CHU KONG SHIPPING ENTERPRISES (GROUP) COMPANY LIMITED

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

Stock Code : 00560

Annual Report 2012

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CHU

Corporate Information

NON-EXECUTIVE DIRECTOR
Mr. Liu Weiqing *(Chairman)*
Mr. Yu Qihuo
Mr. Zhang Lei

INDEPENDENT NON-EXECUTIVE DIRECTOR
Mr. Chan Kay-cheung
Ms. Yau Lai Man
Mr. Chow Bing Sing

EXECUTIVE COMMITTEE
Mr. Huang Liezhang
Mr. Xiong Gebing
Mr. Huang Shuping

AUDIT COMMITTEE
Mr. Chan Kay-cheung
Ms. Yau Lai Man
Mr. Chow Bing Sing

AUDITOR
PricewaterhouseCoopers

PRINCIPAL BANKS
Bank of China (Hong Kong)
Nanyang Commercial Bank
Bank of Communications
Bank of East Asia
China Citic Bank International

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

EXECUTIVE DIRECTOR
Mr. Huang Liezhang *(Managing Director)*
Mr. Xiong Gebing
Mr. Huang Shuping

COMPANY SECRETARY
Ms. Cheung Mei Ki Maggie

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

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" Jointly Create Fortune Jointly Enjoy Achievements"

Chu Kong Shipping Enterprises (Group) Company Limited ("CKSG") is established in Hong Kong, the international maritime centre, and provided with abundant river transportation resources in the mainland. CKSG 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 CKSG 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".


MAERSK
MAERSK LINE
CMA CGM

Structure Of The Group

Chu Kong Shipping Enterprises (Group) Company Limited

- The Public — 29%
- Chu Kong Shipping Enterprises (Holdings) Company Limited — 71%

Subsidiaries and associates of Chu Kong Shipping Enterprises (Group) Company Limited:

- 100% Chu Kong Transhipment & Logistics Company Limited
  - 100% Chu Kong International Airfreight Company Limited
- 100% Chu Kong Transportation (H.K.) Limited
  - 100% Ever Sky Transportation Limited
  - 49% Guangdong Zhu Chuan Navigation Co., Ltd.
- 100% Chu Kong Warehouse Properties Co., Ltd.
- 80% Chu Kong River Trade Terminal Co., Ltd.
  - 75% Civet (Zhuhai Bonded Area) Logistics Company Limited
  - 50% Chu Kong Cargo Terminals (Beicun) Co., Ltd.
  - 25% Foshan Nankong Terminal Co., Ltd. (22.5% held directly by Chu Kong Shipping Enterprises (Group) Company Limited)
  - 37.5% Foshan New Port Ltd.
  - 40% Guangdong Sanbu Passenger and Freight Transportation Co., Ltd.
  - 50% Heshan County Hekong Associated Forwarding Co., Ltd.
  - 30% Sanshui Sangang Containers Wharf Co., Ltd.
  - 100% Chu Kong Cargo Terminals (Gaoming) Co., Ltd.
  - 100% Chu Kong Cargo Terminals (Kangzhou) Co., Ltd.
  - 90% Chu Kong Cargo Terminals (Qingyuan) Co., Ltd.
- 100% Chu Kong River Trade Terminal (Hong Kong) Company Limited
- 100% Chu Kong Infrastructure Investment (Hong Kong) Limited
- 100% Chu Kong Container Transportation Company Limited
- 100% Chu Kong Godown Wharf & Transportation Company Limited
- 100% Chu Kong Air-sea Union Transportation Company Limited
- 100% Chu Kong Agency Company Limited
  - 49% Shenzhen Zhu Chuan International Freight Forwarding Co., Ltd.
- 75% Chu Kong (Guangdong) International Freight Forwarding Co., Ltd.
  - 51% Shenzhen Zhu Chuan International Freight Forwarding Co., Ltd.
  - 90% Chu Kong (Guangdong) International Shipping Agency Co., Ltd.
- 100% Chu Kong Shipping (Guangdong) Logistics Company Limited
- 80% Zhongshan City Huangpu Port Cargo and Container Terminal Co., Ltd.
- 100% Zhaoqing Chu Kong Cargo Terminals (Dawang) Co., Ltd.
  - 10% Chu Kong Logistics (Zhaoqing) Declaration Co., Ltd.
- 100% Zhaoqing Chu Kong Logistics (Dawang) Co., Ltd.
  - 90% Chu Kong Logistics (Zhaoqing) Declaration Co., Ltd.
  - 100% Zhaoqing Chu Kong Transportation (Dawang) Co., Ltd.
- 100% Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd.
  - 40% Zhaoqing City Declaration Co., Ltd.
- 100% Zhaoqing Chu Kong Logistics (Sihui) Co., Ltd.
- 100% Zhaoqing New Port Co., Ltd.
- 100% CKS Container Terminal (Zhuhai Doumen) Co., Ltd.

Subsidiary

Jointly Controlled Entity

Associate

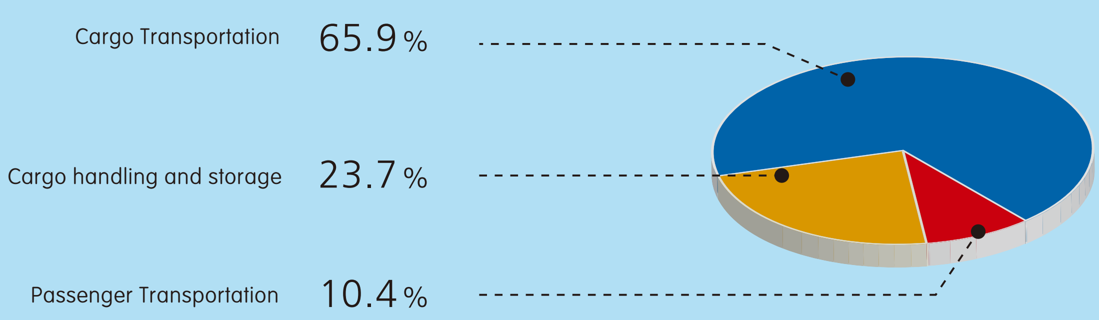
" We Believe In Our Missions"

Financial Highlights

(HK$ Million)	2012	2011	Change %
Revenue	**1,514.6**	1,384.4	9.4
Profit attributable to the equity holders of the Company	**135.8**	146.8	(7.5)
Total assets	**3,202.4**	2,909.4	10.1
Total equity	**2,090.5**	1,976.1	5.8

Financial Ratio			
Operating profit margin (%)	**9.5**	11.2	(15.2)
Current ratio	**1.1**	0.9	22.2
Debt ratio (%)	**34.7**	32.1	8.1

Distribution of the Group's revenue in 2012 by operating segments:



Chairman's Statement

Mr. Liu Weiqing
(Chairman)

In 2012, Chu Kong Shipping Enterprises (Group) Company Limited (the "Company") and its subsidiaries (the "Group") possessed itself to respond to the weak global economy by expanding its sources of income, reducing expenditures and enhancing management. Hence, it achieved better operating results. For the year ended 31st December 2012, the Group recorded a consolidated revenue amounting to HK$1,514,647,000, up by 9.4% against last year; profit attributable to equity holders of the Company was HK$135,825,000, excluding the one-off gain factor of last year, increased by 8.9% year on year. The board recommends a final dividend of HK4.5 cents per share.

For terminal logistics, in 2012, the Group continued to promote professional operation to improve its competitiveness by taking advantage of terminal resources and teamwork. The first is to intensify market expansion that successfully developed a number of new customers and new projects to promote business growth. The second is to gradually establish overseas marketing network through seeking for overseas cooperation for integrated logistics business with the Hong Kong airport, Singapore airport etc. The third is to aggressively promoting logistics industry upgrade by engaging in integrated logistics business of warehousing in cooperation with large-scale groups. The fourth is the completion of the upgrade and reconstruction of Gaoming and Civet Terminals, and accelerating the construction and upgrade progress of Huangpu and Qingyuan Terminals. The fifth is to take the advantage of the approval in the plan of Guangzhou Nansha New District to proceed with the land requisition and construction of Nansha Chu Kong Terminal. The Group's container transportation volume increased by 5.6% year on year while the container handling volume increased by 14.1% year on year. In particular, the container throughput of Gaoming Terminal and Sihui Terminal reached 252,000 TEU and 113,000 TEU, representing an increase of 22.5% and 40.8% year on year, respectively.

Regarding high-speed passenger transportation, we focused on market development, product innovation and service quality improvement. Firstly, implementing the measures such as call-port operation, reasonably increasing fares, energy saving and consumption reduction to improve the overall efficiency of the passenger transportation segment. Secondly, intensifying marketing efforts by launching business promotional events in Taiwan, Macau, South Korea, the United States and Canada, which were reported by a number of medias including CCTV and Phoenix TV effectively to improve our brand awareness and passenger throughput. Thirdly, creating products innovation to promote the in-depth collaboration between high-speed passenger transportation and tourism by way of integration of them, and making direct connections with a number of domestic and overseas travel agencies. Fourthly, advancing the in-depth cooperation of the business between Chu Kong Tourism Company Limited and the Venetian Group to actively enhance ticket sales, by which 1,012,000 tickets of Cotai Jet was sold on consignment throughout the year, representing a year-on-year growth of 541.0%. In 2012, the total number of waterway passengers for Guangdong-Hong Kong-Macau routes, in which our Group acted as the carrier and agent, was 13,573,000, of which, the total number of passengers for Guangdong-Hong Kong route and Hong Kong-Macau route reached 6,213,000 and 7,360,000 for the year, representing a year-on-year increase of 3.0% and 19.5%, respectively.

In 2012, the Group's investment strategy was to refine its layout of cargo terminals and to moderately increase the investment in passenger travel industry which is asset-light with high returns. During the year, the Group acquired 23% equity interest in Zhaoqing New Port, resulting in 100% control over the terminal. Chu Kong High-Speed Ferry Company Limited, a wholly-owned subsidiary of the Group, and Cotai Ferry Company Limited, a company indirectly owned by Sands China Ltd. (a Hong Kong listed company, 01928.HK), entered into an agreement in relation to the provision of management and operation services for Cotai Jet fleet since 31st July 2012, which has run well for the past five months. At the end of the year, Chu Kong Passenger Transport Company Limited, a wholly-owned subsidiary of the Group, and a wholly-owned subsidiary of One Media Group Limited (a Hong Kong listed company, 00426.HK) jointly formed a high-speed passenger transportation advertisement company named Connect Media Company Limited ("CMC"), to create a high-speed passenger advertising platform for Guangdong, Hong Kong and Macau by leveraging and combining the advantages of both companies that are complementary with each other.

The Stock Exchange of Hong Kong issued amendments to the Listing Rules and the Model Code for Directors in 2011. In 2012, the Company consistently improved the level of corporate governance in accordance with the latest requirements of the revised rules, including re-composition of the board of directors and the nomination committee, revision of the terms of reference of the board committees, formulation of a number of shareholder communication policies, establishment of a system under which information is submitted to the board monthly and so on. A number of such measures further slimmed management chain, and improved decision-making efficiency and execution level.

Zhongshan Terminal

Chairman's Statement

To catch up with the diversified development of the Company and speed up the overall listing of parent's quality assets, the Company changed its name to "Chu Kong Shipping Enterprises (Group) Company Limited" during the year, unifying the brand "CKS" of Chu Kong Shipping, which is conducive to image promotion and business development of the Company.

In 2013, the Group will seek another growth point in addition to expanding and improving on the two major business segments, i.e. terminal logistics and high-speed passenger transportation. For terminal logistics, we will focus on the followings: the first is to intensify professional operation. Through "Great Logistics", we will integrate logistics resources to achieve complementary synergies of terminals within regions. We will also combine economies of scale and operational capabilities, and turn resource advantages into competitive strengths; the second is cargo terminals reconstruction and upgrade. We will expand our capacity to enhance the ability to drive growth, and will build six core terminals and logistics centers in six regions using Gaoming Terminal as benchmark; the third is to speed up the construction of Zhongshan Huangpu Terminal, Nansha Chu Kong Terminal, Dawang Terminal and Qingyuan Terminal to shorten the nutrition period; the fourth is to accelerate the transformation and upgrading of our major businesses. We will, by leveraging on existing resources platform, expand new business and extend the industrial chain to foster new growth points. We also will increase the cooperation with China Merchants, Fok Ying Tung Group and Nansha Assets Operation Co., Ltd., etc; in addition, we will speed up the construction of overseas freight marketing network in Southeast Asia. Regarding high-speed passenger transportation, we will focus on the followings: the first is to enhance the operation of CMC, an advertising agency, to generate profits as soon as possible, and to seek to further broaden the range of our business lines; the second is to strengthen new product development through the cooperation of passenger transportation and tourism to expand business coverage; the third is to take the favorable opportunity of renewing the contract in relation to Skypier at Hong Kong airport to expand airport routes; the fourth is, with our proven experience in management of high-speed passenger ferries, to strive for opening up new routes outside Guangdong, Hong Kong and Macau in light of "Go-out" strategy; the fifth is to take the opportunities of the booming yacht industry in Mainland China to tap into the yacht industry; the sixth is to increase the investment in the tourism industry and look for new business opportunities in response to the trend of growing frequent individual travelers.

I would like to hereby represent the board of directors to express its sincere appreciation to all shareholders, partners and stakeholders for their continued 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, 26th March 2013

“ We Strive For Corporate Synergy”

Management Discussion And Analysis

REVIEW OF OPERATIONS

For the year ended 31st December 2012, the Group recorded a consolidated revenue of HK$1,514,647,000, an increase of 9.4% as compared with last year, profit for the year was HK$145,251,000, decreased by 7.9% as compared with last year. As one-off gains from disposal of the shareholdings in Dongguan Humen Great Trade Containers Port Co., Ltd. and Chu Kong Infrastructure Investment Limited were included in last year, profit attributable to the equity holders of the Group were up by 8.9% as compared with last year if the said gains were excluded.

In 2012, under the shadow of financial tsunami, the growth of the global economy slowed down significantly while U.S. and European economies were on a rough ride to recovery, in particular the export trade of Mainland experienced a certain extent impact due to the effect of RMB appreciation and surge of production cost of the Mainland. The Group possessed itself to respond to the unfavorable external environment and recorded a growth in certain operation indicators during the year by promoting professionalised operation and expanding its passenger transportation business. Benefited from the stable growth of the terminal business in the Pearl River Delta region, the container transportation volume and container handling volume recorded an increase of 5.6% and 14.1% respectively. Break bulk cargoes transportation volume and handling volume decreased by 11.6% and 13.5% year on year respectively due to containerisation and decreased bulk cargo volume. The market share of the Group in over 30 category-2 ports in Pearl River Delta for which the Group has business relationship with also continued to increase from 21.5% of last year to 24.8%. The passenger transportation business maintained a stable growth, the number of passengers for agency services achieved another record high with an increase of 3.0%, and the number of passengers for terminal services also increased by 8.9%.

During the year, since the international oil price maintained at a high level after a short-term decline, the oil price was basically parallel with that in last year. By implementing a series of energy conservation measures by the Group, there was a general decrease in oil consumption and the total oil cost reduced by 1.7%.

Sihui Terminal

Management Discussion And Analysis

During the year, the subsidiaries engaged in freight-related business contributed a profit of HK$52,264,000 to the Group, a decrease of 3.6% as compared with last year. The profit from the investment in jointly controlled entities and associates involved in freight-related business reached HK$24,253,000, a decrease of 1.7% as compared with last year. The passenger transportation business segment (including investment in subsidiaries, jointly controlled entities and associates) contributed a profit of HK$74,562,000 to the Group, representing a year-on-year increase of 21.0%, it was mainly due to the business of Chu Kong High-Speed Ferry Company Limited ("CKHSF") contributing higher profit to the Group.

During the year, the Company established CKHSF, a wholly-owned subsidiary of the Group, to enter into a service agreement with Cotai Ferry Company Limited regarding the provision of the management of high speed ferry services between Hong Kong and Macau for a period of five years. Chu Kong Passenger Transport Company Limited ("CKPT"), a wholly-owned subsidiary of the Company, cooperated with One Media (HK) Limited to jointly establish Chu Kong Culture Media Company Limited ("CKCM"). CKCM has incorporated Connect Media Company Limited ("CMC") in Hong Kong for developing the high-speed passenger transportation advertisement business. The businesses of above new companies represent a good opportunity for the Group to diversify its business and revenue base and perfect its passenger transportation network, thus enable it to share the market prospects in advertisement business in Guangdong, Hong Kong and Macau, optimise the profit structure of the Group and promote the upgrading of passenger transportation business.

1. Freight Business

The market share of the Group in over 30 category-2 ports in Pearl River Delta for which the Group has business relationship with continued to increase from 21.5% of last year to 24.8%, representing a growth of 3.3%.

I. Business Operation Indicators

Performance statistics of our major business operations are as follows:

	For the year ended 31st December		
Indicators	**2012**	2011	Change
Cargo transportation volume			
Container transportation volume (TEU)	**1,128,247**	1,068,921	5.6%
Break bulk cargoes transportation volume (revenue tons)	**278,127**	314,755	–11.6%
Cargo handling volume			
Container handling volume (TEU)	**1,118,549**	980,535	14.1%
Break bulk cargoes handling volume (revenue tons)	**1,472,354**	1,701,893	–13.5%
Volume of container hauling and trucking on land (TEU)	**198,179**	217,599	–8.9%

Management Discussion And Analysis

II. Container Transportation

During the year, the European debt crisis has been spreading around, resulting in an apparent slowdown in the global economy, which affected the import and export volume of the Mainland. There was a slowdown in the transportation volume between Guangdong and Hong Kong and, in particular, the export factory trading cargo volume in Pearl River Delta region decreased and the container transportation volume was impacted to some extent. However, with great efforts and cooperation between Chu Kong Transhipment & Logistics Company Limited ("CKTL") and other major shipping companies, the cargo source of Connected Carrier Agreement ("CCA") of major shipping companies increased significantly. Empty container collaboration with major shipping companies also achieved projected results, and empty container shipment business at Machong achieved a better development. Starting from second half of the year, the import cargo volume of renewable resources increased because of fluent customs clearance, leading to a new record high in the container transportation volume of 1,128,000 TEU. CKTL strives to expand and strengthen its market share by expanding its marketing network that promoting the growth of container transportation volume. The market share in over 30 category-2 ports in Pearl River Delta for which the Group has business relationship with sustained a continuous growth.

III. Break Bulk Cargoes Transportation

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, due to the trend of containerisation and as affected by the economy in surrounding regions and the decrease in bulk cargoes, the break bulk cargoes transportation volume decreased by 11.6%. Although there has been a decline trend in break bulk cargoes transportation volume, the gross profit continued to improve, and in particular, the gross profit of the break bulk cargo delivering business attained a significant year-on-year increase.

IV. Wharf Handling

Through the perfection of segmental marketing management and the terminal operation mode in domestic and foreign trade, the business volume in the core terminals of the Group recorded a remarkable year-on-year growth and the container handling volume of the Group rose by 14.1% as compared with last year, especially in Zhaoqing and Foshan where had significant improvement in the cargo volume. However, segmental terminals in Zhuhai was affected by the policies of the government, resulting in certain decrease in the cargo volume. Under the effect of containerisation, the break bulk cargoes handling volume decreased by 13.5% year-on-year.

Chu Kong Cargo Terminals (Gaoming) Co., Ltd. continued to cooperate with international major shipping companies and strives to broaden the cooperative channels among, successfully turning its terminal into the base port and cargo hub for a number of major shipping companies which increased its competitiveness in the market. On the other hand, by strengthening ties between the terminal and government departments, the renewable resources business sustained a stable growth. Currently, Gaoming Port has become one of the largest terminals in the region in terms of renewable resources volume and also a demonstration site for Guangzhou Customs. During the year, container handling volume for foreign trade was 252,000 TEU and total container throughput of the terminal significantly increased by 22.5% year-on-year, its profit contribution to the Group increased by 12.8% over last year to HK$41,184,000.

Management Discussion And Analysis

Backed by the Asia renewable resource base, the core business of Zhaoqing Chu Kong Logistics (Sihui) Co., Ltd. developed rapidly. Benefited from other regional policies, the renewable resources cargo of the hinterland begins to return. With more efforts paid in expansion of markets and perfection of customs process, cargo volume of the terminal achieved stable growth. The business volume recorded a significant growth for the year, with annual handling volume of the company increased by 40.8% over last year to 113,000 TEU. The profit attributable to the Group was HK$7,058,000, in which profit for the year recorded a substantial growth of 39.1% as compared with last year.

Zhaoqing New Port Co., Ltd. ("Zhaoqing New Port Terminal") has successfully expanded its foreign trade business in 2012 and achieved a significant annual growth in foreign trade business. During the year, throughput of foreign-trade container increase substantially by around 18 times from last year to 41,000 TEU. Benefited from the adjusted operating strategy and substantial growth of foreign trade business, there was a significant reductions in losses of the company. The company recorded a loss of HK$7,536,000 attributable to the loan interests and depreciation expenses incurred during the year, representing a decrease in loss of HK$4,134,000 year-on-year. Looking forward, the terminal will further consolidate its cargo source of renewable resources, enhance marketing in the foreign trade business of factory customers and commence the business in trucking transit at appropriate time.

The container handling volume for the year of Chu Kong Cargo Terminals (Kangzhou) Co., Ltd. was approximately 100,000 TEU, a significant increase of 97.2% as compared with last year, mainly attributable to the growth in volume of domestic trade cargo and coal cargo. Under the impact of decrease in medium density fibreboard operation and containerisation of break bulk cargoes, the break bulk cargoes handling volume decreased by 38.8% year-on-year. The company's profit contribution to the Group was HK$1,641,000, representing a significant growth of over 26 times due to the lower base of last year.

Through the segmental marketing strategy, Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd. shifted its renewable resources business to other core terminal of the Group in Zhaoqing region. The renewable resources volume of the terminal continued to drop, however, with more efforts paid in marketing for factory trade cargo of stones and ceramics, its performance has been improved. The annual container handling volume of the company decreased by 3.0% year-on-year to 48,000 TEU; while its foreign-trade break bulk cargo business recorded 196,000 revenue tons, up by 250.8% as compared with last year. The company's profit contribution to the Group increased by 41.2% year-on-year to HK$366,000.

Zhaoqing Chu Kong Logistics (Dawang) Co., Ltd. has completed the integration of 3 vehicle inspection centers in Zhaoqing region and thus stabilised its business development. Benefited from the significant growth of cargo volume of major customers, the bonded warehouse for import and export business recorded a satisfactory year-on-year growth as well as the operating revenue. Moreover, the company also strives to expand its customs declaration business. During the year, the company recorded a loss of HK$3,299,000, up by 7.1% due to the increase in the cost of depreciation and interest and decrease in exchange gains.

Influenced by customs policies, CKS Container Terminal (Zhuhai Doumen) Co., Ltd. experienced a significant reduction in its renewable resources cargo volume as compared with last year, while the volume of factory trade cargoes remained stable. Container handling volume for the year was 70,000 TEU, a decrease of 21.4% year-on-year, and the profit contribution to the Group was HK$5,254,000, a decrease of 66.1% year-on-year. In the future, the terminal will continue to strengthen its relationship with major customers, enhance communication with customs authority and explore ways to rejuvenate its cargo source of renewable resources so that the container handling volume will return to the growth track.

After years of nurturance, the terminal business of Civet (Zhuhai Bonded Area) Logistics Company Limited ("Civet") is becoming mature. The domestic government policies and the fierce competition among terminals in the region have hindered the growth momentum of cargo volume. To minimise such influence, Civet has implemented several measures including cooperating with other shipping companies regarding price adjustment and competing for hinterland resources. During the year, a total container throughput of 140,000 TEU was recorded, a slight increase of 1.5% year-on-year and the loss increased to HK$2,843,000.

Chu Kong Air-Sea Union Transportation Company Limited saw a decrease in its terminal operation as the volume of import and export factory trade cargos shrank. Break bulk cargoes and container handling volume recorded a year-on-year decrease of 27.3% and 31.1% respectively. As the terminal operation, being the main source of terminal revenue, recorded a relatively high decrease, the terminal contributed a profit for the year of HK$4,734,000 to the Group, down by 30.3% as compared with last year.

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 performance of Chu Kong Cargo Terminals (Beicun) Co., Ltd. experienced substantial reduction and recorded a loss of HK$1,608,000, representing a significant decrease as compared with last year. Shenzhen Yantian Port Chu Kong Logistics Co., Ltd. contributed a further loss of HK$3,167,000 to the Group due to its higher cost. Guangdong Zhu Chuan Navigation Co., Ltd recorded a loss of HK$1,199,000 under the unfavorable environment in barge shipping market.

For other terminals, Foshan Nankong Terminal Co., Ltd. contributed a profit of HK$6,675,000 to the Group, a year-on-year increase of 49.7%; Foshan New Port Ltd. contributed a profit of HK$16,376,000 to the Group, a year-on-year increase of 11.2%; benefited from the growth in its renewable resources business, Sanshui Sangang Containers Wharf Co., Ltd. contributed a profit of HK$3,405,000 to the Group, a year-on-year increase of 44.6%; Guangdong Sanbu Passenger and Freight Transportation Co., Ltd. achieved stable growth in its results and recorded a profit attributable to the Group of HK$1,590,000, a year-on-year increase of 60.1%.

Chu Kong Logistics (Singapore) Pte. Ltd. ("CKL") promoted the setting up of foreign marketing network and achieved rapid business development. During the year, the Group signed contracts and established business relationship with a number of freight forwarding companies through CKL as its business and settlement center. 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$810,000 to the Group, an increase of 33.2% year-on-year.

Management Discussion And Analysis

2. Passenger Transportation Business

The business of CKPT recorded a sustainable growth with a total number of passengers for agency services of 6,213,000 during the year, an increase of 3.0% year-on-year. Guangdong-Hong Kong urban routes carried a number of passengers for agency services of 4,355,000, almost as same as last year, and airport routes were 1,858,000, an increase of 11.0% year-on-year. Except for Gaoming, Heshan, Jiangmen and Fuyong influenced by cessation of service due to typhoon, major ships overhaul in Shunde Passenger Terminal and shunting to Shenzhen, other Guangdong-Hong Kong routes sustained a growth. As CKPT co-operated with ship-owners to increase the number of airport routes and escalated the promotion, the growth of airport routes was more significant than that of urban routes. In view of the global economic recovery and the increasing business communication between Guangdong, Hong Kong and Macau, it is believed that the number of cross-border visitors will further increase in these three regions and thus attracting more waterway passengers.

Apart from this, after becoming a First Class Ticketing Sales Agency for Cotai Jet, Chu Kong Tourism Company Limited ("CK Tourism") experienced a rapid growth in the sales of ferry tickets for Hong Kong-Macau routes as well as its ticketing and tourism business, and has established ticket alliance with various travel agencies, resulting in larger market shares in terms of sales.

CKPT and CK Tourism contributed a total profit of HK$32,470,000 to the Group.

I. Business Operation Indicators

Performance statistics of our major business operations are as follows:

	For the year ended 31st December Number of Passengers (in thousands)		
Indicators	**2012**	2011	Change
Number of passengers for agency services	**6,213**	6,030	3.0%
Number of passengers for terminal services	**6,915**	6,348	8.9%

II. Investment in Jointly Controlled Entities and Associates of CKPT

During the year, the number of passengers for terminal services of Skypier increased by 8.3% year-on-year with the number of passengers of 2,596,000. Hong Kong International Airport Ferry Terminal Services Limited contributed a net profit after tax of HK$14,343,000 to the Group, up by 9.5%. The passenger volume of Zhongshan-Hong Kong Passenger Shipping Co-op Co., Ltd. increased slightly by 0.9% but that of Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd. was decreased. Share of profits attributable to the Group from them increased to HK$7,865,000 and HK$4,486,000 respectively. The total share of profits for these investments amounted to HK$26,694,000.

During the year, CKPT has made use of its advantages of professionalised passenger transportation operation to coordinate the increase of the fare and fuel surcharge of Zhongshan Passenger Terminal and the fare for foreign tour groups and individual tourists of Shunde Passenger Terminal, which effectively reduced cost pressure and enhanced operating profit of the company.

3. Other Businesses

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$135,825,000 in 2012, representing a decrease of HK$10,994,000 or 7.5%, as compared with last year, details of which are as follows:

	2012 HK$'000	2011 HK$'000	Change HK$'000
Net operating profit*	**84,957**	102,831	–17,874
Share of profits less losses of jointly controlled entities and associates	**50,868**	43,988	6,880
Profit attributable to equity holders of the Company	**135,825**	146,819	–10,994

* 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 2012 increased by HK$6,880,000 or 15.6% from last year to HK$50,868,000. Among these, profit after taxation attributable to cargo transportation business was HK$24,253,000 and profit after taxation attributable to passenger transportation business was HK$26,615,000.

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 increased in 2012 as compared with prior year. 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**
2008	0.05	45,000	116,632	38.58%
2009	0.035	31,500	116,025	27.15%
2010	0.06	54,000	160,086	33.73%
2011	0.035	31,500	146,819	21.45%
2012*	0.045	40,500	135,825	29.82%

* Dividends per share for 2012 included a proposed final dividend of HK$0.045 per share.

Management Discussion And Analysis

Employees

As at 31st December 2012, the Group employed 462 employees in Hong Kong and remunerated its employees according to the duty of their positions and market conditions.

Liquidity and Financial Resources

The Group keeps close track of its working capital and financial resources in an effort to maintain a solid financial position. As at 31st December 2012, the Group secured a total credit limit of HK$425,000,000 and RMB59,700,000 (equivalent to approximately HK$74,244,000) granted by bona fide banks.

As at 31st December 2012, the current ratio of the Group, represented by current assets divided by current liabilities, was 1.1 (2011: 0.9) and the debt ratio, representing total liabilities divided by total assets, was 34.7% (2011: 32.1%).

As at 31st December 2012, the Group's cash and cash equivalents amounted to HK$584,723,000 (2011: HK$331,156,000), which represents 18.3% (2011: 11.4%) of the total assets.

As at 31st December 2012, the gearing ratio of the Group, represented by bank borrowings divided by total equity and bank borrowings, was 15.6% (2011: 12.6%).

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

Bank Loan and Pledge of Assets

Bank Loan	**As at 31st December 2012**	As at 31st December 2011
Banks located in Hong Kong (Note 1)		
– Hong Kong Dollar	**300,000,000**	200,000,000
– Renminbi	**10,000,000 (equivalent to approximately HK$12,427,000)**	Nil
Banks located in China (Note 2)		
– Renminbi	**59,700,000 (equivalent to approximately HK$74,244,000)**	69,700,000 (equivalent to approximately HK$85,975,000)

Note:

1. The bank loan in Hong Kong was bearing floating interest rate and unsecured.
2. The bank loan in China was bearing floating interest rate and secured by certain land use rights and property, plant and equipment of Zhaoqing New Port Terminal.

Management Discussion And Analysis

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 2012, cash and cash equivalents held by the Group, of which 45.6% were denominated in Hong Kong dollar ("HKD"), 42.8% in Renminbi ("RMB"), 9.9% in United States dollar ("USD"), 1.7% in Macau pataca and a small amount Euro, deposited with several banks of good reputation are as follows:

	Amount	**Percentage**
	HK$'000	%
HKD	266,437	45.6
RMB	250,435	42.8
USD	57,884	9.9
Macau pataca	9,963	1.7
EURO	4	0.0
	584,723	100.0

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 Company.

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 2012, net trade receivables of the Group amounted to HK$184,817,000, a decrease of 0.4% as compared with last year, 97.1% of which was aged within 3 months. The exposure to bad debts was controlled at a comfortable level.

Management Discussion And Analysis

Corporate Strategies and Prospects

The Central Government has been focusing on the promotion of the development of the logistics industry, committing to strengthen the construction of modern circulation system, upgrade the overall standard of information circulation and alleviate the burden of the tax in circulating industries etc., which provide full support to the logistics industry. Being the market leader of the logistics industry in Guangdong, Hong Kong and Macau, the Group will seek for future development opportunities through the policy support.

However, the impact of the worldwide financial and economic recession affected the import and export trading and barge transportation industries in Pearl River Delta. The Group will continue to reinforce the risk management, act cautiously and operate steady.

In future, the Group will concentrate on better and stronger development of two major fields of terminal logistic and water-way high-speed passenger transportation. It will continue to build up regional core terminals and logistics centers, to speed up the cultivation of the freight transportation segments, to strive to a rapid development of integrated logistics and to extend the industrial supply chain. Meanwhile we will strengthen the development of passenger transportation related to tourist industry, proceed to the strategy in extension of the passenger business, and explore new ferry routes outside Guangdong-Hong Kong-Macau.

In addition, the Group will focus on the development of new strategic project through the investment in asset-light type projects. The Group will also continue seeking investment opportunities and maintain a steady sustainable development. The board and management are optimistic about the long-term development of the Group, and will endeavor to take on the challenges and opportunities arising in the coming years.

Foshan New Port Terminal


" We Target On Better
Corporate Governance"
CKS
CMA CGM

Report Of The Directors

(Back row from left to right) : Mr. Huang Shuping (Executive Director), Mr. Yu Qihuo (Non-executive Director), Mr. Xiong Gebing (Executive Director), Mr. Zhang Lei (Non-executive Director)

(Front row from left to right): Mr. Chow Bing Sing (Independent Non-executive Director), Mr. Huang Liezhang (Managing Director), Mr. Liu Weiqing (Chairman), Mr. Chan Kay-cheung (Independent Non-executive Director) Ms. Yau Lai Man (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 2012.

Principal Activities And Geographical Analysis Of Operations

The principal activity of the Company is investment holding. The Company's principal business is investment holding, mainly focusing on two major fields of terminal and shipping logistics and the water-way high-speed passenger transportation. The Group establishes its freight industry based on a number of freight terminal enterprises in Guangdong and Hong Kong and mainly engages in cargo canvassing, feeder transportation, vessel agency, wharf handling, warehousing and storage, which provide a perfect supply chain of terminal and shipping logistics; while another major business of the Group, the water-way high-speed passenger transportation that based on Guangdong, Macau and Hong Kong, has developed into the largest operations agent of ferry transportation. The principal activities of its subsidiaries, jointly controlled entities and associated companies are set out in the notes 10 and 11 to financial statements.

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 2012 are set out on page 56 of the annual report. No interim dividend was declared during the year. The directors have proposed a final dividend of HK4.5 cents per ordinary share for the year, totalling HK$40,500,000 to shareholders on the register of members on 22nd May 2013.

Report Of The Directors

Financial Summary

A summary of the financial information of the Group for the last five financial years is set out on page 129 of the annual report. This summary does not form part of the audited financial statements

Property, Plant And Equipment And Investment Properties

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

Share Capital

Details of 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 2012, 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$834,694,000 of which HK$40,500,000 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 were as follows:

Non-executive Directors:
Mr. Liu Weiqing (Chairman)
Mr. Yu Qihuo
Mr. Zhang Lei

Executive Directors:
Mr. Huang Liezhang (Managing Director)
Mr. Xiong Gebing (appointed on 1st January, 2013)
Mr. Zhang Daowu (resigned on 28th December 2012)
Mr. Hua Honglin (resigned on 28th December 2012)
Mr. Yang Bangming (resigned on 28th December 2012)
Mr. Huang Shuping

Dawang Logistics

Independent Non-executive Directors:

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

In accordance with the Articles of Association of the Company, Mr. Chan Kay-cheung and Ms. Yau Lai Man will retire by rotation and, being eligible, Mr. Chan Kay-cheung and Ms. Yau Lai Man will offer themselves for re-election at the forthcoming annual general meeting.

Directors' Service Contracts

The Company has entered into letters of appointment with all existing directors with a fixed term of three years, but are subject to retirement by rotation and re-election in accordance with the Articles of Association of the Company.

Save as disclosed above, 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 36 to 41 of this annual report.

Share Option Scheme

On 14th May 2002, the Company adopted a share option scheme which, unless otherwise cancelled or amended, would remain in force for 10 years from the date of operation. No share options have been issued under the scheme since its adoption. The scheme has been expired on 13th May 2012. As at 31st December 2012, the Company did not adopt any new share option scheme.

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 2012, the Company has not been notified of any interests and short positions of the directors and executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO.

Apart from the share option scheme, at no time during the 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.

Report Of The Directors

Directors' Interests In Contracts

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

Substantial Shareholders' Interests In The Shares Of The Company

As at 31st December 2012, 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)	Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE")	639,274,000
(ii)	Guangdong Province Navigation Holdings Co., Ltd ("GPNHCL")	639,274,000

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 2012, 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 2012 was HK$12,472,000.

(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 2012 was HK$635,000.

(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 2012 was HK$980,000.

(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 2012 was HK$2,425,000.

(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 2012 was HK$50,533,000.

(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 2012 was HK$24,276,000.

(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 2012 was HK$75,543,000.

(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 2012 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 2012 was HK$11,897,000.

(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 2012 was HK$6,033,000.

(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 2012 was HK$7,090,000.

(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 2012 was HK$2,340,000.

(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 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 2012 was HK$7,035,000.

(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 2012 was HK$9,737,000.

(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 2012 was HK$27,024,000.

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.

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.

Report Of The Directors

Management Contracts

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

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

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

Compliance With The Code On Corporate Governance Practice

In the opinion of the directors, the Company complied with the code provisions of the Code on Corporate Governance Practices (effective until 31st March 2012) and Corporate Governance Code (effective from 1st April 2012) as set out in Appendix 14 of the Listing Rules during the accounting period covered by this Annual Report. Please refer to the Corporate Governance Report on pages 42 to 51 of this report.

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.

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, internal controls and corporate governance. 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.

Report Of The Directors

Nomination Committee

The Company had established a nomination committee in compliance with the Listing Rules 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

Huang Liezhang
Managing Director

Hong Kong, 26th March 2013

High-speed Passenger Ferry

Directors And Senior Management

Non-Executive Directors

Mr. Liu Weiqing, aged 55, 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 36 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 60, 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 42 years of experience in navigation logistics, human resources and administration management.

Mr. Zhang Lei, aged 48, 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 27 years of experience in marine industry management.

Executive Directors

Mr. Huang Liezhang, aged 46, 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 assistant general manager of GPNHCL, chairman of Guangzhou Yinggang Real Estate Co., Ltd. and Hong Kong International Airport Ferry Terminal Services Limited, and the director of Guangdong Guanghang Navigation Co., Ltd. Mr. Huang has more than 25 years of experience in navigation and terminal logistics management and administration management.

Directors And Senior Management

Mr. Xiong Gebing, aged 47, has been appointed as deputy general manager of the Company since October 2011 and as executive director of the Company on 1 January 2013. Mr. Xiong 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 is also currently the chairman of Chu Kong Passenger Transport Company Limited and Chu Kong High-Speed Ferry Company Limited, the vice-chairman of Zhongshan-Hong Kong Passenger Shipping Co-op Co., Ltd. and the director of Zhuhai High-speed Passenger Ferry Co., Ltd.. Mr. Xiong has 24 years of experience in vessel engineering and trading.

Mr. Zhang Daowu, aged 45, was appointed as executive director of the Company on 14th October 2008, and has resigned on 28th December 2012. Mr Zhang mainly participated in strategic planning and decision making of the Group during his term of office. He joined CKSE 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 23 years of experience in shipping and corporate management.

Mr. Hua Honglin, aged 45, obtained a doctoral degree in management from Sun Yatsen University in 2008 and a certified senior economist and accountant in the PRC with over 22 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 has resigned on 28th December 2012. Mr Hua was responsible for capital operation and information technology of the Company during his term of office. 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 47, was appointed as executive director of the Company on 14th October 2008, and has resigned on 28th December 2012. Mr. Yang participated in strategic planning and decision making of the Group during his term of office. 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, the chairman of Chu Kong River Trade Terminal Co., Ltd. and Guangdong Zhu Chuan Logistics Services Co., Ltd. Mr. Yang has more than 24 years of experience in shipping and corporate management.

Directors And Senior Management

Mr. Huang Shuping, aged 48, 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, development and capital operation. Mr. Huang was the deputy managing director of CKSE, currently he is also the chairman of Chu Kong Shipping (Guangdong) Investment Limited, Guangzhou Nansha Chu Kong Terminal Company Limited and Zhongshan City Huangpu Port Cargo and Container Terminal Co., Ltd., the chairman of Guangzhou-Foshan Expressway Ltd., director of Guangzhou Nansha International Logistics Park Development Co., Ltd and Chu Kong Maritime Consultant Company Limited. He has over 28 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.

Independent Non-executive Directors

Mr. Chan Kay-cheung, FHKIB. Aged 66, 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 Committee of Overseers of Lee Woo Sing College, The Chinese University of Hong Kong, a member of The China Unionpay International Advisory Group and an international senior economic consultant of The People's Government of Shaanxi Province. Mr. Chan is also an independent non-executive director of China Electronics Corporation Holdings Company Limited, Dah Chong Hong Holdings Limited, Hong Kong Food Investment Holdings 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 49, 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 22 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 63, 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.

Directors And Senior Management

Senior Management

Mr. Li Zhijie, aged 51, graduated from the Shanghai Maritime University, majoring in water transportation management, an assistant economist. He has been appointed as deputy general manager of the Company and general manager of Chu Kong Shipping (Guangdong) Logistics Company Limited ("Chu Kong Guangdong Logistics") since June 2012, responsible for logistics professional operation. Mr. Li worked successively in Guangdong and Hong Kong shipping companies for more than 30 years and acted as deputy general manager of Chu Kong Transhipment & Logistics Company Limited ("CKTL") and general manager of Guangdong Hong Kong & Macau Freight Transport Trust Company in 1992; deputy managing director of CKSE in 2001; deputy general manager and general manager of the strategy development department of GPNHCL in 2007.

Mr. Hu Jiahong, aged 58, graduated from the Beijing University of Economics, majoring in modern economy management, an assistant economist. He has been appointed as deputy general manager of the Company since June 2012 to provide assistance for the logistics professional operation and is in charge of CKPT, Macau Branch. He worked successively in Guangdong and Hong Kong shipping companies for more than 30 years and acted as a teacher in Guangdong Province Shipping School in 1983; chief officer of organisation division of Guangdong Navigation Administration Bureau and manager of the integrated department of GPNHCL in 1988; head of Shilong Harbour Bureau, Guangdong Province in 1995; deputy general manager of the development department of CKSE in 1997; deputy general manager of the Company in 1998; general manager of the development department of CKSE in 2000; general manager of Guangdong Province Pearl Navigation in 2006. He is currently the chairman of Yuet Tung Shipping Co., Limited.

Mr. Ke Guigen, aged 49, 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 26 years of experience in accounting, financial management and audit.

Mr. Zhou Xiong, aged 43, has been appointed as deputy general manager of the logistics business department of the Company since June 2011, and has transferred to other positions in the Group in July 2012. Mr. Zhou joined CKS in 1992, and then worked successively in 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 21 years of experience in corporate management and marketing.

Mr. Hu Jun, aged 40, has been appointed as assistant general manager of the Company and deputy general manager of Chu Kong Guangdong Logistics since June 2012. 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, 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 21 years of experience in shipping management and marketing.

Directors And Senior Management

Mr. Chen Yu, aged 46, has been appointed as assistant general manager of the Company and deputy general manager of Chu Kong Guangdong Logistics 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 22 years of experience in shipping operation and management and marketing.

Mr. Lu Xin, aged 46, has been appointed as chief accountant of the logistics business department of the Company since June 2011, and has transferred to other positions in the Group in July 2012. 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 23 years of experience in accounting and financial management.

Mr. Ying Zhenyu, aged 49, graduated from Hohai University majoring harbour and waterway engineering and holds a master degree in political economy from Guangdong Academy of Social Sciences. He is an engineer and has been appointed as assistant general manager of the Company and deputy general manager of Chu Kong Guangdong Logistics since June 2011. He has worked in transportation sectors for 29 years and acted as Hydraulic Design Team Leader of Forth Design Institute of Navigation Engineering of the Ministry of Communications of China in 1984; manager of Nansha Port Company under Nansha Port Development Corporation in 1993; assistant general manager, deputy general manager and general manager of the port development department of Guangzhou Nansha Asset Management Company Limited in 2003; general manager of Guangzhou Nansha International Logistics Company in 2005; general manager of Guangzhou Nansha Export Processing Zone in 2007; deputy general manager of the strategy development department of GPNHCL in 2010.

Ms. Cheung Mei Ki, Maggie, aged 46, 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 2010 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 27 years' experience in accounting, financial management and corporate governance.

Mr. Liu Wuwei, aged 41, 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 21 years of experience in river trade cargo shipping, river trade terminal operation management and marketing.

Directors And Senior Management

Mr. Luo Jian, aged 38, 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 18 years of experience in navigation operation and management and sales marketing.

Mr. Leng Buli, aged 49, has been appointed as the director and president of Chu Kong High-Speed Ferry Company Limited since July 2012. He graduated from Northwestern Polytechnical University majoring aircraft engineering in 1986 and obtained a master degree in No.624 Institute of Ministry of Aviation & Aerospace. He joined GPNHCL in 1994 and had worked successively for GPNHCL, Yuet Hing Marine Supplies Co., Ltd. and Cotai Chu Kong Shipping Management Services Co. Ltd. He holds the qualification of a senior engineer in China and has over 27 years of experience in marine industry management and engineering technology.

Corporate Governance Report

The Company strives for maintaining a high standard of corporate governance practices and procedures 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 directors of the Company have adopted various policies to ensure compliance with the code provisions of the Code on Corporate Governance Practices (effective until 31st March 2012) and Corporate Governance Code (effective from 1st April 2012) (the "Code") under Appendix 14 of the Listing Rules. The directors considers that, the Company has complied fully with all applicable Code for the year ended 31st December 2012 except with the deviation as disclosed in this report.

In future, the Company will also 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 provided training course for them.

Directors' And Employees' Securities Transactions

The Company has adopted a model code of conduct no less than that required by the model code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct of directors conducting securities transactions. All directors have confirmed, following specific enquiry of all directors that they have fully complied with the required standard set out in the Model Code in relation to such transactions for the year ended 31st December 2012.

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 2012.

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 re-election 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:

As at 31st December 2012, the board of the Company consists of eight members, namely two executive directors, three non-executive directors and three independent non-executive directors. 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. The personal biographies of the directors are set out in pages 36 to 38 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 Company has signed appointment letter with all directors for a fixed term of three years, unless terminated by either party giving to the other not less than 1 month's prior notice in writing, but the directors are subject to retirement by rotation and re-election according to the Articles of Association of the Company.

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.

Relationship between Board members:

To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship between board members.

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 high-end integrated logistics business, driving the passenger transportation business and strengthening internal management.

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.

Independent Non-Executive Directors:

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, as such, the Company complies with Rule 3.10A of the Listing Rules of having at least one-third of the board being represented by independent non-executive directors. They are professionals experienced in banking, finance and logistics services. One of the independent non-executive directors has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2). 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.

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. According to the Code Provision A.4.3, if an independent non-executive director serves more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders. However, Mr. Chan is not due to retirement by rotation yet during the year but will due to retirement by rotation at the forthcoming general meeting. The Company will decide his further appointment by a separate resolution to be approved by shareholders according to relevant provisions.

The Company has received from each of the current independent non-executive directors a confirmation of his/her 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 2012, 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.

Corporate Governance Report

Board Of Directors Meeting Procedures:

The board held regular meetings during the year. The company secretary assists the chairman in establishing the meeting agenda, and each director/committee member may request inclusion of items in the agenda. The time and agenda of the board meeting will be available to the directors at least 14 days in advance and related documents 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. Draft and final versions of the minutes of board meetings and board committee meetings prepared in sufficient details by the secretary of the meetings, were circulated to the directors for their comment and record respectively. Originals of such minutes, being kept by the company secretary, are open for inspection at any reasonable time on reasonable notice by any director. 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 2012.

If a director has a conflict of interest in a matter to be considered at the meetings of the board and the committee which the board has determined to be material, the matter will not be transacted by written resolutions. Such director may express his/her recommendations but shall not be counted in the quorum and shall abstain from voting on the relevant resolution.

All directors have unrestricted access to the company secretary who is responsible for ensuring that the board/committee procedures are complied with, and for advising the board/committee(s) on compliance matters.

Insurance Arrangement for Directors

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.

Attendance At Meetings And Time Commitment of Directors:

During 2012, the attendance of the board members at general meetings, the meetings of the board and its respective committees is as follows:

	Attendance/number of meetings held					
	General Meeting	Board	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Liu Weiqing (Chairman of the Board)	2/3	4/4	N/A	N/A	N/A	0/0
Mr. Huang Liezhang (Managing Director)	3/3	4/4	12/12	N/A	2/2	N/A
Mr. Zhang Daowu (Executive director, resigned on 28th December 2012)	0/3	3/4	12/12	N/A	N/A	N/A
Mr. Hua Honglin (Executive director, resigned on 28th December 2012)	2/3	4/4	12/12	N/A	N/A	N/A
Mr. Yang Bangming (Executive director, resigned on 28th December 2012)	0/3	4/4	12/12	N/A	N/A	N/A
Mr. Huang Shuping (Executive director)	3/3	4/4	12/12	N/A	N/A	N/A
Mr. Yu Qihuo (Non-executive director)	3/3	4/4	N/A	N/A	N/A	N/A
Mr. Zhang Lei (Non-executive director)	3/3	4/4	N/A	N/A	N/A	N/A
Mr. Chan Kay-cheung (Independent non-executive director)	3/3	4/4	N/A	2/2	2/2	0/0
Ms. Yau Lai Man (Independent non-executive director)	3/3	4/4	N/A	2/2	2/2	0/0
Mr. Chow Bing Sing (Independent non-executive director)	3/3	4/4	N/A	2/2	2/2	0/0

Upon reviewing (i) the annual confirmation of the time commitment given by each director; (ii) the directorships and major commitments of each director; and (iii) the attendance rate of each director on board and their respective board committee meetings, the board is satisfied that all directors have spent sufficient time in performing their responsibilities during the year.

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 within an authorised limit or other day-to-day business operations. The committee consists entirely of executive directors of the Company.

The Executive Committee comprises:

Mr. Huang Liezhang – Chairman of the committee
Mr. Xiong Gebing (appointed on 1st January 2013)
Mr. Huang Shuping
Mr. Zhang Daowu (resigned on 28th December 2012)
Mr. Hua Honglin (resigned on 28th December 2012)
Mr. Yang Bangming (resigned on 28th December 2012)

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 2012 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 2012;
- Internal audit function of the Company including internal audit policy, internal audit plan and internal audit reports, covering internal control and risk management; and
- Connected party transactions of the Company.

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.

The board has delegated the corporate governance functions, its terms of reference are according to the Code Provision D.3.1, to the Audit Committee as it considered members of the Audit Committee to be better positioned to provide an objective and independent guidance on governance-related matters.

The Audit Committee has reviewed the Company's compliance with the respective code provisions of the Code on Corporate Governance Practices (effective until 31 March 2012) and the Code (effective from 1st April 2012) for the year ended 31st December 2012 and disclosure in this Corporate Governance Report.

Remuneration Committee:

The Remuneration Committee was established in 2005 and is chaired by an independent non-executive director. The Remuneration Committee met twice in 2012 and the average attendance rate is 100%. Currently, the Remuneration Committee comprises three independent non-executive directors and one executive director.

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 make recommendations to the board on the Company's policy and structure for all remuneration of directors and senior executives and on the establishment of a formal and transparent procedure for developing policy on such remuneration;
- to make recommendations to the board on the remuneration packages of individual executive directors and senior management, including benefits in kind, pension rights and compensation payments, including any compensation payable for loss or termination of their office or appointment, and make recommendations to the board on the remuneration of non-executive directors. The Committee should consider salaries paid by comparable companies, time commitment and responsibilities of the directors, employment conditions elsewhere in the Group;
- to review and approve the compensation payable to executive directors and senior executives in connection with any loss or termination of their office or appointment to ensure that are consistent with contractual terms and are otherwise fair and not excessive for the Company;

- to review and approve compensation arrangements relating to dismissal or removal of directors for misconduct to ensure that they are consistent with contractual terms and that any compensation payment is otherwise reasonable and appropriate; and

- to ensure that no director or any of his associates is involved in deciding his own remuneration.

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
Ms. Yau Lai Man
Mr. Chow Bing Sing

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;

- 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.

According to the Articles of Association, all Directors are subject to retirement by rotation and re-election at annual general meetings of the Company. New directors appointed by the Board during the year are required to retire and submit themselves for re-election at the first annual general meeting immediately following their appointments. Further, at each annual general meeting, one-third (if not a multiple of three, then the number nearest to but not more than one-third) of director shall retire from office by rotation provided that every director shall be subject to retirement at least once every three years.

In accordance with Articles 81 and 82 of the Company's Articles of Association, Mr. Chan Kay-cheung and Ms. Yau Lai Man will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election. In accordance with Article 77 of the Company's Articles of Association, Mr. Xiong Gebing, who was appointed on 1st January 2013, will retire at the forthcoming annual general meeting and, being eligible, offers himself for re-election. The Nomination Committee recommended to the board that Mr. Chan Kay-cheung, Ms. Yau Lai Man and Mr. Xiong Gebing be nominated for re-election at the forthcoming annual general meeting of the Company.

Training for Directors and Company Secretary

All directors have been given relevant guideline materials regarding the duties and responsibilities of being a director, the relevant laws and regulations applicable to the directors, duty of disclosure of interest in shares and business of the Group and such induction materials will also be provided to newly appointed directors shortly upon their appointment as directors. All directors have also been updated on the latest development regarding the Listing Rules and other applicable regulatory requirement to ensure compliance and enhance their awareness of good corporate governance practices. During the year, the Company organised seminar that are hold by professionals for directors and executives to explain the latest Listing Rules, and arrange tours to the terminals of the Company located in China so as to deepen their understanding in the business and development of the Group.

The directors confirmed that they have complied with the Code Provision A.6.5 of the Code effective on 1st April 2012 on directors' training. During the year or since the effective date of the Code, all directors have participated in continuous professional development by reading materials or attending seminars/briefing sessions to develop and refresh their knowledge and skills and provided a record of training to the Company. Directors have participated training on the following topics during 1st April to 31st December 2012:

	Corporate governance/ updates on laws, rules and regulations		Accounting/financial/ managerial or other expertise	
	Reading materials	Attending seminars/ briefing sessions	Reading materials	Attending seminars/ briefing sessions
Mr. Liu Weiqing (Chairman of the Board)	✓	✓	✓	
Mr. Huang Liezhang (Managing Director)	✓	✓		
Mr. Zhang Daowu (Executive director, resigned on 28th December 2012)	✓	✓	✓	
Mr. Hua Honglin (Executive director, resigned on 28th December 2012)	✓	✓		
Mr. Yang Bangming (Executive director, resigned on 28th December 2012)	✓	✓	✓	
Mr. Huang Shuping (Executive director)	✓	✓		
Mr. Yu Qihuo (Non-executive director)		✓	✓	
Mr. Zhang Lei (Non-executive director)		✓		
Mr. Chan Kay-cheung (Independent non-executive director)	✓	✓	✓	✓
Ms. Yau Lai Man (Independent non-executive director)		✓		✓
Mr. Chow Bing Sing (Independent non-executive director)	✓	✓		

To comply with Rule 3.29 of the Listing Rules, the company secretary has taken no less than 15 hours of relevant professional training for the year ended 31st December 2012.

Remuneration of Senior Management:

Number of senior management according to the level of remuneration:

Level of remuneration	Numbers of Senior Management	
HK$'000	**2012**	2011
0-600	**6**	3
601-1200	**7**	6

Mr. Xiong Gebing who was appointed as executive director of the Company on 1 January 2013 was included in the above figure.

Corporate Governance Report

Internal Control

The board of directors is responsible for the effective internal control system of the Company and reviewing the functions of the control system through the Audit Committee. The board authorised the senior management to implement the said internal control system. The Company appointed experienced professionals with Hong Kong certified accountant qualification to act as 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.

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

- Completed the audit of risk management for 4 subsidiaries in China to ensure the feasibility and effectiveness of existing control measures, and made recommendations to improve such control measures;
- Completed risk assessment for companies in Hong Kong within the logistics sector, listed out 21 significant risks that may exist, reverted 9 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; and
- Established a financial settlement center in Hong Kong so as to further augment fund management.

Remuneration Of Auditor

For the financial year ended 31st December 2012, the Company paid the auditor of the Company the following fees for audit and non-audit services.

	2012 HK$'000	2011 HK$'000
Audit Services	**2,938**	2,751
Non-audit Services	**942**	1,199
	3,880	3,950

Communication with shareholders

During the year, the Board has established a shareholders' communication policy and the procedures for shareholders to propose a person for election as a director. The policy and procedure are available on the website of the Company.

Set out below are procedures for shareholders of the Company to (1) convene an extraordinary general meeting ("EGM"); (2) put forward proposals at a general meeting; and (3) put enquiries to the board. These procedures are generally governed by the Articles of Association and applicable laws, rules and regulations, which prevail over the below information in case of any inconsistencies.

1. Procedures for Shareholders of the Company to convene an EGM

Pursuant to the Articles of Association and the Companies Ordinance, Chapter 32 of the laws of Hong Kong ("Companies Ordinance"), registered shareholders holding not less than one-twentieth (5%) of the paid up capital of the Company ("EGM Requisitionists") can deposit a written request to convene an EGM at the registered office of the Company ("Registered Office"), which is presently situated at 22th Floor, Chu Kong Shipping Tower, 143 Connaught Road, Central, Hong Kong for the attention of the Company Secretary.

The EGM Requisitionists must state in their request(s) the objects of the EGM and such request(s) must be signed by all the EGM Requisitionists and may consist of several documents in like form, each signed by one or more of the EGM Requisitionists.

The Company's share registrars ("Share Registrars") will verify the EGM Requisitionists' particulars in the EGM Requisitionists' request. Promptly after confirmation from the Share Registrars that the EGM Requisitionists' request is in order, the company secretary will arrange with the board to convene an EGM by serving sufficient notice to all the registered shareholders in accordance with all the relevant statutory and regulatory requirements. On the contrary, if the EGM Requisitionists' request is verified not in order, the EGM Requisitionists will be advised of the outcome and accordingly, an EGM will not be convened as requested.

The EGM Requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM if the board had not arrange to duly convene an EGM with 28 days upon a written notice was given in relation to the EGM within 21 days of the deposit of the EGM Requisitionists' request, the board does not proceed duly to convene an EGM provided that any EGM so convened is held within three months from the date of the original EGM Requisitionists' request. Any reasonable expenses incurred by the EGM Requisitionists by reason of the board's failure to duly convene an EGM shall be repaid to the EGM Requisitionists by the Company.

2. Procedures for shareholders to put forward proposals at a general meeting

Shareholders may suggest proposals relating to the Company to be discussed at a general meeting by sending written requisition to the board or the company secretary of the Company and following the procedures set out in the paragraph headed "Procedures for shareholders of the Company to convene an EGM" above to convene an EGM for any business specified in such written requisition.

3. Enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the board in writing through the company secretary whose contact details are as follows:

Address: 24th Floor, Chu Kong Shipping Tower, 143 Connaught Road, Central, Hong Kong
Telephone: (852) 2859 1415
Facsimile: (852) 2851 0389
E-mail: maggie-cksd@cks.com.hk

General meeting is important occasions for direct dialogues between directors, senior executives and shareholders, and the Company attaches great importance to any 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 general meetings in person and express their opinions and raised their enquiries to the directors and management.

Investor Relations And Communications

The Company regards investor relations of utmost importance. The Company discloses relevant information timely under the guidelines of the Listing Rules. In 2012, 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.

Save for the amendments due to the change of Company name, there were no amendments to the Articles of Association in 2012.

Independent Auditor's Report

pwc

羅兵咸永道

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

We have audited the consolidated financial statements of Chu Kong Shipping Enterprises (Group) Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 53 to 128, which comprise the consolidated and company balance sheets as at 31st December 2012, 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 2012, 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, 26th March 2013

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

Consolidated Balance Sheet

As At 31st December 2012

	Note	2012 HK$'000	2011 HK$'000
		31st December	
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,250,067**	1,217,826
Investment properties	7	**5,000**	9,939
Land use rights	8	**382,347**	375,091
Intangible assets – goodwill	9	**39,333**	39,013
Jointly controlled entities and associates	11	**531,701**	508,240
Deposits and prepayments	12	**48,871**	59,777
Deferred income tax assets	13	**2,837**	3,501
		2,260,156	2,213,387
Current assets			
Trade and other receivables	14	**328,265**	334,614
Loans to jointly controlled entities	14	**29,275**	30,228
Cash and cash equivalents	15	**584,723**	331,156
		942,263	695,998
Total assets		**3,202,419**	2,909,385
EQUITY			
Share capital	16	**90,000**	90,000
Share premium	16	**787,762**	787,762
Reserves	17	**1,002,590**	897,196
Final dividend proposed	17	**40,500**	22,500
		1,920,852	1,797,458
Non-controlling interests		**169,613**	178,640
Total equity		**2,090,465**	1,976,098

Consolidated Balance Sheet

As At 31st December 2012

	Note	31st December 2012 HK$'000	2011 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	13	**69,775**	66,770
Long term borrowings	20	**161,809**	74,009
		231,584	140,779
Current liabilities			
Trade and other payables	18	**544,428**	477,152
Loans from associates	19	**25,967**	24,670
Amounts due to the non-controlling interests of subsidiaries	19	**51,839**	51,408
Amount due to a related party	19	**14,956**	14,834
Income tax payables		**18,318**	12,478
Short term borrowings	20	**212,427**	200,000
Current portion of long term borrowings	20	**12,435**	11,966
		880,370	792,508
Total liabilities		**1,111,954**	933,287
Total equity and liabilities		**3,202,419**	2,909,385
Net current assets/(liabilities)		**61,893**	(96,510)
Total assets less current liabilities		**2,322,049**	2,116,877

The notes on pages 60 to 128 are an integral part of these consolidated financial statements.

The financial statements on pages 53 to 128 were approved by the board of directors on 26th March 2013 and were signed on its behalf.

Director

Director

Balance Sheet

As At 31st December 2012

	Note	2012 HK$'000	2011 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**88,332**	10,012
Investment properties	7	**35,083**	40,367
Land use rights	8	**24,852**	–
Subsidiaries	10	**1,326,607**	1,235,488
Jointly controlled entities	11	**89,430**	89,430
Prepayments	12	**–**	10,906
		1,564,304	1,386,203
Current assets			
Trade and other receivables	14	**603,480**	627,314
Loans to jointly controlled entities	14	**13,430**	13,525
Cash and cash equivalents	15	**61,638**	79,457
		678,548	720,296
Total assets		**2,242,852**	2,106,499
EQUITY			
Share capital	16	**90,000**	90,000
Share premium	16	**787,762**	787,762
Retained profits	17	**794,194**	671,482
Final dividend proposed	17	**40,500**	22,500
Total equity		**1,712,456**	1,571,744
LIABILITIES			
Non-current liabilities			
Long term borrowings	20	**100,000**	–
Deferred income tax liabilities	13	**4,213**	4,213
		104,213	4,213
Current liabilities			
Trade and other payables	18	**188,884**	305,872
Loan from an associate	19	**24,872**	24,670
Short term borrowings	20	**212,427**	200,000
		426,183	530,542
Total liabilities		**530,396**	534,755
Total equity and liabilities		**2,242,852**	2,106,499
Net current assets		**252,365**	189,754
Total assets less current liabilities		**1,816,669**	1,575,957

The notes on pages 60 to 128 are an integral part of these financial statements.

The financial statements on pages 53 to 128 were approved by the board of directors on 26th March 2013 and were signed on its behalf.

Director *Director*

Consolidated Income Statement

For The Year Ended 31st December 2012

	Note	2012 HK$'000	2011 HK$'000
Revenue	5	**1,514,647**	1,384,423
Cost of services rendered	23	**(1,164,235)**	(1,086,176)
Gross profit		**350,412**	298,247
Other income	21	**42,078**	22,181
Other gains – net	22	**1,952**	57,508
General and administrative expenses	23	**(250,831)**	(222,376)
Operating profit		**143,611**	155,560
Finance income	24	**4,463**	4,163
Finance cost	24	**(11,317)**	(7,301)
Share of profits less losses of jointly controlled entities and associates	25	**50,868**	43,988
Profit before income tax		**187,625**	196,410
Income tax expense	26	**(42,374)**	(38,724)
Profit for the year		**145,251**	157,686
Attributable to:			
Equity holders of the Company		**135,825**	146,819
Non-controlling interests		**9,426**	10,867
		145,251	157,686
Earnings per share (HK cents)			
Basic and diluted	29	**15.01**	16.31
Dividends	28	**40,500**	31,500

The notes on pages 53 to 128 are an integral part of these consolidated financial statements.

Consolidated Statement Of Comprehensive Income

For The Year Ended 31st December 2012

	Note	2012 HK$'000	2011 HK$'000
Comprehensive income			
Profit for the year		**145,251**	157,686
Other comprehensive income			
Currency translation differences			
– Subsidiaries		**10,484**	52,299
– Jointly controlled entities and associates		**4,675**	20,518
Exchange reserve transfer upon disposal of jointly controlled entities	22	**–**	(16,704)
Other comprehensive income for the year		**15,159**	56,113
Total comprehensive income for the year		**160,410**	213,799
Attributable to:			
Equity holders of the Company		**150,174**	196,288
Non-controlling interests		**10,236**	17,511
		160,410	213,799

The notes on pages 53 to 128 are an integral part of these consolidated financial statements.

Consolidated Statement Of Changes In Equity

For The Year Ended 31st December 2012

	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 2012	90,000	787,762	919,696	1,797,458	178,640	1,976,098
Comprehensive income						
Profit for the year	–	–	135,825	135,825	9,426	145,251
Other comprehensive income						
Currency translation differences	–	–	14,349	14,349	810	15,159
Total comprehensive income for the year	–	–	150,174	150,174	10,236	160,410
Transactions with owners						
Changes in ownership interest in a subsidiary that do not result in change in control (note 37)	–	–	(4,280)	(4,280)	(22,505)	(26,785)
Capital injection by a non-controlling interest of a subsidiary	–	–	–	–	3,242	3,242
2011 final dividend	–	–	(22,500)	(22,500)	–	(22,500)
Total transactions with owners	–	–	(26,780)	(26,780)	(19,263)	(46,043)
At 31st December 2012	90,000	787,762	1,043,090	1,920,852	169,613	2,090,465
At 1st January 2011	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 (note 22)	–	–	(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))	–	–	(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

The notes on pages 53 to 128 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For The Year Ended 31st December 2012

	Note	2012 HK$'000	2011 HK$'000
Cash flows from operating activities			
Cash generated from operations	32	**357,027**	194,858
Hong Kong profits tax paid		**(9,264)**	(18,652)
PRC corporate income tax paid		**(24,005)**	(21,051)
Net cash generated from operating activities		**323,758**	155,155
Cash flows from investing activities			
Acquisition of a subsidiary	36(c)	**–**	2,408
Payments for additional interest of a subsidiary	37	**(15,879)**	(10,906)
Payments for the Assets Swap	36(a)	**(45,754)**	(120,054)
Capital injection to jointly controlled entities		**(17,692)**	–
Settlement of amount due from the parent company	14(b)	**28,371**	–
Purchase of property, plant and equipment		**(96,997)**	(112,964)
Purchase of land use rights		**(12,148)**	(43,197)
Proceed from partial disposal of a subsidiary	38	**–**	91,958
Proceed from disposal of a jointly controlled entity	22	**–**	32,979
Proceeds from disposal of property, plant and equipment		**1,500**	4,333
Loans advanced to jointly controlled entities	35(c)	**(2,467)**	(6,946)
Repayments of loans from jointly controlled entities	35(c)	**3,679**	5,957
Dividends received from jointly controlled entities		**9,086**	6,407
Interest received		**4,463**	4,163
Net cash used in investing activities		**(143,838)**	(145,862)
Cash flows from financing activities			
Dividends paid		**(22,500)**	(44,995)
Dividend paid to the former shareholder of a jointly controlled entity		**–**	(4,455)
Dividend paid to the former shareholder of a subsidiary		**–**	(2,915)
Increase in amount due to the non-controlling interests of subsidiaries		**–**	47,902
Interest paid		**(11,317)**	(7,301)
Repayment of loans		**(12,301)**	(114,733)
Drawdown of loans		**113,418**	150,000
Capital injection by the non-controlling interests of a subsidiary		**3,242**	–
Net cash generated from financing activities		**70,542**	23,503
Net increase in cash and cash equivalents		**250,462**	32,796
Cash and cash equivalents at the beginning of the year		**331,156**	291,904
Effect of exchange rate changes		**3,105**	6,456
Cash and cash equivalents at the end of the year	15	**584,723**	331,156

The notes on pages 53 to 128 are an integral part of these consolidated financial statements.

Notes to the Financial Statements

1 General information

Chu Kong Shipping Enterprises (Group) Company Limited (formerly known as Chu Kong Shipping Development Company Limited) (the "Company") is a limited liability company incorporated in Hong Kong. The address of its registered office is 22nd Floor, Chu Kong Shipping Tower, 143 Connaught Road Central, Hong Kong.

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

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

These financial statements have been approved for issue by the board of directors of the Company on 26th March 2013.

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.

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.

(ii) Adoption of new HKFRSs

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2011, except that the Group has adopted the following amendments to standards issued by the HKICPA which are relevant to the Group's operations and mandatory for the financial year beginning 1st January 2012.

HKFRS 7 (Amendment)	Disclosures – Transfers of Financial Assets
HKAS 12 (Amendment)	Deferred Tax: Recovery of Underlying Assets

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

2 Summary of significant accounting policies (Continued)

(a) Basis of preparation (Continued)

(iii) New standards and amendments to standards not yet adopted

The following new/revised standards and amendments to existing standards which are relevant to the Group's operation, have been issued and are effective for annual period beginning after 1st January 2012, have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities	1st January 2013
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
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance	1st January 2013
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities	1st January 2014
HKFRS 13	Fair Value Measurements	1st January 2013
HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income	1st July 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)	Offsetting Financial Assets and Financial Liabilities	1st January 2014
HKFRSs Amendments	Improvements to HKFRSs	1st January 2013

The Group will adopt the above new/revised standards 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 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.

2 Summary of significant accounting policies (Continued)

(b) Merger accounting for common control combinations

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

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

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

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

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

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

(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.

2 Summary of significant accounting policies (Continued)

(c) Consolidation (Continued)

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.

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.

2 Summary of significant accounting policies (Continued)

(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 legal or constructive obligations or made payments on behalf of the jointly controlled entities or associates.

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(n)). 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.

2 Summary of significant accounting policies (Continued)

(g) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions 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 gains/losses.

(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 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.

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.

Notes to the Financial Statements

2 Summary of significant accounting policies (Continued)

(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 lease term of 37 – 889 years or remaining 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

Major costs incurred in restoring the property, plant and equipment 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.

2 Summary of significant accounting policies (Continued)

(h) Property, plant and equipment (Continued)

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

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, 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.

(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.

2 Summary of significant accounting policies (Continued)

(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 income statement; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the 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 income statement when the Group's right to receive payment is established.

2 Summary of significant accounting policies (Continued)

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

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

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

The Group first assesses whether objective evidence of impairment exists.

2 Summary of significant accounting policies (Continued)

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

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

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

(p) Share capital

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

(q) Trade and other 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 and other 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 and other 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.

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.

2 Summary of significant accounting policies (Continued)

(r) Current and deferred income tax (Continued)

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 is recognised when they accrue to employees. A provision is made for the estimated liability for annual 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.

(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.

2 Summary of significant accounting policies (Continued)

(t) Revenue/income recognition

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

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

(i) 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.

(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.

2 Summary of significant accounting policies (Continued)

(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.

(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.

Notes to the Financial Statements

2 Summary of significant accounting policies (Continued)

(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.

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 2012, 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 of the Group and the Company would have been HK$2,095,000 and HK$1,692,000 (2011: HK$1,027,000 and HK$73,000) higher or lower respectively, mainly as a result of foreign exchange gains on translation of bank balances, receivable and payable balances denominated in Renminbi.

At 31st December 2012, if Hong Kong dollar had weakened or strengthened by 1% against the United States dollar with all other variables held constant, profit after income tax for the year would have been HK$152,000 (2011: HK$151,000) 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. The impact of foreign exchange risk of United States dollar to the results of the Company is insignificant in 2012 and 2011.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(ii) Interest rate risk

The Group's loans to jointly controlled entities, 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 2012, 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 of the Group and the Company would have been HK$306,000 and HK$44,000 (2011: HK$454,000 and HK$370,000) higher or lower respectively, mainly as a result of higher or lower finance income from floating rate loans to jointly controlled entities and short-term bank deposits.

As 31st December 2012, 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 of the Group and the Company would have been HK$2,092,000 and HK$1,642,000 (2011: HK$1,884,000 and HK$753,000) lower or higher respectively mainly as a result of higher or lower finance cost from floating rate bank borrowings.

(iii) Credit risk

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

For banks and financial institutions, a substantial portion of the Group's bank balances and deposits were placed with 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 are granted taken into account of their financial position, past experience and other factors. The Group monitors the credibility of jointly controlled entities continuously.

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

(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.

3 Financial risk management (Continued)

(a) Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

	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 2012					
Bank borrowings	234,762	21,588	155,708	–	412,058
Amounts due to the non-controlling interests of subsidiaries	52,005	–	–	–	52,005
Amount due to a related party	15,928	–	–	–	15,928
Loans from associates	26,876	–	–	–	26,746
Trade and other payables	544,428	–	–	–	544,428
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
Loan from an associate	25,225	–	–	–	25,225
Trade and other payables	477,152	–	–	–	477,152
Company					
At 31st December 2012					
Bank borrowings	214,005	–	106,988	–	320,993
Loan from an associate	25,743	–	–	–	25,743
Trade and other payables	238,884	–	–	–	238,884
At 31st December 2011					
Bank borrowings	204,045	–	–	–	204,045
Loan from an associate	25,225	–	–	–	25,225
Trade and other payables	305,872	–	–	–	305,872

(b) Capital risk management

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

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

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

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

3 Financial risk management (Continued)

(c) Fair value estimation

The carrying values less impairment provision (if applicable) of financial assets (including cash and cash equivalents) and the carrying values of 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 CGUs 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.

(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.

4 Critical accounting estimates and judgements (Continued)

(v) Impairment of property, plant and equipment and land use rights

Property, plant and equipment and land use rights are 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

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

	2012 HK$'000	2011 HK$'000
Cargo transportation	**998,255**	938,193
Cargo handling and storage	**358,227**	322,934
Passenger transportation	**158,165**	123,296
	1,514,647	1,384,423

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

The board of directors of the Company considers the business from service perspectives and assesses the performance of the Group and its jointly controlled entities 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 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.

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 2012					
Total revenue	1,002,188	438,180	158,165	–	1,598,533
Inter-segment revenue	(3,933)	(79,953)	–	–	(83,886)
Revenue (from external customers)	998,255	358,227	158,165	–	1,514,647
Segment profit/(loss) before income tax expense	1,139	103,206	84,314	(1,034)	187,625
Income tax expense	(3,811)	(24,017)	(9,752)	(4,794)	(42,374)
Segment profit/(loss) after income tax expense	(2,672)	79,189	74,562	(5,828)	145,251
Segment profit/(loss) before income tax expense includes:					
Share of profits less losses of jointly controlled entities and associates	(2,357)	27,809	26,615	(1,199)	50,868
Finance income	644	2,110	26	1,683	4,463
Finance cost	–	(5,548)	–	(5,769)	(11,317)
Depreciation and amortisation	(11,592)	(67,496)	(170)	(1,203)	(80,461)
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)

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 2012						
Total segment assets	497,315	1,878,839	595,623	979,865	(749,223)	3,202,419
Total segment assets include:						
Jointly controlled entities and associates	22,113	229,813	244,639	35,136	–	531,701
Addition to non-current assets (excluding deferred income tax assets)	4,895	103,273	12,015	6,654	–	126,837
Total segment liabilities	(334,059)	(560,630)	(168,129)	(798,359)	749,223	(1,111,954)
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)

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 and passenger 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:

	2012 HK$'000	2011 HK$'000
Non-current assets excluding jointly controlled entities and associates and deferred income tax assets		
Hong Kong	**361,542**	372,409
Mainland China	**1,364,076**	1,329,237
	1,725,618	1,701,646
Jointly controlled entities and associates		
Hong Kong	**44,868**	36,604
Singapore	**2,822**	2,290
Mainland China	**484,011**	469,346
	531,701	508,240
Deferred income tax assets	**2,837**	3,501
	2,260,156	2,213,387

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 2012	1,070,313	55,195	25,542	285,012	42,921	76,945	17,500	24,338	1,597,766
Exchange differences	5,856	770	86	2,159	240	335	1	–	9,447
Additions	818	84,809	809	2,485	2,082	5,898	96	–	96,997
Transfer	28,048	(40,891)	–	11,290	1,553	–	–	–	–
Reclassification from investment properties (note 7)	5,338	–	–	–	–	–	–	–	5,338
Disposals/write-off	(3,744)	–	–	(3,524)	(1,319)	(7,435)	(114)	–	(16,136)
At 31st December 2012	1,106,629	99,883	26,437	297,422	45,477	75,743	17,483	24,338	1,693,412
Accumulated depreciation									
At 1st January 2012	169,117	–	18,697	96,093	22,214	39,380	14,973	19,466	379,940
Exchange differences	929	–	45	772	104	163	1	–	2,014
Charge for the year	32,452	–	1,718	23,848	5,375	7,871	966	573	72,803
Disposals/write-off	(882)	–	–	(2,717)	(988)	(7,167)	(114)	–	(11,868)
Reclassification from investment properties (note 7)	456	–	–	–	–	–	–	–	456
	202,072	–	20,460	117,996	26,705	40,247	15,826	20,039	443,345
Net book value									
At 31st December 2012	904,557	99,883	5,977	179,426	18,772	35,496	1,657	4,299	1,250,067

6 Property, plant and equipment (Continued)

Group (Continued)

	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	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(c))	–	–	–	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	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)

Company

	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	Total HK$'000
Cost							
At 1st January 2012	6,338	3,855	2,306	–	2,155	3,280	17,934
Exchange differences	–	–	–	–	2	14	16
Additions (note)	74,393	708	–	341	23	–	75,465
Transfer	–	(1,553)	–	–	1,553	–	–
Reclassification from investment properties (note 7)	5,338	–	–	–	–	–	5,338
At 31st December 2012	86,069	3,010	2,306	341	3,733	3,294	98,753
Accumulated depreciation							
At 1st January 2012	508	–	2,293	–	2,147	2,974	7,922
Exchange differences	–	–	–	–	2	13	15
Charge for the year	1,839	–	13	76	22	78	2,028
Reclassification from investment properties (note 7)	456	–	–	–	–	–	456
At 31st December 2012	2,803	–	2,306	76	2,171	3,065	10,421
Net book value							
At 31st December 2012	83,266	3,010	–	265	1,562	229	88,332
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

Depreciation of HK$60,056,000 (2011: HK$51,575,000) and HK$12,747,000 (2011: HK$13,953,000) have been included in cost of services rendered and general and administrative expenses respectively.

6 Property, plant and equipment (Continued)

Property, plant and equipment of the Group with net book value amounting to HK$26,713,000 (2011: HK$29,069,000) have been pledged as security for the bank loans of the Group.

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

	Group		Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Leases of over 50 years	**23,381**	20,586	**6,478**	3,665
Leases of between 10 to 50 years	**151,482**	155,891	**–**	–
	174,863	176,477	**6,478**	3,665

Note:

The Group acquired certain liquidated assets of a cargo terminal in Sihui, Guangdong Province, from the local government in 2009, which comprised land use rights and property, plant and equipment at a cost of HK$13,006,000 and HK$74,757,000 respectively. The Group was given the right to use these assets and operate the cargo terminal in 2010 and therefore these land use rights and property, plant and equipment were capitalised by the Group in 2010. However to which group company did the legal titles of these assets belong was undetermined by the court of law in Sihui in prior years and the costs of these assets were recognised as prepayments in the balance sheet of the Company in prior years. In January 2012, the legal titles were awarded to the Company by the court of law and the costs of these assets were transferred from prepayments to land use rights and property, plant and equipment in the balance sheet of the Company in 2012.

As at 31st December 2012, the Company was still in the process of obtaining ownership certificates for these land use rights (note 8) and buildings.

Notes to the Financial Statements

7 Investment properties

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cost				
At 1st January	**10,889**	10,889	**44,289**	44,289
Reclassification to property, plant and equipment (note)	**(5,338)**	–	**(5,338)**	–
At 31st December	**5,551**	10,889	**38,951**	44,289
Accumulated depreciation				
At 1st January	**950**	840	**3,922**	3,467
Reclassification to property, plant and equipment (note)	**(456)**	–	**(456)**	–
Charge for the year	**57**	110	**402**	455
At 31st December	**551**	950	**3,868**	3,922
Net book value				
At 31st December	**5,000**	9,939	**35,083**	40,367

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$53,400,000 (2011: HK$83,300,000) and HK$362,200,000 (2011: HK$330,700,000) 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$30,083,000 (2011: HK$30,428,000) (fair value of HK$308,800,000 (2011: HK$247,400,000)) were leased to its subsidiaries. These investment properties were classified as land and buildings in the consolidated financial statements of the Group.

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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Leases of over 50 years	**2,817**	5,641	**19,720**	22,562

Note:

Certain investment properties of the Group and the Company have become owner-occupied and reclassified to property, plant and equipment during the year.

8 Land use rights

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Mainland China				
Leases of between 10 to 50 years	**382,347**	375,091	**24,852**	–
At 1st January	**375,091**	323,542	**–**	–
Exchange difference	**2,709**	15,817	**–**	–
Additions (note 6)	**12,148**	43,197	**25,154**	–
Amortisation	**(7,601)**	(7,465)	**(302)**	–
At 31st December	**382,347**	375,091	**24,852**	–

Land use rights of the Group with net book value amounting to HK$62,310,000 (2011: HK$63,165,000) have been pledged as security for the bank loans of the Group.

9 Intangible assets – goodwill

	Group	
	2012	2011
	HK$'000	HK$'000
At 1st January	**39,013**	37,169
Exchange differences	**320**	1,844
At 31st December	**39,333**	39,013

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.

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 2012 which are extrapolated using the key assumptions stated below.

Notes to the Financial Statements

9 Intangible assets – goodwill (Continued)

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

	2012	2011
Growth rates of revenue		
– Year 2012	–	2%
– Year 2013	3%	2%
– After year 2013	2%	2%
Gross margin	66%	51%
Discount rate	10%	10%

Zhaoqing New Port Co., Ltd.

	2012	2011
Growth rates of revenue		
– Year 2012	–	57%
– Year 2013	36%	58%
– Year 2014	18%	19%
– Year 2015	9%	10%
– Year 2016	5%	3%
– Year 2017	2%	3%
– After year 2017	2% – 4%	0% – 3%
Gross margin	40% – 58%	43% – 63%
Discount rate	10%	10%

Civet (Zhuhai Bonded Area) Logistics Company Limited

	2012	2011
Growth rates of revenue		
– Year 2012	–	29%
– Year 2013	22%	22%
– Year 2014	27%	11%
– Year 2015	32%	11%
– Year 2016	10%	8%
– Year 2017	10%	8%
– After year 2017	2% – 10%	0% – 8%
Gross margin	69% – 78%	53% – 80%
Discount rate	10%	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.

Notes to the Financial Statements

10 Subsidiaries

	Company	
	2012	2011
	HK$'000	HK$'000
Unlisted investments, at cost	**1,439,607**	1,348,488
Less: provision for impairment	**(113,000)**	(113,000)
	1,326,607	1,235,488

(a) Details of the principal subsidiaries as at 31st December 2012 are as follows:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held 2012	Interest held 2011
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 (note 36(c))	Hong Kong	Operation and management of a marine cargo terminal in Hong Kong	10,000 ordinary shares of HK$1 each	100%	100%
Chu Kong Container Transportation Company Limited	Hong Kong	Container and cargo transportation and towing in Hong Kong	100 ordinary shares of HK$1 each	100%	100%
			10,000 deferred shares of HK$1 each (note (b))	100%	100%
Chu Kong (Guangdong) International Freight Forwarding Co., Ltd. ##@	PRC	Shipping agency and freight forwarding agency in the PRC	RMB22,660,000	75%	75%
Chu Kong High-Speed Ferry Company Limited	Hong Kong	Management of ships in Hong Kong	10,000 ordinary shares of HK$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%	80%

Notes to the Financial Statements

10 Subsidiaries (Continued)

(a) Details of the principal subsidiaries as at 31st December 2012 are as follows: (Continued)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held 2012	Interest held 2011
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)) #	PRC	Cargo transportation and consolidation in the PRC	RMB73,000,000	100%	100%
Chu Kong Shipping (Guangdong) Logistics Co., Ltd. #	PRC	Provision of logistics services in the PRC	RMB10,000,000	100%	100%
Zhaoqing Chu Kong Cargo Terminals (Dawang) Co., Ltd. #	PRC	Cargo transportation and consolidation in the PRC	US$3,620,000	100%	100%
Zhaoqing Chu Kong Logistics (Dawang) Co., Ltd. #	PRC	Provision of logistics services in the PRC	US$3,620,000	100%	100%

10 Subsidiaries (Continued)

(a) Details of the principal subsidiaries as at 31st December 2012 are as follows: (Continued)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held 2012	Interest held 2011
Directly-held subsidiaries (Continued)					
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	100%	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%
Chu Kong High-Speed Ferry Management (Macau) Co., Limited	Macau	Management of ships in Macau	MOP25,000	100%	–

10 Subsidiaries (Continued)

(a) Details of the principal subsidiaries as at 31st December 2012 are as follows: (Continued)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held 2012	Interest held 2011
Indirectly-held subsidiaries (Continued)					
Zhaoqing Chu Kong Transportation (Dawang) Co., Ltd. #	PRC	Cargo transportation in the PRC	RMB1,800,000	100%	100%
Chu Kong Cargo Terminals (Qingyuan) Co., Ltd. ##	PRC	Wharf cargo handling in the PRC	RMB27,460,000	72%[1]	72%[1]
Chu Kong Cargo Terminals (Gaoming) Co., Ltd. #	PRC	Cargo transportation and consolidation in the PRC	RMB43,300,000	80%[1]	80%[1]
Chu Kong Cargo Terminals (Kangzhou) Co., Ltd. #	PRC	Cargo handling and transportation in the PRC	RMB11,200,000	80%[1]	80%[1]
Shenzhen Zhu Chuan International Freight Forwarding Co., Ltd. ##@	PRC	Freight forwarding agency in the PRC	US$1,000,000	87.25%[1]	87.25%[1]
Chu Kong (Guangdong) International Shipping Agency Co., Ltd. ##	PRC	Shipping agency in the PRC	RMB3,000,000	67.5%[1]	67.5%[1]
Civet (Zhuhai Bonded Area) Logistics Company Limited ##	PRC	Cargo handling and transportation in the PRC	HK$66,000,000	60%[1]	60%[1]
Chu Kong Logistics (Zhaoqing) Declaration Co., Ltd.	PRC	Customs declaration services in the PRC	RMB1,500,000	100%	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.

1 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.

11 Jointly controlled entities and associates

	Group		Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Unlisted investments, at cost	**–**	–	**89,430**	89,430
Share of net assets	**500,421**	477,214	**–**	–
Goodwill	**31,280**	31,026	**–**	–
	531,701	508,240	**89,430**	89,430

(a) Details of the principal jointly controlled entities and associates as at 31st December 2012 are as follows:

Name	Place of Incorporation and operation	Principal activities	Percentage of interest in ownership/voting power/profit sharing 2012	2011
Direcly-heldt 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 (b))	PRC	Wharf cargo handling, godown storage and river trade cargo transportation	40%/50%/40%[1]	40%/50%/40%
Chu Kong Culture Media Company Limited	British Virgin Islands	Provision of advertisement in Hong Kong	60%/50%/60%	–
Guongzhou Nansha Chu Kong Terminal Company Ltd.	PRC	Wharf cargo handling and godown storage	65%/60%/65%	65%/60%/65%

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 2012 are as follows: (Continued)

Name	Place of Incorporation and operation	Principal activities	Percentage of interest in ownership/voting power/ profit sharing 2012	2011
Indirecly-heldt jointly controlled entities				
Chu Kong Cargo Terminals (Beicun) Co., Ltd. ^^	PRC	Wharf cargo handling and godown storage	40%/50%/40%[1]	40%/50%/40%[1]
Foshan New Port Ltd.	PRC	Cargo transportation and consolidation	30%/40%/30%[1]	30%/40%/30%[1]
Foshan Nankong Terminal Co., Ltd. ##	PRC	Cargo transportation and consolidation	42.5%/50%/42.5%[1]	42.5%/50%/42.5%[1]
Guangdong Zhu Chuan Navigation Co., Ltd.	PRC	Cargo transportation	49%/40%/49%	49%/40%/49%
Heshan County Hekong Associated Forwarding Co., Ltd.	PRC	Wharf cargo handling, godown storage and river trade cargo transportation	40%/50%/40%[1]	40%/50%/40%[1]
Heshan Port Construction & Development General Company #	PRC	Investment holding	40%/50%/40%[1]	40%/50%/40%[1]
Heshan Shipping Company #	PRC	Vessel leasing	40%/50%/40%[1]	40%/50%/40%[1]
Heshan Port Storage & Transportation Company #	PRC	Cargo transportation and godown storage	40%/50%/40%[1]	40%/50%/40%[1]
Heshan Port Loading Co., Ltd. #	PRC	Wharf cargo handling	40%/50%/40%[1]	40%/50%/40%[1]
Heshan Port Declaration Company #	PRC	Custom declaration services	40%/50%/40%[1]	40%/50%/40%[1]
Sanshui Sangang Containers Wharf Co., Ltd.	PRC	Cargo transportation and consolidation	24%/25%/24%[1]	24%/25%/24%[1]
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%

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 2012 are as follows: (Continued)

Name	Place of Incorporation and operation	Principal activities	Percentage of interest in ownership/voting power/ profit sharing 2012	2011
Indirecly-heldt jointly controlled entities (Continued)				
Zhongshan-Hong Kong Passenger Shipping Co-op Co., Ltd. #	PRC	Passenger transportation	40%/43%/40%	40%/43%/40%
Connect Media Company Limited	Hong Kong	Provision of advertisement in Hong Kong	60%/50%/60%	–
Indirectly-held associates				
Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd. #	PRC	Passenger transportation	40%	40%
Guangdong Sanbu Passenger and Freight Transportation Co., Ltd.	PRC	Passenger transportation	32%/40%/32%[1]	32%/40%/32%[1]
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.

1 These jointly controlled entities are held by a non-wholly owned subsidiary of the Company. The percentage of interest in ownership and profit sharing represent the 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.

For the direct and indirect jointly controlled entities as listed out above, voting power shown above represents the Group's voting power in making general business and financial decisions. All significant matters including approvals of dividend payment, budgets or material acquisitions require 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 following amounts represent the aggregate of the Group's share of the results, assets and liabilities of its jointly controlled entities and associates:

	2012 HK$'000	2011 HK$'000
Results for the year:		
Revenue	**427,949**	413,629
Operating expenses	**(358,730)**	(353,656)
Profit before income tax expense	**69,219**	59,973
Income tax expense	**(18,351)**	(15,985)
Profit for the year	**50,868**	43,988
Assets		
Non-current assets	**332,987**	369,494
Current assets	**389,669**	319,350
	722,656	688,844
Liabilities		
Non-current liabilities	**19,366**	15,439
Current liabilities	**202,869**	196,191
	222,235	211,630
Net assets	**500,421**	477,214

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 2012 and 2011.

12 Deposits and prepayments

	Group		Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Land deposit (note a)	**48,871**	48,871	**–**	–
Prepayments for acquisition of a subsidiary (note b)	**–**	10,906	**–**	10,906
	48,871	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 a PRC government authority for an acquisition of an additional 13% equity interest in a subsidiary, Zhaoqing New Port Co., Ltd. This acquisition was completed in 2012 (note 37).

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	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Deferred income tax assets:				
To be recovered after more than 12 months	**(2,047)**	(2,952)	**–**	–
To be recovered within 12 months	**(790)**	(549)	**–**	–
	(2,837)	(3,501)	**–**	–
Deferred income tax liabilities:				
To be settled after more than 12 months	**67,976**	65,009	**4,213**	4,213
To be settled within 12 months	**1,799**	1,761	**–**	–
	69,775	66,770	**4,213**	4,213
	66,938	63,269	**4,213**	4,213

13 Deferred income tax (Continued)

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
At 1st January	**63,269**	53,990	**4,213**	512
Charged to income statement (note 26)	**5,208**	5,394	**–**	3,701
Charged to reserve upon partial disposal of a subsidiary (note 38)	**–**	8,249	**–**	–
Transfer to current income tax payables	**(1,539)**	(2,571)	**–**	–
Acquisitions of subsidiaries (note 36(c))	**–**	(1,793)	**–**	–
At 31st December	**66,938**	63,269	**4,213**	4,213

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	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Deferred tax assets:				
Gross deferred tax assets	**(3,232)**	(4,125)	**–**	–
Set off deferred tax liabilities within common tax jurisdictions	**395**	624	**–**	–
As at 31st December	**(2,837)**	(3,501)	**–**	–
Deferred tax liabilities:				
Gross deferred tax liabilities	**70,170**	67,394	**4,213**	4,213
Set off deferred tax assets within common tax jurisdictions	**(395)**	(624)	**–**	–
As at 31st December	**69,775**	66,770	**4,213**	4,213

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 2011	(323)	(387)	(710)
(Credited)/charged to income statement	(1,777)	155	(1,622)
Acquisition of a subsidiary (note 36(c))	–	(1,793)	(1,793)
At 31st December 2011	(2,100)	(2,025)	(4,125)
Charged to income statement	784	109	893
At 31st December 2012	(1,316)	(1,916)	(3,232)

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 2011	–	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
(Credited)/charged to income statement	–	(934)	5,249	4,315
Transfer to current income tax payables	–	–	(1,539)	(1,539)
At 31st December 2012	11,950	47,637	10,583	70,170

Company

Deferred income tax liabilities	**Capital gain tax** HK$'000	**Accelerated tax depreciation** HK$'000	**Total** HK$'000
At 1st January 2011	–	512	512
Charged to income statement	3,701	–	3,701
At 31st December 2011 and 2012	3,701	512	4,213

13 Deferred income tax (Continued)

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. As at 31st December 2012, the Group and the Company have unrecognised tax losses of HK$166,801,000 (2011: HK$143,827,000) and HK$32,332,000 (2011: HK$37,071,000) respectively to carry forward. These tax losses have no expiry dates except for tax losses of HK$131,063,000 (2011: HK$87,663,000) of the Group which will expire in the period from 2013 to 2017 (2011: 2012 to 2016).

14 Trade and other receivables and loans to jointly controlled entities

	Group		Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Trade receivables (note (a)):				
– third parties	**186,978**	182,032	**–**	–
– fellow subsidiaries	**–**	254	**–**	–
– jointly controlled entities and associates	**1,018**	6,523	**–**	–
– other related companies	**941**	1,025	**–**	–
	188,937	189,834	**–**	–
Less: provision for impairment – third parties	**(4,120)**	(4,248)	**–**	–
Trade receivables, net	**184,817**	185,586	**–**	–
Other receivables:				
– third parties	**56,137**	50,451	**9,908**	100,987
– parent company (note (b))	**–**	28,371	**–**	–
– immediate holding company (note (b))	**19,537**	18,718	**–**	–
– fellow subsidiaries (note (b))	**1,430**	5,198	**–**	–
– subsidiaries (note (b))	**–**	–	**591,666**	525,371
– jointly controlled entities and associates (note (b))	**65,276**	45,539	**1,473**	956
– other related companies (note (b))	**1,068**	751	**433**	–
	143,448	149,028	**603,480**	627,314
Total trade and other receivables	**328,265**	334,614	**603,480**	627,314
Loans to jointly controlled entities (note (c))	**29,275**	30,228	**13,430**	13,525

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 by invoice date is as follows:

	Group	
	2012 HK$'000	2011 HK$'000
Within 3 months	**183,426**	181,555
4 to 6 months	**1,214**	3,895
7 to 12 months	**109**	56
Over 12 months	**4,188**	4,328
	188,937	189,834
Less: provision for impairment	**(4,120)**	(4,248)
	184,817	185,586

Trade receivables that are less than three months past due are not considered impaired. As of 31st December 2012, trade receivables of HK$1,391,000 (2011: HK$4,031,000) 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:

	2012 HK$'000	2011 HK$'000
Up to 3 months	**1,214**	3,895
4 to 6 months	**104**	51
Over 6 months	**73**	85
	1,391	4,031

As of 31st December 2012, trade receivables of HK$4,120,000 (2011: HK$4,248,000) 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:

	2012 HK$'000	2011 HK$'000
7 to 12 months	**5**	5
Over 12 months	**4,115**	4,243
	4,120	4,248

Notes to the Financial Statements

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

(a) (Continued)

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

	2012 HK$'000	2011 HK$'000
At 1st January	4,248	4,150
Acquisition of a subsidiary	–	1
Provision for impairment (note 22)	215	4
Bad debt written-off	(343)	–
Exchange differences	–	93
At 31st December	4,120	4,248

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 the parent company which bore interest at rates ranging from 2.25% to 3.50% per annum in 2011. The amount due from the parent company was fully settled in 2012.

(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	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Unsecured loans				
– interest free	11,565	11,471	4,570	4,533
– at fixed interest rate (note (i))	6,373	8,992	6,373	8,992
– at floating rate (note (ii))	11,337	9,765	2,487	–
	29,275	30,228	13,430	13,525

(i) The loans bear interest at rates ranging from 4.8% to 5.56% per annum (2011: 4.8% to 5.56% per annum).

(ii) The loans bear interest at the floating rate announced by the People's Bank of China (2011: floating rate announced by the People's Bank of China).

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

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**191,693**	159,724	**213,909**	206,930
Renminbi	**134,517**	174,890	**290,121**	265,951
United States dollar	**2,055**	–	**99,450**	154,433
	328,265	334,614	**603,480**	627,314

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

15 Cash and cash equivalents

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand	**545,885**	260,888	**61,638**	14,357
Short-term bank deposits	**38,838**	70,268	**–**	65,100
	584,723	331,156	**61,638**	79,457

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**266,437**	148,299	**44,981**	79,221
Renminbi	**250,435**	136,277	**12,656**	235
United States dollar	**57,884**	36,606	**4,001**	1
Macau pataca	**9,963**	9,970	**–**	–
Euro	**4**	4	**–**	–
	584,723	331,156	**61,638**	79,457

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

Notes to the Financial Statements

16 Share capital

	Ordinary shares HK$'000	Share Premium HK$'000	Total HK$'000
At 31 December 2011 and 2012	90,000	787,762	877,762

The total authorised number of ordinary shares is 2,000 million shares (2011: 2,000 million) with a par value of HK$0.1 per share (2011: HK$0.1 per share). All issued shares are fully paid.

Share option schemes

The Company operated 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 included 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, would 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 2002 Scheme expired on 13th May 2012. As at 31st December 2012, the Company had not adopted any new share option scheme.

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 2012	183,312	23,009	171,997	42,491	(619,441)	1,118,328	919,696
Profit for the year	–	–	–	–	–	135,825	135,825
Currency translation differences							
– subsidiaries	9,921	–	–	–	–	–	9,921
– jointly controlled entities and associates	4,428	–	–	–	–	–	4,428
Transfer of reserves	–	–	–	1,652	–	(1,652)	–
Acquisition of additional interest in a subsidiary (note 37)	–	–	(4,280)	–	–	–	(4,280)
2011 final dividend	–	–	–	–	–	(22,500)	(22,500)
At 31st December 2012	197,661	23,009	167,717	44,143	(619,441)	1,230,001	1,043,090
Representing:							
2012 final dividend proposed							40,500
Reserves							1,002,590
							1,043,090

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 2011	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)	–
Transfer of reserves upon disposal of jointly controlled entities (note 22)	(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))	–	–	–	–	(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)

(a) Capital reserve

The capital reserve mainly represents a capital contribution made by Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE"), the immediate holding company, 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 PRC regulations, subsidiaries, 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, jointly controlled entities and associates in accordance with their respective articles of association. The funds are required to be retained in the financial statements of the respective subsidiaries, jointly controlled entities and associates for specific purposes.

Company

	Retained profits HK$'000
At 1st January 2012	693,982
Profit for the year	163,212
2011 final dividend	(22,500)
At 31st December 2012	834,694
Representing:	
Retained profits	794,194
2012 final dividend proposed	40,500
	834,694
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

18 Trade and other payables

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables (notes (a) and (c)):				
– third parties	**229,990**	189,570	**–**	–
– immediate holding company	**1,488**	1,389	**–**	–
– fellow subsidiaries	**10,001**	14,412	**–**	–
– jointly controlled entities and associates	**32,205**	24,388	**–**	–
– other related companies	**3,474**	3,215	**–**	–
	277,158	232,974	**–**	–
Other payables:				
– third parties	**181,640**	119,729	**6,019**	6,680
– immediate holding company (note (c))	**13,292**	50,621	**–**	45,754
– fellow subsidiaries (note (c))	**5,284**	11,434	**–**	–
– subsidiaries (note (c))	**–**	–	**180,192**	251,765
– jointly controlled entities and associates (note (c))	**64,381**	60,518	**–**	–
– other related companies (note (c))	**–**	403	**–**	–
– key management (note (d))	**2,673**	1,473	**2,673**	1,673
	267,270	244,178	**188,884**	305,872
	544,428	477,152	**188,884**	305,872

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

	Group	
	2012	2011
	HK$'000	HK$'000
Within 3 months	**264,465**	217,163
4 to 6 months	**2,327**	1,491
7 to 12 months	**850**	851
Over 12 months	**9,516**	13,469
	277,158	232,974

Notes to the Financial Statements

18 Trade and other payables (Continued)

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**427,189**	362,368	**188,884**	305,872
Renminbi	**117,239**	114,784	**–**	–
	544,428	477,152	**188,884**	305,872

(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 amounts represent salaries and bonuses payable to key management which are unsecured, interest-free and repayable within 12 months from balance sheet date.

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

19 Loans from associates, amounts due to the non-controlling interests of subsidiaries and amount due to a related party – Group and Company

(a) Breakdown of loans from associates

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current				
– interest free (note (i))	**1,095**	–	**–**	–
– at fixed interest rate (note (ii))	**24,872**	24,670	**24,872**	24,670
	25,967	24,670	**24,872**	24,670

(i) The loan is provided by an associate to a Group's subsidiary which is denominated in Renminbi, unsecured and repayable on demand.

(ii) The loan is provided by an associate to the Company which is denominated in Renminbi, unsecured, interest bearing at 3.50% per annum (2011: 3.50% per annum) and repayable on demand.

19 Loans from associates, amounts due to the non-controlling interests of subsidiaries and amount due to a related party – Group and Company (Continued)

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current				
– interest free (note (i))	**47,692**	47,666	**–**	–
– at fixed interest rate (note (ii))	**4,147**	3,742	**–**	–
	51,839	51,408	**–**	–

(i) The amounts are denominated in Hong Kong dollars, unsecured and repayable on demand.

(ii) The amounts are denominated in Hong Kong dollar (2011: HK$3,372,000 denominated in Hong Kong dollars and HK$370,000 denominated in Renminbi), unsecured, repayable on demand and interest-bearing at 4% 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 denominated in Renminbi, unsecured and repayable on demand.

20 Borrowings

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unsecured, short term bank loans	**212,427**	200,000	**212,427**	200,000
Long term bank loans:				
– secured	**74,244**	85,975	**–**	–
– unsecured	**100,000**	–	**100,000**	–
	386,671	285,975	**312,427**	200,000

Notes to the Financial Statements

20 Borrowings (Continued)

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

	Group		Company	
	2012	2011	**2012**	2011
	HK$'000	HK$'000	**HK$'000**	HK$'000
Repayable within one year	**12,435**	11,966	**–**	–
Repayable within one to two years	**26,499**	12,335	**–**	–
Repayable within two to five years	**135,310**	43,173	**100,000**	–
Repayable after five years	**–**	18,501	**–**	
	174,244	85,975	**100,000**	–
Current portion included in current liabilities	**(12,435)**	(11,966)	**–**	–
	161,809	74,009	**100,000**	–

The secured bank loans are secured by certain land use rights and property, plant and equipment of the Group (notes 6 and 8), denominated in Renminbi and interest bearing at the floating rate announced by the People's Bank of China (2011: floating rate announced by the People's Bank of China). The unsecured bank loans are denominated in Hong Kong dollars and bear interest at rates range from 1.78% to 3.9% (2011: 1.97% to 2.28%) 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.

21 Other income

	2012	2011
	HK$'000	HK$'000
Management fee income from CKSE (note 35(a)(ii))	**27,024**	10,000
Property rental income	**12,324**	9,624
Subsidies from the PRC government	**1,242**	943
Others	**1,488**	1,614
	42,078	22,181

22 Other gains – net

	2012 HK$'000	2011 HK$'000
Exchange gains, net	4,935	22,080
Gain on disposal of a jointly controlled entity and a subsidiary (note)	–	33,223
Gain on re-measurement of interest in a jointly controlled entity (note 36(c))	–	241
Loss on write-off of property, plant and equipment	(3,040)	–
Gain on disposal of property, plant and equipment, net	272	480
Provision for impairment of trade receivables, net (note 14)	(215)	(4)
Others	–	1,488
	1,952	57,508

Note:

On 8th March 2011, the Group disposed of its entire shareholding in a jointly controlled entity, namely Dongguan Humen Great Trade Containers Port Co., Ltd., to a third party for 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.

Moreover, pursuant to the Assets Swap as mentioned in note 36(a), the Company disposed of its 100% equity interest in a subsidiary, namely Chu Kong Infrastructure Investment Limited ("CKIL"), which held 25% equity interest in a jointly controlled entity, namely Guangzhou-Foshan Expressway Ltd. ("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.

23 Costs and expenses by nature

	2012 HK$'000	2011 HK$'000
Amortisation of land use rights	7,601	7,465
Auditor's remuneration		
– audit services	2,938	2,751
– non-audit services	942	1,199
Costs of passenger transportation, cargo transportation and cargo handling and storage (including fuel cost)	760,818	704,227
Depreciation of property, plant and equipment	72,803	65,528
Depreciation of investment properties	57	110
Operating lease rental expenses		
– vessels and barges	114,696	129,336
– buildings	19,793	15,514
Staff costs (including directors' emoluments) (note 30)	276,048	245,364
Others	159,370	137,058
Total cost of services rendered and general and administrative expenses	1,415,066	1,308,552

24 Finance income and cost

	2012 HK$'000	2011 HK$'000
Finance income		
Interest income on short-term bank deposits and bank balances	**3,290**	2,139
Interest income on loans to jointly controlled entities	**1,173**	1,252
Interest income on amount due from the parent company	**–**	772
	4,463	4,163
Finance cost		
Interest expense on bank borrowings	**(12,385)**	(6,979)
Interest expense on loan from an associate	**(802)**	(841)
Interest expense on amounts due to the non-controlling interests	**(170)**	(166)
Interest expense on amounts due to a related party	**(934)**	(776)
Less: amounts capitalised on qualifying assets	**2,974**	1,461
	(11,317)	(7,301)

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

	2012 HK$'000	2011 HK$'000
Share of profits less losses before income tax	**69,219**	59,973
Share of income tax	**(18,351)**	(15,985)
	50,868	43,988

26 Income tax expense

	2012 HK$'000	2011 HK$'000
Current income tax		
– Hong Kong profits tax	**17,047**	12,584
– PRC corporate income tax	**19,727**	22,277
– Under/(over) provision in prior years	**392**	(1,531)
Deferred income tax expense (note 13)	**5,208**	5,394
	42,374	38,724

Hong Kong profits tax has been provided at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the year. PRC corporate income tax has been calculated on the estimated assessable profit for the year at the income tax rate of the PRC entities of 25% (2011: 24% to 25%).

26 Income tax expense (Continued)

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).

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:

	2012 HK$'000	2011 HK$'000
Profit before share of profits less losses of jointly controlled entities and associates, and income tax expense	136,757	152,422
Calculated at a tax rate of 16.5% (2011: 16.5%)	22,565	25,150
Effect of different tax rates applicable to the subsidiaries in the PRC	2,303	2,686
Income not subject to income tax	(94,094)	(102,220)
Expenses not deductible for income tax purposes	97,810	94,114
Tax losses not recognised	8,931	9,378
Under/(over) provision in prior years	392	(1,531)
Utilisation of previously unrecognised tax loss	(782)	–
Others	–	(45)
	37,125	27,532
Withholding income tax on undistributed profits of PRC enterprises	5,249	4,293
Capital gain tax on disposal of a jointly-controlled entity and a subsidiary	–	6,899
Income tax expense	42,374	38,724

27 Profit attributable to equity holders of the Company

Profit attributable to equity holders of the Company includes a profit of HK$163,212,000 (2011: HK$663,963,000) which is dealt with in the financial statements of the Company.

Notes to the Financial Statements

28 Dividends

	2012 **HK$'000**	2011 HK$'000
Interim, declared, of HK nil cent (2011: HK1 cent) per ordinary share	**–**	9,000
Final, proposed, of HK4.5 cents (2011: HK2.5 cents) per ordinary share	**40,500**	22,500
	40,500	31,500

The dividends paid during the years ended 31st December 2012 and 2011 were HK$22,500,000 (HK2.5 cents per share) and HK$45,000,000 (HK5 cents per share) respectively.

On 26th March 2013, the board of directors proposed a final dividend of HK4.5 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.

	2012	2011
Profit attributable to equity holders of the Company (HK$'000)	**135,825**	146,819
Weighted average number of ordinary shares in issue ('000)	**900,000**	900,000
Basic earnings per share (HK cents)	**15.01**	16.31

The diluted earnings per share for the years ended 31st December 2012 and 2011 are equal to the basic earnings per share as there are no potential dilutive ordinary shares in issue during both years.

30 Employee benefit expenses (including directors' emoluments)

	2012 HK$'000	2011 HK$'000
Salaries and allowances	262,163	233,106
Retirement benefit costs – defined contribution plans (note)	13,885	12,258
	276,048	245,364

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) The remuneration of each director is set out below:

	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Other benefits HK$'000	Employer's contributions to retirement benefit scheme HK$'000	Total HK$'000
2012						
Mr. Liu Weiqing	–	–	–	–	–	–
Mr. Huang Liezhang (note (b))	250	306	874	–	14	1,444
Mr. Zhang Daowu (note (c))	250	–	199	–	2	451
Mr. Hua Honglin (note (c))	250	140	456	–	7	853
Mr. Yang Bangming (note (c))	–	188	158	71	–	417
Mr. Huang Shuping	250	281	787	–	13	1,331
Mr. Yu Qihuo	–	–	–	–	–	–
Mr. Zhang Lei	–	–	–	–	–	–
Mr. Chan Kay-cheung	250	–	–	–	–	250
Ms. Yau Lai Man	100	–	–	–	–	100
Mr. Chow Bing Sing	100	–	–	–	–	100
	1,450	915	2,474	71	36	4,946
2011						
Mr. Liu Weiqing	–	–	–	–	–	–
Mr. Huang Liezhang (note (b))	134	153	478	–	6	771
Mr. Zhang Daowu (note (c))	250	94	407	–	6	757
Mr. Hua Honglin (note (c))	273	140	431	–	6	850
Mr. Yang Bangming (note (c))	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

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

(b) Mr. Huang Leizhang is an Executive Director who is also the Managing Director of the Company.

(c) Mr. Zhang Daowu, Mr. Hua Honglin and Mr. Yang Bangming resigned as Directors of the Company with effective from 28th December 2012.

(d) Five highest paid individuals' emoluments

The five individuals whose emoluments were the highest in the Group for the year ended 31st December 2012 include two (2011: two) directors whose emoluments are shown above. The emoluments to the remaining three (2011: three) highest paid individuals during the year are as follows:

	2012	2011
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**803**	949
Bonuses	**2,101**	1,561
Retirement benefit costs – defined contribution plans	**40**	24
	2,944	2,534

The emoluments of the three highest paid individuals fell within the following bands:

	Number of individuals	
	2012	2011
Emolument bands		
HK$500,000 – HK$1,000,000	**2**	3
HK$1,000,001 – HK$1,500,000	**1**	–

(e) During the year, no emoluments have been paid by the Group to the directors or the senior management 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 2012 and 2011.

Notes to the Financial Statements

32 Note to consolidated cash flow statement

Reconciliation of operating profit to cash generated from operations

	2012 HK$'000	2011 HK$'000
Operating profit	**143,611**	155,560
Amortisation of land use rights	**7,601**	7,465
Depreciation of property, plant and equipment and investment properties	**72,860**	65,638
Exchange gain, net	**(4,935)**	(22,080)
Loss/(gain) on disposal of property, plant and equipment	**2,768**	(480)
Gains on disposal of a jointly controlled entity and a subsidiary (note 22)	**–**	(33,223)
Gain on re-measurement of interest in a jointly controlled entity (note 22)	**–**	(241)
Provision for impairment of trade receivables, net	**215**	4
Operating profit before working capital changes	**222,120**	172,643
Decrease/(increase) in trade and other receivables	**21,705**	(8,723)
Increase in trade and other payables	**113,202**	30,938
Cash generated from operations	**357,027**	194,858

33 Commitments

(a) Capital commitments

	Group		Company	
	2012 HK$'000	2011 HK$'000	2012 HK$'000	2011 HK$'000
Contracted but not provided for				
– Investment in a subsidiary (note (i))	**–**	–	**8,613**	–
– Investment in a jointly controlled entity (note (ii))	**94,530**	94,530	**94,530**	94,530
– Land use right	**46,238**	37,737	**–**	–
– Property, plant and equipment	**166,865**	21,454	**512**	512
	307,633	153,721	**103,655**	95,042
Authorised but not contracted				
– Investment in a subsidiary (note (i))	**–**	–	**–**	72,937
– Property, plant and equipment	**–**	25,965	**–**	–
	307,633	179,686	**103,655**	167,979

33 Commitments (Continued)

(a) Capital commitments (Continued)

(i) The balance represents the outstanding investment in a subsidiary, Zhongshan City Huangpu Port Cargo and Container Terminal Co., Ltd.

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

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

	2012 HK$'000	2011 HK$'000
Contracted but not provided for	**520**	2,995
Authorised but not contracted	**29,847**	–
	30,367	2,995

(b) Commitments under operating leases

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

	Group		Company	
	2012 HK$'000	2011 HK$'000	**2012 HK$'000**	2011 HK$'000
Land and buildings:				
Not later than one year	**9,669**	8,861	**2,426**	48
Later than one year and not later than five years	**16,446**	5,730	**1,399**	60
	26,115	14,591	**3,825**	108
Vessels and barges:				
Not later than one year	**7,584**	8,506	**–**	–
Later than one year and not later than five years	**–**	–	**–**	–
	7,584	8,506	**–**	–
	33,699	23,097	**3,825**	108

Notes to the Financial Statements

34 Future operating lease arrangements

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

	Group		Company	
	2012 **HK$'000**	2011 HK$'000	**2012** **HK$'000**	2011 HK$'000
Land and buildings:				
Not later than one year	**7,469**	10,363	**–**	–
Later than one year and not later than five years	**79**	7,161	**–**	–
Later than five years	**–**	116	**–**	–
	7,548	17,640	**–**	–
Vessel and barges:				
Not later than one year	**1,398**	573	**–**	–
	8,946	18,213	**–**	–

35 Related party transactions

The directors of the Group regard CKSE as the immediate holding company, which owns 71.0% (2011: 70.0%) 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 2012 and 2011, 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.

35 Related party transactions (Continued)

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

(a) Transactions with related parties

	Note	2012 HK$'000	2011 HK$'000
Revenues:			
Shipping agency, river trade cargo direct shipment and transshipment income	(i)		
– fellow subsidiaries		**999**	1,726
– a jointly controlled entity		**244**	254
– a related company		**196**	227
Passenger transportation agency fees	(i)		
– fellow subsidiaries		**3,592**	4,625
– jointly controlled entities and associates		**10,674**	8,545
– other related companies		**2,227**	2,843
Ferry terminal operation service fees	(i)		
– fellow subsidiaries		**5,871**	5,788
– jointly controlled entities and associates		**23,888**	23,513
– other related companies		**11,806**	10,064
Management service fees			
– immediate holding company	(ii)	**27,024**	10,000
– a fellow subsidiary	(iii)	**7,090**	11,638
– a jointly controlled entity	(iii)	**2,618**	2,618
– a related company	(iii)	**264**	–
Vessel rental income	(i)		
– a related company		**2,425**	2,956
Office rental income	(i)		
– a fellow subsidiary		**635**	937
Interest income			
– parent company	(iv)	**–**	772
– jointly controlled entities	(v)	**1,173**	1,252

Notes to the Financial Statements

35 Related party transactions (Continued)

(a) Transactions with related parties (Continued)

	Note	2012 HK$'000	2011 HK$'000
Expenses:			
Shipping agency, river trade cargo direct shipment and transshipment expenses	(i)		
– jointly controlled entities and associates		**22,509**	18,289
– other related companies		**15,108**	10,059
Wharf cargo handling, cargo transportation and godown storage expenses	(i)		
– jointly controlled entities and associates		**43,293**	46,000
– other related companies		**1,527**	35
Agency fee expenses	(i)		
– fellow subsidiaries		**327**	526
– jointly controlled entities and associates		**1,188**	1,784
– other related companies		**12**	21
Ferry terminal operation services fee			
– a fellow subsidiary	(i)	**6,033**	5,969
Luggage handling fee	(vi)		
– a related company		**7,035**	7,178
Fuel charges	(i)		
– a fellow subsidiary		**75,543**	85,764
Vessel rental expenses	(i)		
– jointly controlled entities and associates		**25,218**	20,469
Warehouse rental expenses	(vii)		
– immediate holding company		**5,000**	5,000
Office rental expenses	(i)		
– immediate holding company		**6,919**	5,847
Staff quarter rental expenses	(i)		
– immediate holding company		**2,877**	2,271
Loan interest expenses			
– an associate	(viii)	**802**	841
– non-controlling interests	(ix)	**170**	166
– a related company	(x)	**934**	776
Management fee expense	(xi)		
– immediate holding company		**7,200**	7,200

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) A management fee was charged to CKSE for provision of services to a number of subsidiaries and jointly controlled entities of CKSE in Hong Kong and the PRC. According to the 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 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.

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

(iv) Interest was charged to the parent company at rates ranging from 2.25% to 3.5% per annum in 2011. The amount due from the parent company was fully repaid in 2012.

(v) Interests were charged to jointly controlled entities in respect of loans bearing interest rates ranging from 4.8% to 5.56% per annum (2011: 4.8% to 5.56% per annum) or at the floating rate announced by the People's Bank of China (2011: floating rate announced by the People's Bank of China) pursuant to the agreements entered into between the Group and the jointly controlled entities.

(vi) Luggage handling fee was charged at HK$3.3 (2011: HK$3.3) per item of luggage at China Ferry Terminal, Tsim Sha Tsui by an associate of the immediate holding company as set out in the respective agreement governing these transactions.

(vii) The Group leased a warehouse from CKSE and rental was charged by CKSE pursuant to the agreement governing the transaction.

(viii) Loan interest was charged by an associate at 3.50% per annum (2011: 3.50% per annum) pursuant to the agreement entered into between the Group and the associate.

(ix) Interest was charged by the non-controlling interests at 4% per annum (2011: 4% to 5.31% per annum).

(x) Interest was charged by the related party at the floating rate announced by the People's Bank of China (2011: floating rate announced by the People's Bank of China).

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

35 Related party transactions (Continued)

(b) Key management compensation

	2012 HK$'000	2011 HK$'000
Salaries and allowances	**10,019**	8,608
Directors' fees	**1,450**	1,473
Retirement benefit scheme contributions	**103**	73
	11,572	10,154

(c) Loans to jointly controlled entities

	2012 HK$'000	2011 HK$'000
At 1st January	**30,228**	32,468
Exchange differences	**259**	1,610
Loans advanced	**2,467**	6,946
Loans repayments received	**(3,679)**	(5,957)
Elimination upon acquisition of a subsidiary (note 36(c))	**–**	(4,839)
At 31st December	**29,275**	30,228

36 Business combinations

(a) Assets Swap

The Company entered into sale and purchase agreements with CKSE 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 CKS Container Terminal (Zhuhai Donmen) 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 HK$165,808,000) being settled by the Company in cash ("Assets Swap"). Upon completion of the Assets Swap, ZHDM became a wholly owned subsidiary and ZPGTU became a jointly controlled entity of the Company.

The acquisitions of ZHDM and ZPGTU are accounted for under merger accounting (note 36(b)) and the equity method of accounting respectively. The financial impact of the disposal of CKIIL is disclosed in note 22.

36 Business combinations (Continued)

(b) Business combinations under common control

As mentioned in note 36(a), 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 the Group's result for the year then ended are as follows:

	The Group before the acquisition of ZHDM HK$'000	ZHDM HK$'000	Note	Adjustments HK$'000	Total HK$'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

36 Business combinations (Continued)

(b) Business combinations under common control (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.

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

On 7th February 2011, the Company acquired the remaining 49% equity interest in Chu Kong Air-Sea Union Transportation Company Limited ("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

36 Business combinations (Continued)

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

Notes to the Financial Statements

37 Additional interest in a subsidiary

In February 2012, the Group acquired an additional 23% equity interest in Zhaoqing New Port Co., Ltd. ("ZQNP") for a cash consideration of HK$26,785,000. ZQNP became a wholly-owned subsidiary of the Group after the acquisition. The carrying amount of the net assets of ZQNP on the date of acquisition was HK$97,847,000. The effect of changes in the ownership interest of ZQNP for year ended 31st December 2012 is summarised as follows:

	HK$'000
Carrying amount of non-controlling interests acquired	22,505
Less: Consideration paid to non-controlling interests	
– Cash paid in 2012	(15,879)
– Prepaid consideration in 2011	(10,906)
Excess of consideration paid recognised in the capital reserve within equity	(4,280)

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, for a consideration of HK$131,368,000.

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 the 20% non-controlling interest amounting to HK$74,879,000 upon the disposal.

Five-Year Financial Summary

Results

	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
Revenue	**1,514,647**	1,384,423	1,172,862	920,344	948,692
Operating profit	**143,611**	155,560	130,152	60,237	54,381
Finance income	**4,463**	4,163	4,982	9,127	15,095
Finance cost	**(11,317)**	(7,301)	(5,031)	(1,061)	–
Net finance (cost)/income	**(6,854)**	(3,138)	(49)	8,066	15,095
Share of profits less losses of jointly controlled entities and associates	**50,868**	43,988	56,726	58,722	62,305
Profit before income tax	**187,625**	196,410	186,829	127,025	131,781
Income tax expense	**(42,374)**	(38,724)	(35,789)	(14,507)	(15,242)
Profit for the year	**145,251**	`157,686	151,040	112,518	116,539
Attributable to:					
Equity holders of the Company	**135,825**	146,819	160,086	116,025	116,632
Non-controlling interests	**9,426**	10,867	(9,046)	(3,507)	(93)
	145,251	157,686	151,040	112,518	116,539
Basic earnings per share (HK cents)	**15.01**	16.31	17.79	12.89	13.0
Dividends (HK$'000)	**40,500**	`31,500	54,000	31,500	45,000
Dividend per share (HK cents)	**4.5**	3.5	6	3.5	5

Assets And Liabilities

	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000	2008 HK$'000
Non-current assets	**2,260,156**	2,213,387	2,086,739	1,598,060	1,069,194
Current assets	**942,263**	695,998	613,395	1,045,638	981,802
Total assets	**3,202,419**	2,909,385	2,700,134	2,643,698	2,050,996
Non-current liabilities	**231,584**	140,779	139,747	65,376	12,488
Current liabilities	**880,370**	792,508	641,675	908,565	274,949
Total liabilities	**1,111,954**	933,287	781,422	973,941	287,437
Total equity	**2,090,465**	1,976,098	1,918,712	1,669,757	1,763,559

Notes:

(a) The financial information for the years ended 31st December 2011 and 2012 were extracted from the 2012 financial statements.

(b) The financial information for the years ended 31st December 2008, 2009 and 2010 were extracted from the Five-Year Financial Summary in 2011 Annual Report.

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 26th May 2013 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 2012.

2. To declare a final dividend for the year ended 31st December 2012.

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

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

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

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

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

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

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

(4) for the purpose of this resolution:

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

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

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

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

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

(B) "**THAT:**

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

(2) the aggregate nominal amount of the Shares which may be purchased by the Company pursuant to the approval in paragraph (1) of this resolution during the Relevant Period shall not exceed 4% 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 4% 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
15th April 2013

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