

# Notes to the Accounts

## 1 Principal accounting policies

The principal accounting policies adopted in the preparation of the accounts are set out below:

(a) Basis of preparation

The accounts have been prepared in accordance with accounting principles generally accepted in Hong Kong and comply with accounting standards issued by the Hong Kong Society of Accountants ("HKSA"). They have been prepared under the historical cost convention.

In the current year, the Group adopted the Statement of Standard Accounting Practice ("SSAP") 12 "Income taxes" issued by the HKSA, which is effective for accounting periods commencing on or after 1st January 2003. The adoption of this SSAP 12 resulted in a change in the Group's accounting policy on deferred taxation. Details of the change in the accounting policy and its effect are set out in note 1(h).

(b) Consolidation

Subsidiaries are those entities in which the Company, directly or indirectly, controls the composition of the board of directors, controls more than half the voting power or holds more than half of the issued equity capital.

The consolidated accounts include the accounts of the Company and its subsidiaries made up to 31st December. In the circumstances where a subsidiary over which the Company does not have unilateral control but joint control, the subsidiary is accounted for as a jointly controlled entity in accordance with the accounting policy set out in note 1(d) below.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated profit and loss account from the effective date of acquisition or up to the effective date of disposal, as appropriate.

All significant intercompany transactions and balances within the Group are eliminated on consolidation.

## 1 Principal accounting policies *(Continued)*

### (b) Consolidation *(Continued)*

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any unamortised goodwill or negative goodwill and any related accumulated foreign currency translation reserve.

Minority interests represent the interests of outside shareholders in the operating results and net assets of subsidiaries.

In the Company's balance sheet, the investments in subsidiaries are stated at cost less provision. The results of subsidiaries are accounted for by the Company on the basis of dividend income.

### (c) Goodwill/negative goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net assets of the acquired subsidiary or jointly controlled entity at the date of acquisition.

Goodwill on acquisitions is recognised in the consolidated balance sheet and is amortised using the straight line method over its estimated useful life. Goodwill is generally amortised over a period of 15 to 20 years.

Negative goodwill represents the excess of the fair value of the Group's share of the net assets acquired over the cost of acquisition.

Negative goodwill is presented in the same balance sheet classification as goodwill. To the extent that negative goodwill relates to expectations of future losses and expenses that are identified in the Group's plan for the acquisition and can be measured reliably, but which do not represent identifiable liabilities at the date of acquisition, that portion of negative goodwill is recognised in the consolidated profit and loss account when the future losses and expenses are recognised. Any remaining negative goodwill, not exceeding the fair values of the identifiable non-monetary assets acquired, is recognised in the consolidated profit and loss account over the remaining weighted average useful life of those identifiable acquired depreciable/amortisable assets; negative goodwill in excess of the fair values of those non-monetary assets is recognised in the consolidated profit and loss account immediately.

# Notes to the Accounts

## 1 Principal accounting policies *(Continued)*

### (d) Jointly controlled entities

A joint venture is 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.

The consolidated profit and loss account includes the Group's share of the results of jointly controlled entities, and the consolidated balance sheet includes the Group's share of the net assets of the jointly controlled entities and goodwill or negative goodwill (net of accumulated amortisation) on acquisition.

In the Company's balance sheet, the investments in jointly controlled entities are stated at cost less provision. The results of jointly controlled entities are accounted for by the Company on the basis of dividend income.

### (e) Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment.

Leasehold land and buildings are depreciated over their respective period of the lease while other fixed assets are depreciated at rates sufficient to write off their cost less accumulated impairment over their estimated useful lives on a straight line basis. The principal annual rates are as follows:

Leasehold land and buildings	Over the unexpired lease terms or 2%
Leasehold improvements	12% – 20%
Plant and machinery	12% – 25%
Office equipment	12% – 33.33%
Furniture and fixtures	12% – 33.33%
Motor vehicles	12% – 33.33%
Containers	12% – 24%
Vessels	12% – 12.5%

The gain or loss on disposal of a fixed asset is the difference between the net sales proceeds and the carrying amount of the relevant asset, and is recognised in the profit and loss account.



## 1 Principal accounting policies *(Continued)*

### (e) Fixed assets *(Continued)*

Major costs incurred in restoring fixed assets to their normal working condition are charged to the profit and loss account. Improvements are capitalised and depreciated over the expected useful lives to the Group.

### (f) Trade receivables

Provision is made against trade receivables to the extent they are considered to be doubtful. Trade receivables in the balance sheet are stated net of such provision.

### (g) Impairment of assets

At each balance sheet date, both internal and external sources of information are considered to assess whether there is any indication that the assets are impaired. If any such indication exists, the recoverable amount of the asset is estimated and where relevant, an impairment loss is recognised in the profit and loss account to reduce the asset to its recoverable amount.

### (h) Deferred taxation

Deferred taxation is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the accounts. Tax rates enacted or substantively enacted by the balance sheet date are used to determine deferred taxation.

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

Deferred taxation is provided on temporary differences arising on investments in subsidiaries and jointly controlled entities, except where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

In prior years, deferred taxation was accounted for at the current tax rate in respect of timing differences between profit as computed for taxation purposes and profit as stated in the accounts to the extent that a liability or an asset was expected to be payable or recoverable in the foreseeable future. This accounting policy has been changed on the adoption of the SSAP 12 and has been applied retrospectively. The comparative figures have been restated to conform to the changed policy.

# Notes to the Accounts

## 1 Principal accounting policies *(Continued)*

### (h) Deferred taxation *(Continued)*

The change has decreased the Group's and the Company's opening retained profits at 1st January 2003 by HK\$469,000 (1st January 2002: HK\$555,000) and HK\$142,000 (1st January 2002: HK\$229,000) respectively which represent the additional net deferred tax liabilities provided for and has increased the Group's and the Company's profit for the year ended 31st December 2002 by HK\$86,000 and HK\$87,000 respectively.

### (i) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling at the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling at that date. Exchange differences arising are dealt with in the profit and loss account.

The balance sheets of subsidiaries and jointly controlled entities expressed in foreign currencies are translated at the rates of exchange ruling at the balance sheet date whilst the profit and loss accounts are translated at average exchange rates. Exchange differences arising are dealt with as a movement in reserves.

### (j) Operating leases

Leases where substantially all the risks and rewards of ownership of assets remain with the leasing company are accounted for as operating leases.

Where the Group leases out assets under operating leases, the assets are included in the balance sheet according to their nature and where applicable, are depreciated in accordance with the Group's depreciation policies, as set out in note 1(e) above. Revenue arising from assets leased out under operating leases is recognised in accordance with the Group's revenue recognition policies, as set out in note 1(m) below.

Payments made under operating leases net of any incentives received from the leasing company are charged to the consolidated profit and loss account on a straight line basis over the lease periods.

### (k) Employee benefit obligations

#### (i) Retirement benefit obligations

Contributions to the retirement benefit scheme which is defined contribution in nature and available to all employees in Hong Kong are charged to the consolidated profit and loss account as incurred. Contributions to this scheme are calculated based on a fixed percentage of the employees' applicable payroll costs or fixed sums as appropriate. The assets of the scheme are held separately from the Group's.

## 1 Principal accounting policies *(Continued)*

### (k) Employee benefit obligations *(Continued)*

#### (ii) *Equity compensation benefits*

No compensation cost is recognised in the profit and loss account in connection with share options granted to directors and employees. When the share options are exercised, the proceeds received net of any transaction costs are credited to share capital (nominal value) and share premium.

### (l) Provision

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 a reliable estimate of the amount can be made. Where the Group expects a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain.

### (m) Revenue recognition

Revenues from the rendering of services in shipping agency and river trade cargo transportation, wharf cargo handling, cargo consolidation and godown storage and container hauling and trucking are recognised when services are rendered.

Interest income is recognised on a time proportion basis, taking into account the principal amounts outstanding and the interest rates applicable.

Operating lease rental income is recognised on a straight line basis.

### (n) Segment reporting

In accordance with the Group's internal financial reporting, the Group has determined that business segments are presented as the primary reporting format.

Unallocated income and expenses represent corporate income and expenses. Segment assets consist primarily of fixed assets, receivables and operating cash. Segment liabilities comprise operating and tax liabilities. Capital expenditure comprises additions to fixed assets, including additions resulting from acquisitions through purchases of subsidiaries.

In respect of geographical segment reporting, sales are based on the country in which the customer is located. Total assets and capital expenditure are where the assets are located.

# Notes to the Accounts

## 2 Turnover, revenues and segment information

	2003 HK\$'000	2002 HK\$'000
Turnover		
Shipping agency, river trade cargo direct shipment and transhipment	<b>430,096</b>	389,053
Wharf cargo handling, cargo consolidation and godown storage	<b>61,947</b>	60,508
Container hauling and trucking	<b>1,057</b>	1,059
	<b>493,100</b>	450,620
Other revenues		
Interest income		
– loans to jointly controlled entities ( <i>note 14(c)</i> )	<b>1,884</b>	2,177
– others	<b>3,245</b>	6,535
Sundries	<b>906</b>	657
	<b>6,035</b>	9,369
<b>Total revenues</b>	<b>499,135</b>	459,989

The Group is principally engaged in shipping agency, river trade cargo direct shipment and transhipment, wharf cargo handling, cargo consolidation and godown storage and container hauling and trucking.

### Business segments

The Group is organised into three main business segments:

- (i) *Cargo transportation – Shipping agency, river trade cargo direct shipment and transhipment*
- (ii) *Cargo handling and storage – Wharf cargo handling, cargo consolidation and godown storage*
- (iii) *Container hauling and trucking*

## 2 Turnover, revenues and segment information *(Continued)*

### Business segments *(Continued)*

	Cargo transportation		Cargo handling and storage		Container hauling and trucking		Eliminations		Total	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
		(Restated)		(Restated)		(Restated)				(Restated)
Sales										
– external	<b>430,096</b>	389,053	<b>61,947</b>	60,508	<b>1,057</b>	1,059	-	-	<b>493,100</b>	450,620
– intersegments	<b>131</b>	13	<b>45,595</b>	44,729	<b>37,810</b>	37,001	<b>(83,536)</b>	(81,743)	-	-
Other revenues										
– external	<b>861</b>	1,351	<b>106</b>	439	<b>4</b>	55	-	-	<b>971</b>	1,845
– intersegments	-	-	<b>505</b>	504	-	3,342	<b>(505)</b>	(3,846)	-	-
<b>Total</b>	<b>431,088</b>	390,417	<b>108,153</b>	106,180	<b>38,871</b>	41,457	<b>(84,041)</b>	(85,589)	<b>494,071</b>	452,465
Segment results	<b>315</b>	9,488	<b>28,125</b>	20,268	<b>3,775</b>	3,125	-	-	<b>32,215</b>	32,881
Unallocated income									<b>5,064</b>	7,524
Unallocated expenses									<b>(13,082)</b>	(12,076)
Operating profit									<b>24,197</b>	28,329
Finance costs									-	(2)
Share of profits less losses of jointly controlled entities									<b>59,214</b>	50,829
Profit before taxation									<b>83,411</b>	79,156
Taxation									<b>(15,342)</b>	(15,439)
Profit attributable to shareholders									<b>68,069</b>	63,717



# Notes to the Accounts

## 2 Turnover, revenues and segment information *(Continued)*

### Business segments *(Continued)*

	Cargo transportation		Cargo handling and storage		Container hauling and trucking		Eliminations		Total		
	2003	2002	2003	2002	2003	2002	2003	2002	2003	2002	
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
											(Restated)
Segment assets	<b>168,869</b>	182,986	<b>344,083</b>	303,639	<b>18,761</b>	15,218	<b>(93,732)</b>	(26,235)	<b>437,981</b>	475,608	
Jointly controlled entities									<b>359,189</b>	290,946	
Unallocated assets									<b>319,589</b>	301,797	
Total assets									<b>1,116,759</b>	1,068,351	
Segment liabilities	<b>164,959</b>	139,003	<b>42,664</b>	17,469	<b>15,156</b>	10,923	<b>(93,732)</b>	(26,235)	<b>129,047</b>	141,160	
Unallocated liabilities									<b>33,107</b>	6,981	
Total liabilities									<b>162,154</b>	148,141	
Capital expenditure											
– segment	<b>4,125</b>	1,229	<b>28,548</b>	20	–	–			<b>32,673</b>	1,249	
– unallocated									<b>49,639</b>	15	
									<b>82,312</b>	1,264	
Depreciation											
– segment	<b>2,454</b>	2,808	<b>6,698</b>	7,104	<b>117</b>	117			<b>9,269</b>	10,029	
– unallocated									<b>1,143</b>	711	
									<b>10,412</b>	10,740	

### Geographical segments

Over 90% of the Group's revenue is derived from operations carried out in Hong Kong and customers are located in Mainland China and Hong Kong. The directors consider that it is impracticable to allocate the revenue and segment results to geographical segments.

## 2 Turnover, revenues and segment information *(Continued)*

Geographical segments (Continued)

The analysis of the Group's total assets and capital expenditure by geographical segments is as follows:

	Total assets		Capital expenditure	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Hong Kong	<b>730,869</b>	777,405	<b>56,764</b>	1,264
Mainland China	<b>26,701</b>	–	<b>25,548</b>	–
	<b>757,570</b>	777,405	<b>82,312</b>	1,264
Jointly controlled entities	<b>359,189</b>	290,946		
	<b>1,116,759</b>	1,068,351		

## 3 Operating profit

Operating profit is stated after crediting and charging the following:

	2003 HK\$'000	2002 HK\$'000
Crediting		
Negative goodwill	<b>246</b>	–
Net exchange gains	<b>264</b>	344
Operating lease rental income		
– Land and buildings	<b>1,360</b>	–
– Others	<b>126</b>	156
Charging		
Auditors' remuneration	<b>1,148</b>	1,130
Depreciation	<b>10,412</b>	10,740
Loss on disposal of fixed assets	<b>330</b>	158
Operating lease rental expense		
– Vessels and barges	<b>31,704</b>	25,529
– Land and buildings	<b>8,533</b>	13,307
– Containers	<b>338</b>	3,134
Staff costs (including directors' emoluments) <i>(note 10)</i>	<b>61,477</b>	62,592

## 4 Finance costs

Finance costs in 2002 represented interest expense on bank overdrafts.

# Notes to the Accounts

## 5 Share of profits less losses of jointly controlled entities

Share of profits less losses of jointly controlled entities for the year includes the net amortisation of goodwill and negative goodwill of HK\$1,544,000 (2002: HK\$1,561,000).

## 6 Taxation

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
		(Restated)
Current taxation		
– Hong Kong profits tax	<b>4,176</b>	4,121
– Over-provisions in prior years	<b>(6)</b>	(60)
Deferred taxation		
– Origination and reversal of temporary differences	<b>689</b>	(86)
– Effect on opening balances resulting from an increase in tax rate	<b>87</b>	–
	<b>4,946</b>	3,975
Share of taxation attributable to jointly controlled entities		
– PRC income tax	<b>10,396</b>	11,464
	<b>15,342</b>	15,439

Hong Kong profits tax has been provided at the rate of 17.5% (2002: 16%) on the estimated assessable profit for the year. Enterprise income tax of the People's Republic of China (the "PRC") has been calculated on the estimated assessable profit for the year at the rates of taxation prevailing in the regions where the jointly controlled entities operate.

## 6 Taxation (Continued)

The taxation on the profit before taxation differs from the theoretical amount that would arise using the Hong Kong profits tax rate applicable to the Company as follows:

	2003 HK\$'000	2002 HK\$'000
Profit before taxation	<b>83,411</b>	79,156
Calculated at a taxation rate of 17.5% (2002: 16%)	<b>14,597</b>	12,665
Effect of different taxation rates applicable to the jointly controlled entities in the PRC	<b>(236)</b>	3,081
Income not subject to taxation	<b>(49,003)</b>	(33,413)
Expenses not deductible for taxation purposes	<b>49,903</b>	33,294
Utilisation of previously unrecognised tax losses	–	(128)
Increase in tax due to increase in tax rate	<b>87</b>	–
Other items	<b>(6)</b>	(60)
Taxation charge	<b>15,342</b>	15,439

## 7 Profit attributable to shareholders

The profit attributable to shareholders is dealt with in the accounts of the Company to the extent of HK\$18,846,000 (2002: HK\$19,604,000, as restated).

# Notes to the Accounts

## 8 Dividends

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Interim, paid, of HK1 cent (2002: HK1 cent) per ordinary share	<b>7,500</b>	7,500
Final, proposed, of HK4 cents (2002: HK4 cents) per ordinary share	<b>30,000</b>	30,000
	<b>37,500</b>	37,500

The board of directors proposed a final dividend of HK4 cents per ordinary share. This proposed dividend will be reflected as an appropriation of retained profits for the year ending 31st December 2004.

## 9 Earnings per share

The calculation of earnings per share is based on the Group's profit attributable to shareholders of HK\$68,069,000 (2002: HK\$63,717,000, as restated).

The basic earnings per share is based on 750,000,000 (2002: 750,000,000) ordinary shares in issue during the year. The diluted earnings per share is based on 750,000,000 (2002: 750,000,000) ordinary shares in issue during the year plus the weighted average number of 16,570,000 (2002: 15,889,000) ordinary shares deemed to be issued at no consideration as if all outstanding options had been exercised.

## 10 Staff costs (including Directors' emoluments)

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Salaries and allowances	<b>57,256</b>	60,415
Retirement benefit scheme contributions	<b>2,250</b>	2,177
Termination benefits	<b>1,971</b>	–
	<b>61,477</b>	62,592

Details of the share options granted to the staff of the Company are set out in note 19.

## 11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

### (a) Directors' emoluments

The aggregate amounts of emoluments paid and payable to directors of the Company during the year are as follows:

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Fees	<b>1,800</b>	1,800
Other emoluments:		
Basic salaries, housing allowances, other allowances and benefits in kind	<b>546</b>	304
Discretionary bonuses	<b>473</b>	309
Retirement benefit scheme contributions	<b>24</b>	12
	<b>2,843</b>	2,425

Directors' fees include HK\$500,000 (2002: HK\$500,000) paid to independent non-executive directors.

During the year, the emoluments of each of the seven (2002: six) directors were below HK\$1,000,000.

Details of the share options granted to the directors are set out in note 19.

# Notes to the Accounts

## 11 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS *(Continued)*

### (b) Senior management's emoluments

The five individuals whose emoluments were the highest in the Group for the year include two (2002: two) directors whose emoluments are shown above. The emoluments paid and payable to the remaining three (2002: three) highest paid individuals during the year are as follows:

	<b>2003</b> <b>HK\$'000</b>	2002 HK\$'000
Basic salaries, housing allowances, other allowances and benefits in kind	<b>700</b>	1,017
Bonuses	<b>633</b>	445
Retirement benefit scheme contributions	<b>34</b>	34
	<b>1,367</b>	1,496

During the year, the emoluments of each of the three (2002: three) individuals were below HK\$1,000,000.

Details of the share options granted to senior management are set out in note 19.

### (c) During the year, no emoluments have been paid by the Group to the directors or the five highest paid individuals as an inducement to join or upon joining the Group, or as compensation for loss of office. None of the directors waived or has agreed to waive any emoluments.

## 12 Fixed assets

### Group

	Leasehold land and buildings	Leasehold improve- ments	Plant and machinery	Office equipment	Furniture and fixtures	Motor vehicles	Containers	Vessels	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost</b>									
At 1st January 2003	280,126	9,337	26,643	10,598	2,178	35,087	7,695	17,386	389,050
Reclassification	-	-	-	-	(736)	-	736	-	-
Additions	49,627	171	2,886	4,057	23	-	-	-	56,764
Acquisition of a subsidiary	22,764	119	1,342	-	21	1,302	-	-	25,548
Disposals	(183)	(6,590)	(5,384)	(2,318)	(1,131)	(341)	(410)	-	(16,357)
<b>At 31st December 2003</b>	<b>352,334</b>	<b>3,037</b>	<b>25,487</b>	<b>12,337</b>	<b>355</b>	<b>36,048</b>	<b>8,021</b>	<b>17,386</b>	<b>455,005</b>
<b>Accumulated depreciation</b>									
At 1st January 2003	31,840	6,821	26,379	7,337	1,415	33,187	2,595	14,436	124,010
Reclassification	-	-	-	-	(227)	-	227	-	-
Charge for the year	6,196	664	287	824	82	745	1,018	596	10,412
Disposals	(22)	(5,395)	(5,369)	(2,171)	(1,085)	(248)	(237)	-	(14,527)
<b>At 31st December 2003</b>	<b>38,014</b>	<b>2,090</b>	<b>21,297</b>	<b>5,990</b>	<b>185</b>	<b>33,684</b>	<b>3,603</b>	<b>15,032</b>	<b>119,895</b>
<b>Net book value</b>									
<b>At 31st December 2003</b>	<b>314,320</b>	<b>947</b>	<b>4,190</b>	<b>6,347</b>	<b>170</b>	<b>2,364</b>	<b>4,418</b>	<b>2,354</b>	<b>335,110</b>
At 31st December 2002	248,286	2,516	264	3,261	763	1,900	5,100	2,950	265,040



# Notes to the Accounts

## 12 Fixed assets (Continued)

### Company

	<b>Leasehold land and buildings</b>	<b>Leasehold improve- ments</b>	<b>Office equipment</b>	<b>Motor vehicles</b>	<b>Total</b>
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
<b>Cost</b>					
At 1st January 2003	1,000	1,819	1,517	1,710	6,046
Additions	49,627	–	13	–	49,640
Disposals	–	(126)	(51)	–	(177)
<b>At 31st December 2003</b>	<b>50,627</b>	<b>1,693</b>	<b>1,479</b>	<b>1,710</b>	<b>55,509</b>
<b>Accumulated depreciation</b>					
At 1st January 2003	98	1,752	1,115	1,072	4,037
Charge for the year	604	33	167	341	1,145
Disposals	–	(93)	(28)	–	(121)
<b>At 31st December 2003</b>	<b>702</b>	<b>1,692</b>	<b>1,254</b>	<b>1,413</b>	<b>5,061</b>
<b>Net book value</b>					
<b>At 31st December 2003</b>	<b>49,925</b>	<b>1</b>	<b>225</b>	<b>297</b>	<b>50,448</b>
At 31st December 2002	902	67	402	638	2,009

## 12 Fixed assets (Continued)

The net book values of leasehold land and buildings are analysed as follows:

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
In Hong Kong, held on:				
Leases of over 50 years	<b>49,925</b>	902	<b>49,925</b>	902
Leases of between 10 to 50 years	<b>238,798</b>	244,317	-	-
	<b>288,723</b>	245,219	<b>49,925</b>	902
Outside Hong Kong, held on:				
Leases of over 50 years	<b>2,033</b>	2,247	-	-
Leases of between 10 to 50 years	<b>23,564</b>	820	-	-
	<b>25,597</b>	3,067	-	-
	<b>314,320</b>	248,286	<b>49,925</b>	902

# Notes to the Accounts

## 13 Subsidiaries

	Company	
	2003 HK\$'000	2002 HK\$'000
		(Restated)
Unlisted investments, at cost	<b>296,985</b>	296,985
Amount due from a subsidiary (note (b))	<b>18,452</b>	–
Loan to a subsidiary (note (b))	<b>28,810</b>	28,810
Less: Provision	<b>(12,100)</b>	(8,500)
	<b>332,147</b>	317,295

(a) Details of the subsidiaries as at 31st December 2003 are as follows:

Name	Place of establishment/ operation	Principal activities	Particulars of issued shares/ paid up capital	Interest held	
				2003	2002
<b>Direct subsidiaries</b>					
Chu Kong Agency Company Limited	Hong Kong	Shipping agency and freight forwarding agency	100 ordinary shares of HK\$1 each 100,000 deferred shares of HK\$1 each (note (c))	<b>100%</b>	100%
Chu Kong Air-Sea Union Transportation Company Limited (note (e))	Hong Kong	Operation and management of a marine cargo terminal	10,000 ordinary shares of HK\$1 each	<b>51%</b>	51%
Chu Kong Container Transportation Company Limited	Hong Kong	Container and cargo transportation and towing	100 ordinary shares of HK\$1 each 10,000 deferred shares of HK\$1 each (note (c))	<b>100%</b>	100%
Chu Kong Godown Wharf & Transportation Company Limited	Hong Kong	Godown and wharf operations	100 ordinary shares of HK\$1 each 1,000,000 deferred shares of HK\$1 each (note (c))	<b>100%</b>	100%
Chu Kong Infrastructure Investment Limited	British Virgin Islands/ PRC	Investment holding	2 ordinary shares of US\$1 each	<b>100%</b>	100%
Chu Kong River Trade Terminal Co., Ltd.	British Virgin Islands/ PRC	Investment holding	2 ordinary shares of US\$1 each	<b>100%</b>	100%

## 13 Subsidiaries (Continued)

Name	Place of establishment/ operation	Principal activities	Particulars of issued shares/ paid up capital	Interest held	
				2003	2002
<b>Direct subsidiaries (Continued)</b>					
Chu Kong Transhipment & Logistics Company Limited	Hong Kong	Transhipment and transportation	100 ordinary shares of HK\$1 each 100,000 deferred shares of HK\$1 each (note (c))	100%	100%
Chu Kong Transportation (H.K.) Limited	Hong Kong	Wharf cargo handling and transportation	100 ordinary shares of HK\$1 each 100,000 deferred shares of HK\$1 each (note (c))	100%	100%
Chu Kong Warehouse Properties Co., Ltd.	British Virgin Islands/ Hong Kong	Property holding	100 ordinary shares of US\$1 each 9,900 preferred shares of US\$1 each (note (d))	100%	100%
<b>Indirect subsidiaries</b>					
Chu Kong International Airfreight Company Limited	Hong Kong	Freight forwarding	10,000 ordinary shares of HK\$1 each	100%	100%
Ever Sky Transportation Limited	Hong Kong	Wharf cargo handling	10,000 ordinary shares of HK\$1 each	100%	100%
Qingyuan Chu Kong Shipping Port Co., Ltd.	PRC	Wharf cargo handling	RMB27,460,000	90%	–

# Notes to the Accounts

## 13 Subsidiaries *(Continued)*

- (b) The amounts receivable are unsecured, interest free and not repayable within the next twelve months from the balance sheet date.
- (c) 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 rights which are vested in the holding of the ordinary shares.
- (d) 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.
- (e) Chu Kong Air-Sea Union Transportation Company Limited is a subsidiary of the Company as defined by section 2(4) of the Hong Kong Companies Ordinance but the Company does not have unilateral control but joint control over it. Accordingly, it is accounted for as a jointly controlled entity in accordance with SSAP 21 "Accounting for interests in joint ventures" in the consolidated accounts of the Group.
- (f) Qingyuan Chu Kong Shipping Port Co., Ltd is a sino-foreign equity joint venture in the PRC. All other subsidiaries are limited liability companies in Hong Kong.

## 14 Jointly controlled entities

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
				(Restated)
Unlisted investments, at cost	–	–	15,055	15,055
Share of net assets	248,519	198,325		
Unamortised goodwill and negative goodwill	23,068	26,535		
Loans to jointly controlled entities (note (c))	87,602	66,086	–	–
	<b>359,189</b>	290,946	<b>15,055</b>	15,055

## 14 Jointly controlled entities *(Continued)*

(a) Details of the jointly controlled entities as at 31st December 2003 are as follows:

Name	Place of establishment/ operation	Principal activities	Percentage of interest in ownership/voting power/ profit sharing	
			2003	2002
<b>Direct jointly controlled entities</b>				
Shenzhen Yantian Port Zhujiang Logistics Company Limited (formerly Shenzhen Yantian Port Zhujiang Container Transportation Company Limited)	PRC	Container transportation and repairs	<b>40%</b>	40%
<b>Indirect jointly controlled entities</b>				
Deqing Kangzhou Container Transportation Company Ltd.	PRC	Wharf cargo handling and godown storage	<b>52%/60%/52%</b>	52%/60%/52%
Dongguan Humen Great Trade Containers Port Co., Ltd.	PRC	Wharf cargo handling and godown storage	<b>30%/29%/30%</b>	30%/29%/30%
Foshan New Port Ltd.	PRC	Cargo transportation and consolidation	<b>37.5%/40%/37.5%</b>	25%/40%/25%
Foshan Gaoming Ming Chu Transportation Co., Ltd. (note 26)	PRC	Cargo transportation and consolidation	<b>50%/50%/50%</b>	25%/50%/25%
Guangdong Sanbu Passenger and Freight Transportation Co., Ltd.	PRC	Cargo and passenger transportation	<b>40%/43%/40%</b>	25%/43%/25%
Guangdong Zhu Chuan Navigation Co., Ltd.	PRC	Cargo transportation	<b>49%/40%/49%</b>	49%/40%/49%
Guangzhou-Foshan Expressway Ltd.	PRC	Operation of an expressway	<b>25%/40%/25%</b>	25%/40%/25%
He Shan County Hekong Associated Forwarding Co., Ltd.	PRC	Wharf cargo handling, godown storage and river trade cargo transportation	<b>49%/50%/49%</b>	40%/50%/40%

# Notes to the Accounts

## 14 Jointly controlled entities *(Continued)*

Name	Place of establishment/ operation	Principal activities	Percentage of interest in ownership/voting power/ profit sharing	
			2003	2002
<b>Indirect jointly controlled entities</b> <i>(Continued)</i>				
Nankong Warehouse & Consolidator Co., Ltd.	PRC	Cargo transportation and consolidation	<b>25%</b>	25%
Sanshui Sangang Containers Wharf Co., Ltd.	PRC	Cargo transportation and consolidation	<b>30%/25%/30%</b>	30%/25%/30%
Shenzhen Zhu Chuan International Freight Forwarding Co., Ltd.	PRC	Freight forwarding agency	<b>49%/40%/49%</b>	49%/40%/49%

- (b) All the jointly controlled entities are sino-foreign equity joint ventures in the PRC.
- (c) The loans to the jointly controlled entities are unsecured, not repayable within the next twelve months from the balance sheet date and interest free except for HK\$58,653,000 (2002: HK\$31,132,000) which bear interest at rates ranging from 4.9% to 9.0% per annum (2002: 5.85% to 9.0% per annum).

## 14 Jointly controlled entities *(Continued)*

- (d) A summary of the financial information of Guangzhou-Foshan Expressway Ltd., a significant jointly controlled entity of the Group, prepared based on its PRC audited accounts, after making appropriate adjustments to conform to the Group's principal accounting policies is set out as follows:

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Results for the year		
Turnover	<b>261,708</b>	257,126
Profit before taxation	<b>193,593</b>	174,743
Taxation	<b>(33,279)</b>	(38,609)
Profit after taxation	<b>160,314</b>	136,134
Net assets		
Non-current assets	<b>707,894</b>	680,605
Current assets	<b>46,150</b>	53,522
Current liabilities	<b>(224,841)</b>	(230,196)
Non-current liabilities	<b>(85,964)</b>	(60,790)
	<b>443,239</b>	443,141



# Notes to the Accounts

## 15 Deferred taxation

Deferred taxation are calculated in full on temporary differences under the liability method using a principal taxation rate of 17.5% (2002: 16%).

The movements on the net deferred tax liabilities are as follows:

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
		(Restated)		(Restated)
At 1st January, as previously reported	463	463	-	-
Effect of change in accounting policy (note 1(h))	469	555	142	229
At 1st January, as restated	932	1,018	142	229
Amount charged/(credited) to profit and loss account	776	(86)	109	(87)
At 31st December	1,708	932	251	142

## 15 Deferred taxation *(Continued)*

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

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
		(Restated)		(Restated)
Deferred tax assets				
– Provision for doubtful debts	(255)	(269)	–	–
– Tax losses	(231)	–	–	–
– Accelerated accounting depreciation	(26)	(48)	–	–
– Others	(200)	(493)	–	–
	(712)	(810)	–	–
Deferred tax liabilities				
– Accelerated tax depreciation	2,420	1,742	251	142
	1,708	932	251	142

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The following amounts, determined after appropriate offsetting, are shown in the Group's and the Company's balance sheets:

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
		(Restated)		(Restated)
Deferred tax assets	(295)	(536)	–	–
Deferred tax liabilities	2,003	1,468	251	142
	1,708	932	251	142

# Notes to the Accounts

## 16 Trade receivables

The ageing analysis of the Group's trade receivables is as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Within 3 months	<b>34,409</b>	35,576
4 to 6 months	<b>5,557</b>	3,474
7 to 12 months	<b>1,049</b>	1,617
Over 12 months	<b>3,461</b>	3,784
	<b>44,476</b>	44,451
<i>Less: Provision for doubtful debts</i>	<b>(3,078)</b>	(3,089)
	<b>41,398</b>	41,362

The normal credit periods granted by the Group to customers on open accounts range from one to three months from the date of invoice.

## 17 Balances with related companies

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Amounts due from:				
– immediate holding company	<b>5,858</b>	6,142	–	–
– fellow subsidiaries	<b>52,349</b>	52,494	–	–
– subsidiaries	–	–	<b>197,788</b>	195,031
– jointly controlled entities	<b>2,477</b>	22,116	–	257
– other related companies	<b>2,537</b>	–	–	–
	<b>63,221</b>	80,752	<b>197,788</b>	195,288
Amounts due to:				
– immediate holding company	<b>12,096</b>	6,438	<b>623</b>	420
– fellow subsidiaries	<b>1,059</b>	202	–	–
– a subsidiary	–	–	<b>11,211</b>	9,875
– jointly controlled entities	<b>31,881</b>	44,992	–	1,887
– other related companies	<b>8,014</b>	9,848	–	–
	<b>53,050</b>	61,480	<b>11,834</b>	12,182

These balances are unsecured, interest free and have no fixed terms of repayment.

## 18 Trade payables

The ageing analysis of the Group's trade payables is as follows:

	Group	
	2003 HK\$'000	2002 HK\$'000
Within 3 months	<b>61,933</b>	58,184
4 to 6 months	<b>6,175</b>	1,984
7 to 12 months	<b>3,465</b>	1,166
Over 12 months	<b>602</b>	1,478
	<b>72,175</b>	62,812

# Notes to the Accounts

## 19 Share capital

	2003 HK\$'000	2002 HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	200,000	200,000
Issued and fully paid:		
750,000,000 ordinary shares of HK\$0.10 each	75,000	75,000

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

On 10th May 2002, the share option scheme adopted on 7th May 1997 (the "Old Scheme") ceased to operate. The share options granted previously under this Old Scheme will remain in force and effective.

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

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

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

## 19 Share capital *(Continued)*

Details of the share options outstanding and granted under the Old Scheme are as follows:

	Number of share options outstanding			Exercise price HK\$	Grant date	Exercisable period	Vested percentage	
	At 1st January 2003	Cancelled during the year	At 31st December 2003				2003	2002
<b>Directors</b>								
Mr. Yang Liansheng	7,000,000	(7,000,000)	-	1.55	11th December 1997	11th December 1997 to 10th December 2007	N/A	100%
	7,000,000	(7,000,000)	-	0.55	29th May 2000	29th May 2000 to 28th May 2010	N/A	100%
Mr. Liang Yongjiu	11,000,000	-	<b>11,000,000</b>	0.55	29th May 2000	29th May 2000 to 28th May 2010	100%	100%
Mr. Che Chiqiang	10,000,000	-	<b>10,000,000</b>	0.52	16th October 2000	16th October 2000 to 15th October 2010	100%	100%
	35,000,000	(14,000,000)	<b>21,000,000</b>					
Senior management	8,000,000	-	<b>8,000,000</b>	0.55	29th May 2000	29th May 2000 to 28th May 2010	100%	100%
Other employees	16,000,000	-	<b>16,000,000</b>	0.55	29th May 2000	29th May 2000 to 28th May 2010	100%	100%
	59,000,000	(14,000,000)	<b>45,000,000</b>					

14,000,000 share options were cancelled following the resignation of a director during the year.

# Notes to the Accounts

## 20 Reserves

### Group

	Share premium HK\$'000	Exchange reserve HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January 2002, as previously reported	489,185	(415)	12,002	311,276	812,048
Change in accounting policy on deferred taxation ( <i>note 1(h)</i> )	–	–	–	(555)	(555)
At 1st January 2002, as restated	489,185	(415)	12,002	310,721	811,493
Profit attributable to shareholders, as restated	–	–	–	63,717	63,717
Transfer of reserves ( <i>note</i> )	–	–	2,145	(2,145)	–
2001 final dividend	–	–	–	(22,500)	(22,500)
2002 interim dividend	–	–	–	(7,500)	(7,500)
At 31st December 2002, as restated	489,185	(415)	14,147	342,293	845,210
Representing:					
2002 final dividend proposed	–	–	–	30,000	30,000
Others	489,185	(415)	14,147	312,293	815,210
	489,185	(415)	14,147	342,293	845,210
Retained by:					
Company and subsidiaries	489,185	(415)	–	264,247	753,017
Jointly controlled entities	–	–	14,147	78,046	92,193
At 31st December 2002	489,185	(415)	14,147	342,293	845,210

## 20 Reserves (Continued)

	Share premium HK\$'000	Exchange reserve HK\$'000	Capital reserve HK\$'000	Other reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January 2003, as previously reported	489,185	(415)	–	14,147	342,762	845,679
Change in accounting policy on deferred taxation (note 1(h))	–	–	–	–	(469)	(469)
At 1st January 2003, as restated	489,185	(415)	–	14,147	342,293	845,210
Share of capital reserve of a jointly controlled entity	–	–	895	–	–	895
Profit attributable to shareholders	–	–	–	–	68,069	68,069
Transfer of reserves (note)	–	–	–	44	(44)	–
2002 final dividend	–	–	–	–	(30,000)	(30,000)
2003 interim dividend	–	–	–	–	(7,500)	(7,500)
<b>At 31st December 2003</b>	<b>489,185</b>	<b>(415)</b>	<b>895</b>	<b>14,191</b>	<b>372,818</b>	<b>876,674</b>
Representing:						
2003 final dividend proposed	–	–	–	–	30,000	30,000
Others	489,185	(415)	895	14,191	342,818	846,674
	489,185	(415)	895	14,191	372,818	876,674
Retained by:						
Company and subsidiaries	489,185	(415)	–	–	245,537	734,307
Jointly controlled entities	–	–	895	14,191	127,281	142,367
<b>At 31st December 2003</b>	<b>489,185</b>	<b>(415)</b>	<b>895</b>	<b>14,191</b>	<b>372,818</b>	<b>876,674</b>

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



# Notes to the Accounts

## 20 Reserves (Continued)

### Company

	Share premium HK\$'000	Retained profits HK\$'000	Total HK\$'000
At 1st January 2002, as previously reported	489,185	181,350	670,535
Change in accounting policy on deferred taxation ( <i>note 1(h)</i> )	–	(229)	(229)
At 1st January 2002, as restated	489,185	181,121	670,306
Profit for the year, as restated	–	19,604	19,604
2001 final dividend	–	(22,500)	(22,500)
2002 interim dividend	–	(7,500)	(7,500)
<b>At 31st December 2002, as restated</b>	<b>489,185</b>	<b>170,725</b>	<b>659,910</b>
Representing:			
2002 final dividend proposed	–	30,000	30,000
Others	489,185	140,725	629,910
<b>At 31st December 2002</b>	<b>489,185</b>	<b>170,725</b>	<b>659,910</b>
At 1st January 2003, as previously reported	489,185	170,867	660,052
Change in accounting policy on deferred taxation ( <i>note 1(h)</i> )	–	(142)	(142)
At 1st January 2003, as restated	489,185	170,725	659,910
Profit for the year	–	18,846	18,846
2002 final dividend	–	(30,000)	(30,000)
2003 interim dividend	–	(7,500)	(7,500)
<b>At 31st December 2003</b>	<b>489,185</b>	<b>152,071</b>	<b>641,256</b>
Representing:			
2003 final dividend proposed	–	30,000	30,000
Others	489,185	122,071	611,256
<b>At 31st December 2003</b>	<b>489,185</b>	<b>152,071</b>	<b>641,256</b>



## 21 Notes to the consolidated cash flow statement

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

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Operating profit	<b>24,197</b>	28,329
Depreciation	<b>10,412</b>	10,740
Negative goodwill	<b>(246)</b>	–
Loss on disposal of fixed assets	<b>330</b>	158
Interest income	<b>(5,129)</b>	(8,712)
Operating profit before working capital changes	<b>29,564</b>	30,515
Decrease in trade receivables	<b>266</b>	4,015
Decrease in prepayments, deposits and other receivables	<b>3,655</b>	485
Decrease/(increase) in net amounts due from related companies	<b>8,582</b>	(35,982)
Increase in trade payables	<b>8,804</b>	6,022
Increase in other payables and accruals	<b>3,208</b>	1,435
Cash generated from operations	<b>54,079</b>	6,490

# Notes to the Accounts

## 21 Notes to the consolidated cash flow statement *(Continued)*

### (b) Acquisition of a subsidiary

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Net assets acquired		
Fixed assets	<b>25,548</b>	–
Trade receivables	<b>302</b>	–
Prepayments, deposits and other receivables	<b>296</b>	–
Bank balances and cash	<b>555</b>	–
Trade payables	<b>(559)</b>	–
Other payables and accruals	<b>(75)</b>	–
Amounts due to related companies	<b>(28)</b>	–
Tax payable	<b>(28)</b>	–
Shareholders' loans	<b>(519)</b>	–
Minority shareholders' interests	<b>(2,931)</b>	–
	<b>22,561</b>	–
Negative goodwill	<b>(246)</b>	–
Consideration satisfied by cash	<b>22,315</b>	–
Amount paid	<b>13,767</b>	–
Amount payable	<b>8,548</b>	–
Total consideration	<b>22,315</b>	–

The subsidiary was acquired near the financial year end and therefore did not have significant contribution to the Group's cash flows.

Analysis of the net cash outflow on acquisition of the subsidiary:

	<b>2003</b>	2002
	<b>HK\$'000</b>	HK\$'000
Cash consideration paid	<b>13,767</b>	–
Bank balances and cash acquired	<b>(555)</b>	–
	<b>13,212</b>	–



## 22 Contingent liabilities

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Counter-guarantees to banks in respect of bank guarantees provided to third parties	1,450	1,450	-	-
Corporate guarantee for banking facilities granted to subsidiaries	-	-	17,600	19,300
	<b>1,450</b>	1,450	<b>17,600</b>	19,300

# Notes to the Accounts

## 23 Commitments

### (a) Capital commitments

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Contracted but not provided for				
– Investments ( <i>note</i> )	<b>16,048</b>	14,245	<b>16,048</b>	–
– Fixed assets	<b>4,976</b>	520	<b>4,476</b>	–
	<b>21,024</b>	14,765	<b>20,524</b>	–
Authorised but not contracted for	–	–	–	–
	<b>21,024</b>	14,765	<b>20,524</b>	–

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Contracted but not provided for	<b>17,403</b>	4,365
Authorised but not contracted for	<b>3,870</b>	27,745
	<b>21,273</b>	32,110

*Note:*

Pursuant to an agreement entered into between the Company and the ultimate holding company on 23rd July 2003, the Company has agreed to acquire 75% interest in Chu Kong (Guangdong) International Freight Forwarding Company Limited at a consideration of approximately HK\$16,048,000. At 31st December 2003, the acquisition has yet to be approved by the relevant PRC government authorities and the Group has yet to pay the consideration.

## 23 Commitments *(Continued)*

### (b) Commitments under operating leases

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

	Group		Company	
	2003 HK\$'000	2002 HK\$'000	2003 HK\$'000	2002 HK\$'000
Land and buildings:				
Not later than one year	5,709	8,185	-	1,058
Later than one year and not later than five years	12,263	19,596	-	597
	<b>17,972</b>	27,781	-	1,655
Vessels and barges:				
Not later than one year	13,438	11,576	-	-
Later than one year and not later than five years	500	3,602	-	-
	<b>13,938</b>	15,178	-	-
	<b>31,910</b>	42,959	-	1,655

## 24 Future operating lease arrangements

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

	Group	
	2003 HK\$'000	2002 HK\$'000
Land and buildings:		
Not later than one year	2,200	-
Later than one year but not later than five years	3,040	-
	<b>5,240</b>	-
Vessels and barges:		
Not later than one year	1,800	-
Others:		
Not later than one year	110	-
	<b>7,150</b>	-

At 31st December 2003, the Company had no future operating lease arrangements (2002: Nil).

# Notes to the Accounts

## 25 Related party transactions

In addition to those disclosed elsewhere in the accounts, the following is a summary of related party transactions which, in the opinion of the directors, were carried out in the normal course of the Group's business during the year:

- (a) Transactions with immediate holding company, fellow subsidiaries and related entities (which include an entity directly owned as to 49% by the Group and directly owned as to 51% by the immediate holding company and another entity which is 25% and 15% owned by immediate holding company and ultimate holding company respectively):

		<b>Group</b>	
	<i>Note</i>	<b>2003 HK\$'000</b>	2002 HK\$'000
<b>Revenues:</b>			
Shipping agency, river trade cargo direct shipment and transhipment income	<i>(i)</i>		
– fellow subsidiaries		<b>950</b>	2,491
– related entities		<b>319</b>	662
<b>Expenses:</b>			
Shipping agency, river trade cargo direct shipment and transhipment expenses	<i>(i)</i>		
– fellow subsidiaries		<b>(12,112)</b>	(6,916)
– a related entity		<b>(614)</b>	–
Wharf cargo handling, cargo consolidation and godown storage expenses	<i>(ii)</i>		
– a related entity		–	(178)
Fuel charges	<i>(iii)</i>		
– fellow subsidiaries		<b>(5,182)</b>	(2,367)
Vessel rental expenses	<i>(ii)</i>		
– a fellow subsidiary		–	(1,767)
– a related entity		<b>(10,535)</b>	(7,715)
Warehouse rental expenses	<i>(iv)</i>		
– immediate holding company		<b>(5,000)</b>	(5,000)
Office rental expenses	<i>(ii)</i>		
– immediate holding company		<b>(2,047)</b>	(3,072)
– a fellow subsidiary		<b>(877)</b>	(1,380)
Crew hire charges	<i>(ii)</i>		
– a fellow subsidiary		–	(178)
– a related entity		<b>(591)</b>	(535)
Staff hire charges	<i>(ii)</i>		
– a fellow subsidiary		<b>(232)</b>	(607)
Marine supplies expenses	<i>(iii)</i>		
– a fellow subsidiary		<b>(18)</b>	(201)
Vessel repairs and maintenance expenses	<i>(iii)</i>		
– a fellow subsidiary		<b>(233)</b>	(115)

## 25 Related party transactions *(Continued)*

(b) Transactions with other related entities:

	Note	Group	
		2003 HK\$'000	2002 HK\$'000
Revenues:			
Shipping agency, river trade cargo direct shipment and transhipment income	(i)		
– a jointly controlled entity of the immediate holding company		<b>3,971</b>	2,922
– jointly controlled entities of the Group		<b>6,432</b>	6,420
Expenses:			
Shipping agency, river trade cargo direct shipment and transhipment expenses	(ii)		
– jointly controlled entities of the immediate holding company		<b>(7,498)</b>	(5,528)
– jointly controlled entities of the Group		<b>(13,508)</b>	(13,961)
Wharf cargo handling, cargo consolidation and godown storage expenses	(ii)		
– jointly controlled entities of the immediate holding company		<b>(11,684)</b>	(6,943)
– jointly controlled entities of the Group		<b>(20,186)</b>	(17,165)

(i) These transactions were conducted at terms pursuant to agreements as entered into between the Group and the respective related parties or as mutually agreed between the Group and the respective related parties.

(ii) These transactions were conducted at terms pursuant to agreements as entered into between the Group and the respective related parties.



# Notes to the Accounts

## **25 Related party transactions** *(Continued)*

- (iii) These transactions were conducted at terms as mutually agreed between the Group and the respective related parties.
  
- (iv) The Group leased a warehouse from its immediate holding company and the rental was charged by the immediate holding company at HK\$5,000,000 for the year ended 31st December 2003 (2002: HK\$5,000,000).

## **26 Post balance sheet event**

On 16th January 2004, the Group entered into agreements with the joint venture partner of Foshan Gaoming Ming Chu Transportation Co., Ltd. ("Gaoming Transportation"), a 50% owned jointly controlled entity of the Company, to further acquire 49% interest in Gaoming Transportation at a consideration of approximately HK\$56,604,000, payable in cash. Following the acquisition, Gaoming Transportation will become a subsidiary of the Group.

## **27 Ultimate holding company**

The directors regard Guangdong Province Navigation Holdings Company Limited, a company incorporated in the PRC, as being the ultimate holding company.

## **28 Approval of accounts**

The accounts were approved by the board of directors on 14th April 2004.