CKS 珠江船務發展有限公司

CHU KONG SHIPPING DEVELOPMENT CO., LTD.

(*Incorporate in Hong Kong with limited liability*)

(Stock Code：00560)

ANNOUNCEMENT OF 2009 ANNUAL RESULTS

CHAIRMAN'S STATEMENT

I am pleased to announce to all our shareholders that Chu Kong Shipping Development Company Limited (the "Company") and its subsidiaries (the "Group") recorded a consolidated revenue for the year 2009 amounting to HK$815,814,000, down by 14.0% against last year. The profit attributable to equity holders of the Company was down by 35.0% against last year to HK$75,831,000. Basic earnings per share was HK8.43 cents. The Board recommends a final dividend of HK3 cents per share.

In 2009, the global economy was still disturbed by the financial tsunami. The consumer confidence indices in the US and Europe major markets fell. The shrink in demand resulted in significant fall in the volume of imports. Despite the economy in Mainland China still being driven by investments, and successfully maintained at a growth rate of over 8%, total value of exports for the year decreased by 16% because of the poor demand in the US and Europe major export markets. Imports and exports of the Pearl River Delta Region, the Group's key operating base, fell by 11.2% on a year-on-year basis. Under such a difficult operating environment, the Group assured less substantial extent of the fall in earnings by the ways of relying on professional operation to enhance the standard of management internally and expanding its operation through acquisition and increasing its market share externally etc. The results were achieved not easily.

Under the difficult environment in the financial tsunami, the liquidity of the Group remained relatively high by strictly implementing sound operation and prudent investment visions over the years. It provided strong financial support to continue with the acquisition of ports by the Group and perfect its network coverage. In 2009, the Group made comparatively significant development with respect to external acquisitions, which are set out below in details:

In January 2009, the Group successfully bid the key operating assets of Sihui Port and established Zhaoqing Chu Kong Logistics (Sihui) Co., Ltd. which commenced operation. The port is adjacent to the Asia Metal Resources Regeneration Logistics Park at Zhaoqing. The Group has entered into a ten year cooperation contract with the logistics park and received major support by the local government. The prospective growth in the cargo handling volume of the port in future is promising.

In June 2009, the Group successfully acquired 22.5% of equity interests in Foshan Nankong Terminal Co., Ltd., and increased its proportion of shareholding to 47.5%. The port is located at the core business district of Foshan with favorable economic efficiency. The acquisition in the equity interests can not only enhance the control of the Group at the port, but also pave the way for a satisfactory return on investment in future.

In December 2009, the Group entered into an agreement with Guangzhou Nansha Jianghai Coordinated Transport Co., Ltd. in forming a joint venture company named Guangzhou Nansha Chu Kong Terminal Co., Ltd. in which the Group holds 65% equity interests. The company is located at Guangzhou Nansha Bonded Logistics Park district, and is adjacent to Nansha Hub. A 3,000-tonnes berth and ancillary facilities will be invested and constructed by the joint venture company. The first phase of development will occupy approximately 90,000 sq. m. of land and there are 100,000-120,000 sq. m. of land in the rear that are reserved for warehousing purpose. After completion of the construction, the project will provide maritime container and inland transportation ancillary services for Nansha Hub. The commencement of the project represented a relatively significant strategic development in the "Second Seaside Port" as devotedly promoted by the Group in Southern China region.

The Group continued its integration of port and logistics facilities in Zhaoqing region, the results of which were remarkable. The throughput of container handling at Zhaoqing New Port for the year increased by 24% against last year. Dawang vehicle inspection centre obtained operating qualification for import bonded logistics warehouse after its trial operation in the middle of the year and the Group will devote more efforts to explore this business segment. Renovation projects at Gaoyao Port were also completed, with operation efficiency enhanced significantly.

The other projects of the Group in Foshan district also completed their renovation and expansion works successively. After the expansion of Gaoming Port, the volume of goods handled and earnings increased significantly. The expansion project of Guangzhou-Foshan Expressway was completed and commenced operation at the end of the year. The traffic volume demonstrated recovery after completion of the expansion.

In 2009, with respect to operational management, the Group emphasized on consolidating its professional management; through concrete measures in the integration of sales and marketing, specialization in operation, standardization of procedures and segmentation of management, the overall operation efficiency of the Group was enhanced. The Group actively promoted internal corporate resources and operational integration, maximizing the strength of the logistics chain of the Group, exploring the potential demand of customers, expanding the joint sales and marketing of major integrated logistics customers, and enhancing sales and marketing competitiveness to the full extent. The Group seized the core of specialized operation, refining the positions and collaboration principles in operational units such as ports, shipping and freight forwarding etc. By coordinating the operation, a better synergy was resulted. The Group further executed the ISO quality control comprehensively, constantly reviewed and scrutinized the operational process, launched service quality and process standardization, and conducted continuous improvement. The Group strengthened system implementation, revised and introduced a series of regulations to further organize company operations. It achieved progress in areas like strengthening the operational management team at all levels, refining assessment and allocation mechanism, as well as categorizing grading management etc. The above measures achieved certain results in tackling the financial tsunami. Despite external environmental factors, the container transportation volume decreased by 9.2%, the market share increased significantly among 30 category-2 ports at Pearl River Delta that have business relationship with the Group, reaching 19.3% from 17.4% last year, increased by 10.9%.

In December 2009, the Group entered into barge express cooperation agreement with Shekou Container Terminal, Chiwan Container Terminal and Sinotrans Guangdong so as to add 12 barge transport routes that expanded the business on domestic feeder service for foreign trade. The PRC government devotes a lot of efforts to develop domestic consumer market, so as to mitigate the transition of economic structure that used to excessively rely on exports. The Group capitalized on this opportunity and proactively explored transportation business in domestic trade. The ports of the Group also increased the proportion of domestic trade transportation business continuously.

It is expected that in 2010 the global economy will still be volatile. Notwithstanding the slow recovery of the US and Europe major economies, there are many other risk factors subsisting. Although the economy in Mainland China will continue a comparatively high growth rate, with the warnings issued by the Central Government regarding the asset bubble, signals were seen in tightening the monetary policies. It will impact on the Mainland which economic growth model is driven mainly by investments. In relation to imports and exports, although there will be an increment when comparing with 2009, the resurgent of protectionism in international trade may lead to an outbreak of trade war between certain major countries. In the event there is an outbreak of trade war as a result of exchange rate and anti-dumping, there will be adverse effect on the shipping industry. The movement in Renminbi exchange rate will also bear certain effects on the Group.

Faced with the stringent challenges, the Group will devote more efforts to the development of integrated logistic customers. The Group will utilize its edges in various logistics services and wide network coverage so as to provide comprehensive value added logistics services to its customers. Further clear business segmentation will stimulate its professionalized operation. Completion of integration of sales resources and enhancement of cooperation in the industry will seek to achieve a win-win situation. Expansion of sales and marketing network overseas will expand the geographical coverage of its market. In the meantime, the Group will continue to pursue appropriate opportunities for investments and acquisitions, in particular with respect to the construction of bases for seaside port in Southern China region. Logistics projects newly constructed or acquired at ports will be bred at an accelerated pace. This will strive for generating efficiencies as soon as practicable.

On behalf of the Board, I would like to express my deepest appreciation to our customers and all staff. Without the total support from the customers at large and the dedication of all staff, the Group cannot successfully mitigate the financial tsunami and record outstanding operating results.

Hua Honglin
Chairman

Hong Kong, 10th March 2010

ANNUAL RESULTS

The Board of Directors of Chu Kong Shipping Development Company Limited (the "Company") is pleased to announce the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2009, together with the restated comparative figures for the corresponding period in 2008 as follows:

CONSOLIDATED BALANCE SHEET

AS AT 31ST DECEMBER 2009

	Note	**2009** ***HK$'000***	2008 *HK$'000* *(Restated)*
ASSETS			
Non-current assets			
Property, plant and equipment		**594,933**	354,052
Investment properties		**4,506**	11,429
Leasehold land and land use rights		**401,486**	343,436
Intangible assets – goodwill		**31,190**	18,438
Jointly controlled entities		**346,301**	325,953
Loan to a jointly controlled entity		**9,945**	15,550
Deferred income tax assets		**272**	336
		1,388,633	1,069,194
Current assets			
Trade and other receivables	*4*	**287,119**	205,832
Loan to jointly controlled entities		**28,596**	24,055
Derivative financial instruments		**–**	1,536
Cash and bank balances		**585,393**	750,379
		901,108	981,802
Total assets		**2,289,741**	2,050,996

	Note	2009	2008
		HK$'000	*HK$'000*
			(Restated)
EQUITY			
Share capital		**90,000**	90,000
Reserves		**1,675,025**	1,628,904
Final dividend proposed		**27,000**	27,000
		1,792,025	1,745,904
Minority interests		**76,060**	17,655
Total equity		**1,868,085**	1,763,559
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**24,490**	12,488
Borrowings – secured		**40,886**	–
		65,376	12,488
Current liabilities			
Trade and other payables	*5*	**325,224**	269,496
Loan from a jointly controlled entity		**22,704**	–
Current income tax payables		**4,945**	5,453
Borrowings – secured		**3,407**	–
		356,280	274,949
Total liabilities		**421,656**	287,437
Total equity and liabilities		**2,289,741**	2,050,996
Net current assets		**544,828**	706,853
Total assets less current liabilities		**1,933,461**	1,776,047

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31ST DECEMBER 2009

	Note	**2009**	2008
		HK$'000	*HK$'000*
			(Restated)
Revenue	*3*	**815,814**	948,692
Cost of services rendered	*6*	**(666,601)**	(802,372)
Gross profit		**149,213**	146,320
Other income		**9,567**	10,253
Other (losses)/gains – net	*7*	**(30)**	23,773
General and administrative expenses	*6*	**(132,185)**	(125,965)
Operating profit		**26,565**	54,381
Finance income		**9,115**	15,095
Finance cost		**(1,061)**	–
Share of profits less losses of jointly controlled entities		**46,795**	62,305
Profit before income tax		**81,414**	131,781
Income tax expense	*8*	**(9,090)**	(15,242)
Profit for the year		**72,324**	116,539
Attributable to:			
Equity holders of the Company		**75,831**	116,632
Minority interests		**(3,507)**	(93)
		72,324	116,539
Earnings per share (HK cents)	*10*		
Basic and diluted		**8.43**	12.96

	Note	**2009**	2008
		HK$'000	*HK$'000*
Dividends	*9*	**31,500**	45,000

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31ST DECEMBER 2009

	2009	2008
	HK$'000	*HK$'000*
		(Restated)
Profit for the year	**72,324**	116,539
Other comprehensive income:		
Currency translation differences		
– Subsidiaries	**2,131**	16,826
– Jointly controlled entities	**464**	16,285
Fair value adjustment upon acquisition of a subsidiary	**–**	1,779
Total comprehensive income for the year	**74,919**	151,429
Attributable to:		
Equity holders of the Company	**77,621**	151,355
Minority interests	**(2,702)**	74
	74,919	151,429

Notes:

1. BASIS OF PREPARATION

(i) These consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). The consolidated financial statements have been prepared under the historical cost convention as modified by the revaluation of derivative financial instruments at fair values.

(ii) On 1st January 2009, Guangdong Province Navigation Holdings Company Limited ("GPNHCL"), the parent company of the Company, underwent a group reorganisation, pursuant to which the remaining voting right of Chu Kong (Guangdong) International Freight Forwarding Co., Ltd. ("CKIFF"), a then jointly controlled entity, was transferred to the Company. Accordingly, the Company becomes the holding company of CKIFF and its subsidiaries, Shenzhen Zhu Chuan International Freight Forwarding Co., Ltd. and Chu Kong (Guangdong) International Shipping Agency Co., Ltd. (collectively the "Transferred Subsidiaries"), now comprising the Group.

Given the fact that the Company and the Transferred Subsidiaries are commonly controlled by GPNHCL, a common control combination occurred. Accordingly, these financial statements have been prepared using the principles of merger accounting in accordance with the Accounting Guideline 5 "Merger Accounting for the Common Control Combination" issued by the HKICPA.

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.

2. PRINCIPAL ACCOUNTING POLICIES

(i) Adoption of new HKFRSs

The following new/revised standards, interpretations and amendments to existing standards are mandatory for the financial year ended 31st December 2009:

HKAS 1 (Revised)	Presentation of Financial Statements
HKAS 23 (Revised)	Borrowing Costs
HKAS 32 and HKAS 1 Amendments	Puttable Financial Instruments and Obligations Arising on Liquidation
HKFRS 1 and HKAS 27 Amendments	Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
HKFRS 2 Amendment	Share-based Payment Vesting Conditions and Cancellations
HKFRS 7 Amendment	Improving Disclosures about Financial Instruments
HKFRS 8	Operating Segments
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Embedded Derivatives
HK(IFRIC)-Int 13	Customer Loyalty Programmes
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation
HK(IFRIC)-Int 18	Transfer of Assets from Customers

In October 2008, the HKICPA has published Improvements to HKFRS which sets out amendments to a number of HKFRS. Except for the amendment to HKFRS 5 which is effective for annual periods beginning on or after 1st July 2009, the Group has adopted other amendments which are relevant to the Group's operations and mandatory for the financial year ended 31st December 2009.

Except for certain changes in presentation and disclosures as described below, the adoption of the above new HKFRSs in the current year did not have any significant financial effect on the consolidated financial statements or result in any substantial changes in the Group's significant accounting policies.

- HKAS 1 (Revised) "Presentation of Financial Statements". The Group has elected to present two statements: an income statement and a statement of comprehensive income. The consolidated financial statements have been prepared under the revised disclosure requirements.

- HKFRS 8 "Operating Segments". HKFRS 8 replaces HKAS 14, "Segment Reporting". It requires a "management approach" under which segment information is presented on the same basis as that used for internal reporting purposes. This has resulted in certain changes in the presentation and disclosures information of the reportable segments.

(ii) Standards, amendments and interpretations to published standards that are not yet effective for the year ended 31st December 2009 and have not been early adopted by the Group

The following new/revised standards, interpretations and amendments to existing standards which are relevant to the Group's operations, have been issued but are not effective for 2009 and have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKAS 27 (Revised)	Consolidated and Separate Financial Statements	1st July 2009
HKAS 32 Amendment	Classification of Right Issues	1st February 2010
HKAS 39 Amendment	Financial Instruments: Recognition and Measurement – Eligible Hedged Items	1st July 2009
HKFRS 1 (Revised)	First-time Adoption of Hong Kong Financial Reporting Standards	1st July 2009
HKFRS 1 Amendment	Additional Exemptions for First-time Adopters	1st January 2010
HKFRS 2 Amendment	Group Cash-settled Share-based Payment Transactions	1st January 2010
HKFRS 3 (Revised)	Business Combinations	1st July 2009
HKFRS 9	Financial Instruments	1st January 2013
HK(IFRIC)-Int 14 Amendment	Prepayments of a Minimum Funding Requirement	1st January 2011
HK(IFRIC)-Int 17	Distributions of Non-cash Assets to Owners	1st July 2009
HK(IFRIC)-Int 19	Extinguishing Financial Liabilities with Equity Instruments	1st July 2010

In October 2008 and May 2009, the HKICPA has published Improvements to HKFRS which sets out amendments to a number of HKFRS which are effective for annual periods beginning on or after 1st July 2009 or 1st January 2010.

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

(iii) A revised standard early adopted by the Group

The Group has early adopted HKAS 24 (Revised) "Related Party Disclosures" for the year ended 31st December 2009.

The adoption of this revised standard only resulted in presentation changes in the related party disclosures.

3. SEGMENT INFORMATION

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

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

(i) Cargo transportation - Shipping agency, river trade cargo direct shipment and transshipment

(ii) Cargo handling and storage - Wharf cargo handling, cargo consolidation and godown storage

(iii) Container hauling and trucking

(iv) Expressway operation

(v) Corporate and other businesses

	Cargo trans-portation HK$'000	Cargo handling and storage HK$'000	Container hauling and trucking HK$'000	Expressway operation HK$'000	Corporate and other businesses HK$'000	Total HK$'000
Year ended 31st December 2009						
Total revenue	675,031	193,496	53,092	–	–	921,619
Inter-segment revenue	(22)	(57,127)	(48,656)	–	–	(105,805)
Revenue (from external customers)	675,009	136,369	4,436	–	–	815,814
Segment profit/(loss) before income tax expense	113,389	4,966	(29,355)	14,409	(21,995)	81,414
Segment profit/(loss) before income tax expense included:						
Share of profits less losses of jointly controlled entities	136	31,319	1,646	14,409	(715)	46,795
Finance income	1,580	4,637	–	–	2,898	9,115
Finance cost	–	(698)	–	–	(363)	(1,061)
Depreciation and amortisation	(4,199)	(27,500)	(2,854)	–	(966)	(35,519)
Year ended 31st December 2008 (restated)						
Total revenue	825,938	183,793	58,603	–	–	1,068,334
Inter-segment revenue	(27)	(68,014)	(51,601)	–	–	(119,642)
Revenue (from external customers)	825,911	115,779	7,002	–	–	948,692
Segment profit/(loss) before income tax expense	126,746	24,067	(32,910)	31,171	(17,293)	131,781
Segment profit/(loss) before income tax expense included:						
Share of profits less losses of jointly controlled entities	344	29,322	1,420	31,171	48	62,305
Finance income	3,264	1,040	167	–	10,624	15,095
Depreciation and amortisation	(4,710)	(20,066)	(2,428)	–	(1,111)	(28,315)

	Cargo trans-portation *HK$'000*	Cargo handling and storage *HK$'000*	Container hauling and trucking *HK$'000*	Expressway operation *HK$'000*	Corporate and other businesses *HK$'000*	Total *HK$'000*
As at 31st December 2009						
Total segment assets	256,794	1,315,345	107,194	96,928	513,480	2,289,741
Total segment assets include:						
Jointly controlled entities and loans to a jointly controlled entity	1,206	200,123	25,109	96,928	32,880	356,246
Addition to non-current assets (excluding deferred income tax assets and derivative financial instruments)	1,410	370,339	2,252	–	2,409	376,410
Total segment liabilities	246,154	126,961	10,016	–	38,525	421,656
As at 31st December 2008 (restated)						
Total segment assets	312,627	985,523	124,740	122,374	505,732	2,050,996
Total segment assets include:						
Jointly controlled entities and loans to a jointly controlled entity	1,042	161,120	23,424	122,374	33,543	341,503
Addition to non-current assets (excluding deferred income tax assets and derivative financial instruments)	1,262	89,221	35,324	–	240	126,047
Total segment liabilities	222,675	41,129	10,398	–	13,235	287,437

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 locations.

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

	2009	2008
	HK$'000	*HK$'000*
Non current assets excluding jointly controlled entities, deferred income tax assets and derivative financial instruments		
Hong Kong	**295,385**	301,104
Mainland China	**736,730**	424,715
	1,032,115	725,819
Jointly controlled entities		
Hong Kong	**9,165**	13,318
Mainland China	**347,081**	328,185
	356,246	341,503
Deferred income tax assets	**272**	336
Derivative financial instruments	**–**	1,536
	1,388,633	1,069,194

4. TRADE AND OTHER RECEIVABLES

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

	2009	2008
	HK$'000	*HK$'000*
		(Restated)
Within 3 months	**112,312**	102,656
4 to 6 months	**540**	1,169
7 to 12 months	**9**	167
Over 12 months	**4,249**	4,306
	117,110	108,298
Less: Provision for impairment	**(4,074)**	(3,849)
	113,036	104,449

5. TRADE AND OTHER PAYABLES

The ageing analysis of the trade payables is as follows:

	2009	2008
	HK$'000	*HK$'000*
		(Restated)
Within 3 months	**154,173**	141,046
4 to 6 months	**31,778**	28,354
7 to 12 months	**5,630**	173
Over 12 months	**1,313**	1,043
	192,894	170,616

6. COSTS AND EXPENSES BY NATURE

	2009	2008
	HK$'000	*HK$'000*
		(Restated)
Amortisation of leasehold land and land use rights	**8,957**	7,489
Costs of cargo transportation, handling, storage, container hauling and trucking	**492,477**	631,920
Depreciation of property, plant and equipment	**26,458**	20,722
Depreciation of investment properties	**104**	104
Operating lease rental expenses		
– vessels and barges	**86,335**	91,513
– buildings	**6,577**	7,165
– containers	**–**	544
Staff costs (including directors' emoluments)	**137,087**	121,953
Others	**40,791**	46,927
Total cost of services rendered and general and administrative expenses	**798,786**	928,337

7. OTHER (LOSSES)/GAINS – NET

	2009	2008
	HK$'000	*HK$'000*
		(Restated)
Exchange (losses)/gains, net	**(305)**	21,621
Gain on disposal of property, plant and equipment	**283**	216
(Provision)/write-back of provision for impairment of trade receivables, net	**(321)**	210
Fair value gain on derivative financial instruments	**–**	1,536
Others	**313**	190
	(30)	23,773

8. INCOME TAX EXPENSE

Hong Kong profits tax has been provided at the rate of 16.5% (2008: 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 in the range from 20% to 25% (2008: 18% to 25%).

	2009	2008
	HK$'000	*HK$'000*
		(Restated)
Current income tax		
Hong Kong profits tax	**4,569**	7,314
PRC corporate income tax	**5,633**	1,685
Over provision in prior years	**(740)**	(43)
Deferred income tax	**(372)**	6,286
	9,090	15,242

9. DIVIDENDS

On 10th March 2010, the Board of Directors proposed a final dividend of HK3 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained profits for the year ending 31st December 2010.

10. 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.

	2009	2008
Profit attributable to equity holders of the Company (HK$'000)	**75,831**	116,632
Weighted average number of ordinary shares in issue ('000)	**900,000**	900,000
Basic earnings per share (HK cents)	**8.43**	12.96

The diluted earnings per share for the years ended 31st December 2009 and 2008 equal to the basic earnings per share as there are no potential dilutive ordinary shares in issue during both years.

11. CAPITAL COMMITMENTS

	2009	2008
	HK$'000	*HK$'000*
Contracted but not provided for		
– Investment in a jointly controlled entity (i)	**92,277**	–
– Land use right	**53,151**	55,335
– Property, plant and equipment	**69,888**	70,520
	215,316	125,855
Authorised but not contracted for		
– Property, plant and equipment	**7,234**	4,892
	222,550	130,747

(i) The balance represents the outstanding investment in Guangzhou Nansha Chu Kong Terminal Company Limited.

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

	2009	2008
	HK$'000	*HK$'000*
Contracted but not provided for	**23,726**	56,790
Authorised but not contracted for	**1,953**	4,037
	25,679	60,827

Scope of work of PricewaterhouseCoopers

The financial figures in respect of the preliminary announcement of the Group's results for the year ended 31st December 2009 have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year ended 31st December 2009. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

For the year ended 31st December 2009, the Group recorded a consolidated revenue of HK$815,814,000, a decrease of 14.0% as compared with last year. Profit attributable to the equity holders of the Company was HK$75,831,000, a decrease of 35.0% as compared with last year.

Under the impact of the financial tsunami in the fourth quarter of 2008, there was still a substantial decline in the global economy in the first quarter of 2009. The weak consumer confidence led to a shrinking demand and a decrease of cargo throughput accordingly. As different governments stepped up their efforts to boost series of measures to save the economy, the economies in Europe and the US had signs of stabilizing in the second quarter of 2009. Meanwhile, the PRC government launched the plan of revitalizing the ten major industries as well as introducing loose monetary policy to provide large amount of credit in the economy which eased the serious impact of the financial crises. Growth of gross domestic products in the PRC reached 8.7% for the year as a result of the policies implemented from promoting domestic demands in order to secure the economy and the employment. However, as the demands from Europe and the US still remained insufficient, the export cargo handling volume for the year dropped by approximately 16%. The subsidiaries of the Group that are engaged in transshipment as well as import and export business were not benefited by the policies of the PRC in stimulating the domestic demands. On the contrary, the Group recorded decrease in revenue during the year upon the effect arising from substantial change in macro-economic control measures in the Mainland, export tax refund policy and change in environmental protection policies.

During the year, with the continuous influence from the financial tsunami, the overall cargo throughput and profit of the Group recorded a decrease. The container handling volume for the year was 595,822 TEUs, an increase of 29.2% as compared with 2008, mainly caused by the additional cargo volume from the newly acquired ports in 2009. The container transportation volume and the volume of container hauling and trucking on land recorded a fall of 9.2% and 8.2% respectively, of which, the empty container shipment volume of CKTL substantially fell by 69.1% as a result of the cessation of operation of the container factory owned by Maersk at Machong. After deducting such factor, the container transportation volume increased by 1.2% as compared with last year. Subject to the impact of containerization for cargo, break bulk cargoes transportation volume and volume of break bulk cargoes handled decreased by 16.7% and 2.7% respectively.

During the year, the market share of the Group in 30 category-2 ports at Pearl River Delta with which the Group has business relationship was 19.3%, an increase of 10.9% as compared with 17.4% last year, which increase was substantial.

The profit contribution from the Group's subsidiaries in the year 2009 was HK$29,036,000, a decrease of 46.6% as compared with last year HK$54,327,000. Of which, HK$28,967,000 was attributable to factors beyond the control by the Group, such as the exchange rate and interest rate. By excluding this factor, operating profit increased by 20.9% as compared with last year.

During the year, the investments in the Group's jointly controlled entities were closely related to the major business operations of the Group other than expressway operation. Owing to the different unfavourable economic factors, even though the Group's investments in jointly controlled entities maintained a profit during the year, the Group's share of profit by its investment in jointly controlled entities was HK$46,795,000, decreased by HK$15,510,000 or 24.9% as compared with last year. The profit attributable to the Group's expressway business decreased by HK$16,761,000 or 53.8% as compared with last year as a result of the construction work for its own expansion, the closure of whole Guangzhou North Ring Expressway for five months for expansion and overhaul, and the effect on the accelerated depreciation in property, plant and equipment. The business volume of Foshan New Port Ltd. declined substantially together with a significant increase of its income tax expenses caused by the expiry of taxation preferential treatment to the company, profit attributable to the Group was HK$11,038,000, a decrease of HK$6,034,000 or 35.3% as compared with last year. Like the Group's major business operations, other investment businesses also faced the same challenges and gains from investments also declined. Accordingly, the Group's share of profits for the year fell by 24.9%.

1. Cargo transportation and wharf handling business

During the year, the number of orders received by the foreign trade enterprises in Pearl River Delta reduced significantly. Import and export business faced with relatively huge resistances and challenges. The Group has been subject to an enormous amount of pressure in its operation, which led to a decline in its major business operations. However, as the Group consistently prepared for cargo sources from new startup production enterprises, and explored cargo sources from domestic and foreign trade in a parallel manner, the market share of the Group's container transportation volume still increased continuously by 10.9%. As the recovery of the economy in the Mainland remained steady in the second half of the year, performance in the major business operations of the Group for the year improved from the first half of the year, except for the volume of container hauling and trucking on land. Performance statistics of our major business operations are as follows:

	Year ended 31st December		
Indicators	**2009**	2008	Change
Container transportation volume (TEUs)	**774,747**	853,163	-9.2%
Container handling volume (TEUs) *(Note 1)*	**595,822**	461,049	29.2%
Volume of container hauling and trucking on land (TEUs) *(Note 1)*	**134,673**	146,642	-8.2%
Break bulk cargoes transportation volume (revenue tons) *(Note 2)*	**327,534**	392,939	-16.7%
Volume of break bulk cargoes handled (revenue tons) *(Notes 1 and 2)*	**914,999**	940,429	-2.7%
Import and export of shipping agencies business (voyages)	**17,312**	17,022	1.7%

Notes:

1. In 2009, the figures of new terminals were included as follows:

   (i) Kangzhou port from January 2009;

   (ii) Sihui port from March 2009;

   (iii) Zhaoqing New port from April 2009.

   If the data of the above new terminals were eliminated, container handling volume increased by 0.2% as compared with last year, volume of container hauling and trucking on land decreased by 8.9% as compared with last year and volume of break bulk cargoes handled decreased by 22.4% as compared with last year.

2. From 2009 onwards, the figures used for statistics changed from weighted tons to revenue tons and the figures for the year ended 31st December 2008 had been restated to conform with the current period's presentation.

Container transportation

Faced with the effect arising from the international financial crisis, the economy of Pearl River Delta region, which is heavily relying on external environment, the extent of decline was significant and the shipping industry was subject to huge impact. Business environment could be described as very disastrous. Despite such difficulties and adverse factors, Chu Kong Transhipment & Logistics Company Limited ("CKTL"), which operates our major container transportation business, handled 774,747TEUs of container transportation volume during the year. As CKTL was affected by a major customer of empty container projects, the volume handled decreased by 9.2% as compared with last year. However, the market share of CKTL in over 30 category-2 ports at the Pearl River Delta that has business relationship with the Group increased by 10.9% as compared with last year.

Break bulk cargoes transportation

Chu Kong Agency Company Limited ("CKA") is responsible for our break bulk cargoes transportation business. During the year, as the demand from Europe and the US markets decreased, it was affected to a significant extent and the break bulk cargoes transportation volume declined by 16.7%.

Wharf handling

The Group actively drove CKTL and CKA to tie in expanding and strengthening the wholly-owned terminals so this led to an increase of the terminals handling volume which contributed to a higher gross profit margin. However, the volume handled declined due to the international macro environment. The operation volume for the major customers in the break bulk and transshipment business of Container Freight Station ("CFS") also reduced to a relatively significant extent.

Volume of direct shipment to large container terminal increased, which in turn reduced the operation of our terminal business. Moreover, there were changes in the customs policies in the Mainland, which led to the fall of volume in trading containers for the year.

At the end of last year, CKTL not only maintained the original routes but also obtained 6 more routes including Gaoyao and Gaoming in the tender. At the beginning of the year, CKTL successfully bid the original routes of major shipping companies and had introduced the cargo source of Connected Carrier Agreement (“CCA”) which was formerly handled by other terminals to the wholly-owned terminals of the Group. Despite the effect arising from the financial crisis in the first three quarters and the impact on smuggling at other ports, which affected the businesses of Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd., it survived by adopting factory trading cargo and expanded the proportion of the trading cargo in the total import and export cargo volume. This enabled the company to maintain the production and revenue in a comparatively more stable level even though under the rigorous condition. The profit attributable to the Group increased by 10.7% to HK$2,642,000.

Chu Kong Cargo Terminals (Gaoming) Co., Ltd. has been fully aware of risk control and cost savings. The company increased its efforts in management of financial budgets that tightly controlled various expenses and outlays. Notwithstanding the effect from international financial crisis, the company was benefited from the policy of the Group to professionalize the operation in ports, freight and logistics segment which induced a substantial increase in foreign trade container handling volume as compared with last year. During the year a total of 151,029TEUs of containers were handled, an increase of 29.5% as compared with last year.

On 26th March 2009, Zhaoqing Chu Kong Cargo Terminals (Kangzhou) Co., Ltd. launched the US and Europe routes successfully; the company provided one-stop declaration and customs clearance services. Cargo could be transshipped to the US and European countries from Kangzhou via Hong Kong directly that led to a substantial increase in foreign trade containers handling volume. A total of 35,158TEUs were handled during the year, an increase of 99.4% as compared with last year.

The procedures for the change of shareholder related to the acquisition of 56.46% interest in Zhaoqing New Port Co., Ltd. in December 2008 were completed on 26th March 2009. The container throughput in the year was 82,242TEUs, grew by 23.6% as compared with last year. The bulk cargo throughput was 58,201tons, increased by 1.8% as compared with last year. The significant increase in container throughput was mainly attributed to the growth in cargo sources for domestic trade by the port. After the acquisition, the Group implemented the adjustment and requirement of the bulk cargo handling tariffs of the company to comply with market price. Therefore the revenue increased by more than 60%. The loss of the company was HK$8,467,000 for the year.

CKA is responsible for the operation of the Public Cargo Working Areas in Hong Kong and the break bulk cargoes handling operations in the PRC ports. Its break bulk cargoes customers are predominately small-to-medium sized enterprises. During the year, its break bulk cargoes handling business declined by 18.0%. However, the company's management continued to adjust its market positioning and transformed from the provision of wharf handing services as its single business to the provision of integrated services related to its shipping routes. This has enabled the company to achieve its target positioning as the integrated operator of regional shipping logistics services and has maintained the sustainability. Profit attributable to the Group was HK$3,308,000.

2. Investments in Jointly Controlled Entities

Guangzhou-Foshan Expressway Ltd. was mainly affected by the "Green Lane" policy, the closure of whole Guangzhou North Ring section adjacent thereto for five months, continuous improvement of the surrounding road network and diversion of some vehicles resulting from hindered traffic that caused by the expansion project at the interchange of Guang-Fo Expressway and Fo-Kai Expressway. These factors, in addition to the increased in depreciation in fixed assets, resulted in an enormous fall of profit. The traffic volume for 2009 was decreased by 14.7% as compared with 2008, toll income decreased by 19.0% and profit attributable to the Group decreased by 53.8%.

The volume handled by Foshan New Port Ltd. declined significantly for the year. This, together with the expiry of income tax preferential treatment to the company, resulted in an enormous increase in income tax expenses of the company. The container throughput of the port for the year fell by 14.4%, and the profit attributable to the Group fell by 35.3%.

Chu Kong Air-Sea Union Transportation Company Limited ("CKSA"), of which 51% of equity interests was held by the Group, continued the combined modes of operations and diversification of services as to increase the confidence and trust of customers. The earnings of CKSA were relatively stable. However, the volume handled by the company dropped as the macro environment was gradually dampened by the financial tsunami. The profit attributable to the Group was HK$1,456,000, decreased by 22.3%.

As a result of the global economic recession due to the financial tsunami, the environmental protection policies of the State and the upgrade of industries in the Pearl River Delta, the volume handled by Foshan Nankong Terminal Co., Ltd. fell sharply. The profit attributable to the Group increased by 13.6% as a result of additional equity interest acquired in 2009. As the operation for empty containers handled at Yantian International Terminal by Shenzhen Yantian Port Chu Kong Logistics Co., Ltd. expanded significantly, the profit attributable to the Group was HK$1,646,000, increased by 15.9%. Heshan County Hekong Associated Forwarding Co., Ltd. achieved a turnaround from loss to profit.

As impacted by the general outbreak of financial tsunami since October 2008, some business operations in other jointly controlled entities held by the Group slumped and even bore negative effects on the earnings of the year. The Group has demanded each of the jointly controlled entities to be fully prepared for taking up measures to tackle the latest market situations. This will facilitate the Group to resolve the even more stringent challenges arising from the market in 2010.

OUTLOOK

The financial tsunami occurred in 2009 almost wiped out the global financial system and returned back to the "Stone Age Era". The global economy was not far away from stepping into the Great Depression of 1929. The central banks in different countries boldly introduced quantified loose monetary measures to stabilize the confidence of consumers and managed to save the respective economies, and the GDP in the world resumed positive growth after a year. Looking forward to 2010, different countries are trying to concentrate on how to achieve a balance between stabilizing and attaining recovery of their economies on the one hand and introducing the measures to reduce intervention in the market on the other hand. Therefore, once the economy is stabilized and attains recovery in 2010, it is expected that there will be growth in the demand for shipping. Driven by the global economy resuming its stability, it is expected that exports from the Mainland will gradually recover.

Taking into account the movements in the market, the Group will proactively explore the market externally and devote efforts to improve its know-how internally by using its best endeavours to promote professional operation and consolidate the management of new projects. Under the premises of the recovery in the global economy, the Group will seek to gradually improve its profitability. As such, the Group will deploy initiatives from eight perspectives as follows: (I) **More efforts to be devoted to sales and marketing so as to attain market efficiency**. By leveraging on the inland river terminal network in the Pearl River Delta and the edges in logistics as well as sales and marketing outlets, cross selling will be conducted at each segment with an aim to expand the wholly-owned terminals; (II) **Service qualities to be enhanced so as to derive qualities efficiency**. Management of customer complaints will be improved and customer tracking will be enhanced so as to improve qualities of work; (III) **Internal administration to be strengthened so as to achieve management efficiency**. By capitalizing on the functions of the logistics module design team, selected customers with sustainable development from existing customer base will be utilized as points of breakthrough to dedicate in the research of logistics solution for company's large customers. This will well prepare the Group for cross selling in terms of ancillary production and support; (IV) **More resources to be devoted to staff training and acquisition of talents**. Two teams will be established gradually for sound sales and marketing and design of logistics solutions; (V) **Intercompany synergies to be emphasized in order to promote the cross-sectional comparison within the Company**; (VI) **Comprehensive budgeting to be promoted practically**. On the basis of participation by all staff, decomposition of the total amount, and full monitoring in the course of operation, comprehensive budgeting will be implemented from the fundamental level so as to achieve effective cost control; (VII) **The strategy of informatization to be further implemented so as to enhance efficiencies in operation and management**; (VIII) **Corporate structure to be further reorganized and critical projects to be finalized so as to drive the upgrade of our business in the industry, in particular to accelerate the construction of an integrated logistics base in Nansha**. The overall efficiencies in resources for port and shipping logistics network will be enhanced.

Despite many uncertain factors subsisted in the external economy, in particular the position in financial market, we will consistently pursue for the missions in the integration in sales and marketing, professionalization of operation, standardization of work flow, and segmentation in management, the Group will continue to use its best endeavours to explore the market and enhance the management. The Board is cautiously optimistic about the results of the Group in the year 2010.

LIQUIDITY AND FINANCIAL RESOURCES

The Group keeps close track of its circulating capital and financial resources in an effort to maintain a solid financial position. As at 31st December 2009, the Group secured a total credit limit of HK$4,390,000 and RMB39,000,000 granted by bona fide banks.

As at 31st December 2009, the current ratio of the Group, representing current assets divided by current liabilities, was 2.5 (2008 (restated): 3.6) and the debt ratio, representing total liabilities divided by total assets, was 18.4% (2008 (restated): 14.0%).

As at 31st December 2009, the Group's cash and bank balances amounted to HK$585,393,000 (2008 (restated): HK$750,379,000), which represents 25.6% (2008 (restated): 36.6%) of the total assets.

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 development.

EMPLOYEES

As at 31st December 2009, the Group employed 319 employees in Hong Kong and remunerated its employees according to the duty of their positions and market conditions. Other staff benefits for eligible employees include housing allowances and bonuses etc.

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 2009, the Company has not been notified of any interests and short positions of the directors and executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO.

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

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

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES OF THE COMPANY

As at 31st December 2009, 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")	618,496,000
(ii)	Guangdong Province Navigation Holdings Company Limited ("GPNHCL")	618,496,000

CKSE is wholly owned by GPNHCL. Accordingly, the interests disclosed by parties (i) and (ii) above are in respect of the same shareholding.

Save as disclosed above, as at 31st December 2009 the Company has not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register to be kept under Section 336 of the SFO.

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

During the 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.

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

The annual report of the Company for the year ended 31st December 2009 containing all the information required by paragraphs 46(1) to 46(6) of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "SEHK") (the "Listing Rules") will be published on the websites of the SEHK and the Company (www.cksd.com) in due course.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 17th May 2010 (Monday) to 20th May 2010 (Thursday), both dates inclusive, during which no transfer of shares will be effected. In order to qualify for the final dividend, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Share Registrar, Tricor Tengis Limited at 26th Floor, Tesbury Centre, 28 Queen's Road East, Wan Chai, Hong Kong, no later than 4:00 p.m. on 14th May 2010 (Friday) for registration. Final dividend will be payable on or before 15th June 2010.

REVIEW BY AUDIT COMMITTEE

The Company's Audit Committee has reviewed the accounting policies and principles adopted by the Group with the management, and discussed the relevant matters such as auditing, internal controls and financial reporting. The annual results for 2009 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

Since 1st January 2005, the Company has implemented the Code on Corporate Governance Practices as the principle of the Company on corporate governance, and adopted and complied with part of the recommended best practices based on the practical needs of the Company in its corporate governance. Looking forward, the Company will adopt more of the recommended best practices to further enhance the level of its corporate governance.

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

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

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

ADOPTION OF MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct prescribing standards and requirements no less than that required by the Model Code for Securities Transactions by Directors of Listed Issuers 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.

APPRECIATION

Finally, the Board would like to take this opportunity to express their gratitude to the diligence and contribution of all employees of the Group and trust and support from the shareholders to the Group's development.

DIRECTORS

As at the date of this announcement, the Company's executive Directors include Mr. Hua Honglin, Mr. Yang Bangming, Mr. Zhang Daowu and Mr. Huang Shuping; and independent non-executive Directors include Mr. Chan Kay-cheung, Mr. Choi Kim-Lui and Ms. Yau Lai Man.

By Order of the Board
Yang Bangming
Managing Director

Hong Kong, 10th March 2010