ZHDM's registered and paid-up capital by investing RMB48,000,000 (equivalent to approximately HK$58,282,000) out of its retained profits into its registered and paid-up capital. As a result, ZHDM declared dividend of RMB48,000,000 to CKSE and then CKSE immediately injected into ZHDM as its registered capital. There was no cash involved other than tax payment of HK$2,915,000 paid on behalf of the former shareholders on the dividend declared.

Notes to the Financial Statements

33 Commitments

(a) Capital commitments

	Group		Company	
	2011 HK$'000	2010 HK$'000	**2011 HK$'000**	2010 HK$'000
Contracted but not provided for				
– Investment in a subsidiary (note (i))	**–**	–	**–**	1,396
– Investment in a jointly controlled entity (note (ii))	**94,530**	89,795	**94,530**	89,795
– Land use right	**37,737**	47,260	**–**	–
– Property, plant and equipment	**21,454**	20,355	**512**	416
	153,721	157,410	**95,042**	91,607
Authorised but not contracted for				
– Investment in a subsidiary (note (iii))	**–**	–	**72,937**	–
– Property, plant and equipment	**25,965**	26,689	**–**	–
	179,686	184,099	**167,979**	91,067

(i) The 2010 balance represented a commitment to acquire 49% shareholding interest in Chu Kong Air-Sea Union Transportation Company Limited ("CKSA") as disclosed in note 36(c)(i).

(ii) The balance represents the outstanding investment in a jointly controlled entity, Guangzhou Nansha Chu Kong Terminal Company Limited.

(iii) The balance represents a planned capital injection in a subsidiary, Zhongshan City Huangpu Port Cargo and Container Terminal Co., Ltd.

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

	2011 HK$'000	2010 HK$'000
Contracted but not provided for	**2,995**	13,839
Authorised but not contracted	**–**	–
	2,995	13,839

Notes to the Financial Statements

33 Commitments (Continued)

(b) Commitments under operating leases

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

	Group		Company	
	2011 HK$'000	2010 HK$'000 (restated)	**2011 HK$'000**	2010 HK$'000
Land and buildings:				
Not later than one year	**8,861**	9,112	**48**	84
Later than one year and not later than five years	**5,730**	5,624	**60**	144
	14,591	14,736	**108**	228
Vessels and barges:				
Not later than one year	**8,506**	3,621	**–**	–
Later than one year and not later than five years	**–**	791	**–**	–
	8,506	4,412	**–**	–
	23,097	19,148	**108**	228

34 Future operating lease arrangements

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

	Group		Company	
	2011 HK$'000	2010 HK$'000 (restated)	**2011 HK$'000**	2010 HK$'000
Land and buildings:				
Not later than one year	**10,363**	8,147	**–**	937
Later than one year and not later than five years	**7,161**	989	**–**	–
Later than five years	**116**	–	**–**	–
	17,640	9,136	**–**	937
Vessel and barges:				
Not later than one year	**573**	–	**–**	–
	18,213	9,136	**–**	937

Notes to the Financial Statements

35 Related party transactions

The directors of the Group regard CKSE as the immediate holding company, which owns 70.0% (2010: 69.0%) of the Company's ordinary shares. The parent company of the Group is Guangdong Province Navigation Holdings Company Limited ("GPNHCL"), a state-owned enterprise established in the PRC. GPNHCL itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC.

In accordance with HKAS 24 (Revised), government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include GPNHCL and its subsidiaries (other than the Group), other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and GPNHCL as well as their close family members.

For the years 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 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 year.

Notes to the Financial Statements

35 Related party transactions (Continued)

Significant transactions with immediate holding company, fellow subsidiaries, jointly controlled entities and related companies:

(a) Transactions with related parties

	Note	2011 HK$'000	2010 HK$'000 (restated)
Revenues:			
Shipping agency, river trade cargo direct shipment and transshipment income	(i)		
– fellow subsidiaries		**1,726**	1,726
– jointly controlled entities and associates		**254**	18,193
– other related companies		**227**	211
Passenger transportation agency fees	(i)		
– fellow subsidiaries		**4,625**	2,366
– jointly controlled entities and associates		**8,545**	7,591
– other related companies		**2,843**	3,442
Ferry terminal operation service fees	(i)		
– fellow subsidiaries		**5,788**	5,676
– jointly controlled entities and associates		**23,513**	20,713
– other related companies		**10,064**	11,186
Management service fees			
– immediate holding company	(iii)	**10,000**	–
– a fellow subsidiary	(iv)	**11,638**	13,294
– jointly controlled entities	(iv)	**2,618**	3,173
Vessel rental income	(i)		
– other related company		**2,956**	2,644
Office rental income	(i)		
– a fellow subsidiary		**937**	937
Interest income			
– parent company	(v)	**772**	947
– jointly controlled entities	(vi)	**1,252**	810
Proceeds from disposal of property, plant and equipment	(vii)		
– immediate holding company		**–**	7,473

Notes to the Financial Statements

35 Related party transactions (Continued)

(a) Transactions with related parties (Continued)

	Note	2011 HK$'000	2010 HK$'000 (restated)
Expenses:			
Shipping agency, river trade cargo direct shipment and transshipment expenses	(ii)		
– jointly controlled entities and associates		**18,289**	17,561
– other related company		**10,059**	8,720
Wharf cargo handling, cargo transportation and godown storage expenses			
– fellow subsidiaries	(ii)	**14,039**	14,752
– jointly controlled entities and associates	(i)	**46,000**	42,544
– other related companies	(ii)	**35**	86
Agency fee expenses	(i)		
– fellow subsidiaries		**526**	334
– jointly controlled entities and associates		**1,784**	1,615
– other related companies		**21**	110
Ferry terminal operation services fee			
– a fellow subsidiary	(i)	**5,969**	5,729
Luggage handling fee	(viii)		
– other related companies		**7,178**	7,465
Fuel charges	(ii)		
– a fellow subsidiary		**85,764**	60,628
Vessel rental expenses	(i)		
– jointly controlled entities and associates		**20,469**	21,182
Warehouse rental expenses	(ix)		
– immediate holding company		**5,000**	5,000
Office rental expenses	(ii)		
– immediate holding company		**5,847**	3,417
Staff quarter rental expenses	(i)		
– immediate holding company		**2,271**	2,266
Loan interest expenses			
– a jointly controlled entity	(x)	**841**	511
– non-controlling interests	(xi)	**942**	–
Management fee expense	(xii)		
– immediate holding company		**7,200**	7,200

Notes to the Financial Statements

35 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) Management fee was charged to CKSE for a provision of services to a number of subsidiaries and jointly controlled entities of CKSE in Hong Kong and the PRC. According to management agreement, the management fee is calculated annually at (i) HK$20,000,000 per year or (ii) 3.25% of the total assets value of the assets of these companies as at 30th June of each year, whichever is higher, but the amount shall not exceed HK$30,000,000. The contract period is from 1st July 2011 to 30th June 2014.

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

(v) Interest was charged to parent company at rates ranging from 2.25% to 3.50% per annum (2010 restated: ranging from 1.71% to 2.25% per annum).

(vi) Interests were charged to jointly controlled entities in respect of loans bear interest rates ranging from 4.8% to 5.56% per annum (2010: 5.56% per annum) and at the floating rate announced by the People's Bank of China (2010: floating rate announced by the People's Bank of China) respectively pursuant to the agreement entered into between the Group and the jointly controlled entity.

(vii) Land and building with a carrying amount of HK$7,473,000 of Chu Kong Passenger Transport Company Limited ("CKPT") were sold to CKSE at their carrying amount and no gain or loss was recognised.

(viii) 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.

(ix) The Group leased a warehouse from CKSE and rental was charged by immediate holding company as set out in the respective agreement governing the transaction.

(x) Loan interest was charged by a jointly controlled entity at 3.50% per annum (2010: 2.25% per annum) pursuant to the agreement entered into between the Group and the jointly controlled entity.

(xi) Interests were charged to the non-controlling interests at rates ranging from 4% to 5.31% per annum.

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

Apart from the above, during the year, the Company and CKSE have interchanged the use of certain own floors of Chu Kong Shipping Tower without any income or charges for such interchanging arrangement.

(b) Key management compensation

	2011 HK$'000	2010 HK$'000
Salaries and allowances	**8,608**	6,017
Directors' fees	**1,473**	1,500
Retirement benefit scheme contributions	**73**	86
	10,154	7,603

Notes to the Financial Statements

35 Related party transactions (Continued)

(c) Loans to jointly controlled entities

	2011 HK$'000	2010 HK$'000
At 1st January	32,468	38,541
Exchange differences	1,610	911
Loans advanced	6,946	3,748
Loans repayments received	(5,957)	(10,732)
Elimination upon acquisition of a subsidiary (note 36(c)(i))	(4,839)	–
At 31st December	30,228	32,468
Analysed into:		
Current	30,228	27,629
Non-current	–	4,839
	30,228	32,468

36 Business combinations

(a) Assets Swap

As mentioned in note 2(a)(ii), the Company entered into sale and purchase agreements with CKSE, an immediate holding company on 31st May 2011. Pursuant to the agreements, the Company agreed to dispose of its 100% equity interest in CKIIL, including its holding of 25% equity interest in GZFEL, to CKSE for the acquisitions of 100% equity interest in ZHDM and 25% equity interest in ZPGTU, with the difference between the fair value of these equity interests amounting to RMB134,500,000 (equivalent to approximately HK$165,602,000) being settled by the Company in cash. Upon completion of the Assets Swap, ZHDM becomes a wholly owned subsidiary and ZPGTU becomes a jointly controlled entity of the Company. At 31st December 2011, an amount of HK$45,548,000 was payable to CKSE.

The acquisitions of ZHDM and ZPGTU are accounted for under merger accounting (note 36(b)(i)) and equity method of accounting respectively. The financial impact on the disposal of CKIIL is disclosed in note 10(d).

(b) Business combinations under common control

During the years ended 31st December 2011 and 2010, there were two business combinations under common control, and the consolidated financial statements for the years ended 31st December 2011 and 2010 were 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 companies throughout the periods presented or since their respective dates of incorporation, whichever is the shorter period.

Notes to the Financial Statements

36 Business combinations (Continued)

(b) Business combinations under common control (Continued)

(i) Acquisition in 2011

As mentioned in note 2(a)(ii), the Company acquired ZHDM from CKSE under the Assets Swap, which is regarded as a business combination under common control. Statements of adjustments for the common control combination of ZHDM to the consolidated balance sheets as at 31st December 2011 and 2010 and the Group's result for the years then ended are as follows:

	The Group before the acquisition of ZHDM	ZHDM	Note	Adjustments	Total
	HK$'000	HK$'000		HK$'000	HK$'000
Year ended 31st December 2011					
Revenue	1,328,205	56,218		–	1,384,423
Profit before income tax	175,619	20,791		–	196,410
Income tax expense	(33,437)	(5,287)		–	(38,724)
Profit for the year	142,182	15,504		–	157,686
As at 31st December 2011					
ASSETS					
Non-current assets	2,356,835	83,715	(i)	(227,163)	2,213,387
Current assets	636,567	59,607	(ii)	(176)	695,998
Total assets	2,993,402	143,322		(227,339)	2,909,385
EQUITY					
Share capital	90,000	86,033	(i)	(86,033)	90,000
Reserves	1,772,328	53,760	(i)	(141,130)	1,684,958
Final dividend proposed	22,500	–		–	22,500
	1,884,828	139,793		(227,163)	1,797,458
Non-controlling interests	178,640	–		–	178,640
Total equity	2,063,468	139,793		(227,163)	1,976,098
LIABILITIES					
Non-current liabilities	140,779	–		–	140,779
Current liabilities	789,155	3,529	(ii)	(176)	792,508
Total liabilities	929,934	3,529		(176)	933,287
Total equity and liabilities	2,993,402	143,322		(227,339)	2,909,385

Notes to the Financial Statements

36 Business combinations (Continued)

(b) Business combinations under common control (Continued)

(i) Acquisition in 2011 (Continued)

	The Group before the acquisition of ZHDM	ZHDM	Note	Adjustments	Total
	HK$'000	HK$'000		HK$'000	HK$'000
Year ended 31st December 2010					
Revenue	1,107,290	65,572		–	1,172,862
Profit before income tax	155,781	31,048		–	186,829
Income tax expense	(27,925)	(7,864)		–	(35,789)
Profit for the year	127,856	23,184		–	151,040
As at 31st December 2010					
ASSETS					
Non-current assets	2,007,030	79,709		–	2,086,739
Current assets	565,718	56,398	(ii)	(8,721)	613,395
Total assets	2,572,748	136,107		(8,721)	2,700,134
EQUITY					
Share capital	90,000	30,664	(i)	(30,664)	90,000
Reserves	1,585,568	90,230	(i)	30,664	1,706,462
Final dividend proposed	36,000	–		–	36,000
	1,711,568	120,894		–	1,832,462
Non-controlling interests	86,250	–		–	86,250
Total equity	1,797,818	120,894		–	1,918,712
LIABILITIES					
Non-current liabilities	139,747	–		–	139,747
Current liabilities	635,183	15,213	(ii)	(8,721)	641,675
Total liabilities	774,930	15,213		(8,721)	781,422
Total equity and liabilities	2,572,748	136,107		(8,721)	2,700,134

Notes to the Financial Statements

36 Business combinations (Continued)

(b) Business combinations under common control (Continued)

(i) Acquisition in 2011 (Continued)

Notes:

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

(ii) Adjustments to eliminate the intra-group balances as at 31st December 2011 and 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.

(ii) Acquisition in 2010

On 5th May 2010, CKSE underwent a group reorganisation, pursuant to which the Company acquired 100% equity interest in CKPT from CKSE at a consideration of HK$480,610,000 (the "Reorganisation 2010"). 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 2010 were regarded as business combinations under common control.

36 Business combinations (Continued)

(b) Business combinations under common control (Continued)

(ii) Acquisition in 2010 (Continued)

Statements of adjustments for common control combinations of the Acquired Group on the Group's consolidated balance sheet as at 31st December 2010 and the Group's results for the year then ended are as follows:

	The Group before the acquisition of Acquired Group HK$'000	Acquired Group HK$'000	Note	Adjustments HK$'000	Total HK$'000
Year ended 31st December 2010					
Revenue	994,265	115,425	(i)	(2,400)	1,107,290
Profit before income tax	80,784	74,997		–	155,781
Income tax expense	(19,635)	(8,290)		–	(27,925)
Profit for the year	61,149	66,707		–	127,856
As at 31st December 2010					
ASSETS					
Non-current assets	2,252,393	235,247	(ii)	(480,610)	2,007,030
Current assets	497,716	188,102	(iii)	(120,100)	565,718
Total assets	2,750,109	423,349		(600,710)	2,572,748
EQUITY					
Share capital	90,000	300	(ii)	(300)	90,000
Reserves	1,712,685	353,193	(ii)	(480,310)	1,585,568
Final dividend proposed	36,000	–		–	36,000
	1,838,685	353,493		(480,610)	1,711,568
Non-controlling interests	86,250	–		–	86,250
Total equity	1,924,935	353,493		(480,610)	1,797,818
LIABILITIES					
Non-current liabilities	139,747	–		–	139,747
Current liabilities	685,427	69,856	(iii)	(120,100)	635,183
Total liabilities	825,174	69,856		(120,100)	774,930
Total equity and liabilities	2,750,109	423,349		(600,710)	2,572,748

Notes to the Financial Statements

36 Business combinations (Continued)

(b) Business combinations under common control (Continued)

(ii) Acquisition in 2010 (Continued)

Notes:

(i) Adjustments to eliminate the inter-group transactions for the year ended 31st December 2010.

(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 31st December 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.

(c) Business combinations under acquisition method of accounting

(i) Acquisition in 2011

On 7th February 2011, the Company acquired the remaining 49% equity interest in CKSA, and since then CKSA became a wholly-owned subsidiary of the Company. Since that date, the Group has the power to govern the financial and operating decisions of CKSA.

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

Details on re-measurement of the previously held interest in CKSA are as follows:

	HK$'000
Fair value of net assets in CKSA	
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	(4,839)
Trade and other payables	(13,541)
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 CKSA previously recognised as a jointly controlled entity by the Company	(1,282)
Gain on re-measurement of interest in CKSA (note 22)	241

Notes to the Financial Statements

36 Business combinations (Continued)

(c) Business combinations under acquisition method of accounting (Continued)

(i) Acquisition in 2011 (Continued)

Details of net assets acquired and goodwill are as follows:

	HK$'000
Cash consideration	1,464
Fair value of net 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

CKSA contributed revenue of HK$22,947,000 and net profit of HK$4,978,000 to the Group for the period from acquisition to 31st December 2011. If the acquisition had occurred on 1st January 2011, revenue and profit for the year ended 31st December 2011 of the Group would have increased by HK$2,104,000 and HK$100,000 respectively.

(ii) Acquisition in 2010

On 14th October 2010, the Group acquired 75% equity interest in Civet, a cargo handling and transportation company operating in the PRC, at a cash consideration of HK$88,535,000. There is no contingent consideration payable.

Details of net assets acquired and goodwill are as follows:

	HK$'000
Purchase consideration	88,535
Less: fair value of net assets acquired shown as below	(83,671)
Goodwill arising on acquisition recognised as intangible asset (note 9)	4,864

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

Notes to the Financial Statements

36 Business combinations (Continued)

(c) Business combinations under acquisition method of accounting (Continued)

(ii) Acquisition in 2010 (Continued)

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

	Acquiree's carrying amounts HK$'000	Fair values HK$'000
Property, plant and equipment	101,756	150,293
Land use rights	5,466	76,533
Trade and other receivables	4,295	4,295
Cash and cash equivalents	1,098	1,098
Trade and other payables	(61,695)	(61,695)
Bank loan	(17,628)	(17,628)
Deferred income tax liabilities	–	(29,901)
	33,292	122,995
Non-controlling interests (note)		(39,324)
Net assets acquired		83,671

Note:

The acquired business contributed revenue of HK$2,736,000 and net loss of HK$2,249,000 to the Group for the period from acquisition to 31st December 2010. If the acquisition had occurred on 1st January 2010, revenue and profit for the year ended 31st December 2010 of the Group would have been increased by HK$12,184,000 and decreased by HK$3,743,000 respectively.

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

	HK$'000
Cash consideration	88,535
Cash and cash equivalents acquired	(1,098)
Net cash outflow on acquisition in 2010	87,437

Notes to the Financial Statements

37 Additional interest in a subsidiary

On 22nd July 2010, the Group acquired an additional 20.54% equity interest in Zhaoqing New Port Co., Ltd. which was originally acquired in March 2009, at a cash consideration of HK$30,628,000. The carrying amount of the net assets in this company on the date of acquisition was HK$118,530,000. The Group recognised a decrease in non-controlling interest by HK$24,346,000. The effect of changes in the ownership interest of Zhaoqing New Port Co., Ltd. attributable to owners of the Company in 2010 is summarised as follows:

	HK$'000
Carrying amount of non-controlling interests acquired	24,346
Less: consideration paid to non-controlling interests	
– Cash paid in 2010	(20,669)
– Prepaid consideration in 2009	(9,959)
Excess of consideration paid recognised in the capital reserve within equity	(6,282)

38 Partial disposal of a subsidiary

In December 2010, the Company entered into an agreement with a subsidiary of China Merchant Holdings (International) Company Limited for the sale of 20% equity interest in Chu Kong River Trade Terminal Co., Ltd., originally a wholly-owned subsidiary, at a consideration of HK$131,368,000.

At 31st December 2010, an amount of HK$39,410,000 was received in advance from the purchaser. The transaction was completed on 1st February 2011. 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, a net gain on disposal of HK$48,240,000 (after tax) was recognised directly in equity. The Group recognised 20% non-controlling interest amounting to HK$74,879,000 upon the disposal.

39 Comparative figures

The Group has applied merger accounting to account for the business combinations under common control (note 36(b)(i)). The consolidated financial statements for the year ended 31st December 2010 were prepared using the principles of merger accounting on the basis as if the Company had been the holding company of the acquired companies throughout the periods presented.

The adoption of merger accounting stated above has resulted in restatement to the comparative figures.

Notes to the Financial Statements

40 Contingent liabilities

Guarantee given by Zhongshan-Hong Kong Passenger Shipping Co-op Co., Ltd., 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 PRC Provincial Court of Guangdong Province, imposed orders of execution of the jointly controlled entity in 1998 and 2001. However, no execution has been finally implemented.

The directors of the Company are of the opinion that the potential liabilities to be settled are remote as at 31st December 2011.

41 Events after the balance sheet date

Acquisition of an additional interest in a subsidiary

On 9th December 2011, the Company entered into an agreement following an auction sale to acquire 13% equity interest in Zhaoqing New Port Co. Ltd., a subsidiary at a consideration of RMB8,841,000 (equivalent to approximately HK$10,906,000). The ruling was laid down by the court of law in the PRC in January 2012 and the Company has been given the right to complete the transfer of the equity interest. The transfer is expected to be completed by June 2012.

Under HKAS 27 (Revised) "Consolidated and Separate Financial Statements", changes in a parent's ownership interest which do not result in a change of control are accounted for as equity transactions (i.e. transactions with owners in their capacity as owners). The difference between the fair value of the purchase consideration and the carrying value of share of net assets acquired will be recognised directly in equity as a capital reserve.

Five-Year Financial Summary

Results

	2011 HK$'000	2010 HK$'000 (restated)	2009 HK$'000	2008 HK$'000	2007 HK$'000
Revenue	**1,384,423**	1,172,862	920,344	948,692	870,711
Operating profit	**155,560**	130,152	60,237	54,381	55,833
Finance income	**4,163**	4,982	9,127	15,095	21,741
Finance cost	**(7,301)**	(5,031)	(1,061)	–	–
Net finance (cost)/income	**(3,138)**	(49)	8,066	15,095	21,741
Share of profits less losses of jointly controlled entities and associates	**43,988**	56,726	58,722	62,305	75,654
Profit before income tax	**196,410**	186,829	127,025	131,781	153,228
Income tax expense	**(38,724)**	(35,789)	(14,507)	(15,242)	(10,342)
Profit for the year	**157,686**	151,040	112,518	116,539	142,886
Attributable to:					
Equity holders of the Company	**146,819**	160,086	116,025	116,632	143,080
Non-controlling interests	**10,867**	(9,046)	(3,507)	(93)	(194)
	157,686	151,040	112,518	116,539	142,886
Basic earnings per share (HK cents)	**16.31**	17.79	12.89	13.0	17.1
Dividends (HK$'000)	**31,500**	54,000	31,500	45,000	54,000
Dividend per share (HK cents)	**3.5**	6	3.5	5	6

Assets And Liabilities

	2011 HK$'000	2010 HK$'000 (restated)	2009 HK$'000	2008 HK$'000	2007 HK$'000
Non-current assets	**2,213,387**	2,086,739	1,598,060	1,069,194	1,013,499
Current assets	**695,998**	613,395	1,045,638	981,802	899,179
Total assets	**2,909,385**	2,700,134	2,643,698	2,050,996	1,912,678
Non-current liabilities	**140,779**	139,747	65,376	12,488	5,392
Current liabilities	**792,508**	641,675	908,565	274,949	256,572
Total liabilities	**933,287**	781,422	973,941	287,437	261,964
Total equity	**1,976,098**	1,918,712	1,669,757	1,763,559	1,650,714

Notes:

(a) The financial information for the years ended 31st December 2010 and 2011 were extracted from the 2011 financial statements.

(b) The financial information for the years ended 31st December 2007, 2008 and 2009 were extracted from the Five-Year Financial Summary in 2010 Annual Report and no retrospective adjustments for the common control combination for the year of 2010 and the adoption of HKAS 17 (Amendment) were made on the financial information of these three years.

Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting of CHU KONG SHIPPING DEVELOPMENT COMPANY LIMITED ("the Company") will be held at **26/F., Chu Kong Shipping Tower, 143 Connaught Road Central, Hong Kong** on 25th May 2012 at 10 a.m. for the following purposes:

1. To receive and consider the audited financial statements of the Company and the reports of the directors and the auditors of the Company for the year ended 31st December 2011.

2. To declare a final dividend for the year ended 31st December 2011.

3. To re-elect directors and to authorize the directors to fix the remuneration of directors.

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

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

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

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

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

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

Notice Of Annual General Meeting

(4) for the purpose of this resolution:

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

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

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

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

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

(B) "**THAT:**

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

(2) the aggregate nominal amount of the Shares which may be purchased by the Company pursuant to the approval in paragraph (1) of this resolution during the Relevant Period shall not exceed 5% of the aggregate nominal amount of the issued share capital of the Company as at the date of passing this resolution and the said approval shall be limited accordingly; and

(3) for the purpose of this resolution:

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

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

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

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

Notice Of Annual General Meeting

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

6. To transact any other business.

By Order of the Board
Cheung Mei Ki, Maggie
Company Secretary

Hong Kong
12th April 2012

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