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 2010 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 2010 amounting to HK$1,107,290,000, up by 20.3% against 2009. Benefited by the increase in business volume as a result of the recovery of international trade and contribution from the newly acquired passenger transport business, the profit attributable to equity holders of the Company was up by 18.0% against last year to HK$136,902,000. The Board recommends a final dividend of HK4 cents per share.

During the year, the Company has achieved significant progress in areas such as acquisition of quality assets from the parent company, establishment of strategic alliances with leading enterprises in the industry and internal intensive management.

The Company acquired 100% equity interests in Chu Kong Passenger Transport Company Limited ("CKPT") held by Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE"), our immediate holding company, for a consideration of about HK$480.6 million. The transaction has been completed and represents a key step towards overall listing of quality assets of the immediate holding company. Through this acquisition, the Company is able to be engaged in the promising business of high-speed passenger ships to and from Guangdong, Hong Kong and Macau that can broaden the Company's income source as well as its overall revenue. Besides, the Company has made use of the commencement of operation of the Wuhan-Guangzhou high-speed railway, the Canton Fair, the Asian Games and other festival events to hold and participate in a number of business promotions and fairs, so as to enhance market reputation and improve customer sourcing network. As a result, CKPT has operated, as an agent, 22 routes in total for urban areas and for airports in Guangdong, Hong Kong and Macau, such that the share of its agency services / sub-management services improved from 88.2% in 2009 to 90.8% in 2010 in respect of the market of routes between Guangdong and Hong Kong, and from 26.4% to 31.9% in respect of the market of routes between Hong Kong and Macau. During the year, the overall number of passengers for agency services recorded a growth of 11.1% and this passenger transportation business segment (including subsidiaries and investment in jointly controlled entities) contributed profit of HK$66,707,000 to the Company.

The Company has been active in seeking establishment of win-win business opportunities with transportation hub companies and major shipping companies for resource sharing and mutual complementation of strengths. In July 2010, the Company successfully entered into a strategic cooperation framework agreement with China Merchants Holdings (International) Company Limited ("CMHI"), one of the largest public terminal operators in China. The parties will jointly establish a premier integrated logistics services system as well as a feeder-carrier-linked port transport system that is core in hub and supported by the category-2 port in Pearl River Delta, which serves to augment the integrated competitiveness for both parties and to create larger value for shareholders. In December 2010, a wholly-owned subsidiary of CMHI entered into a share transfer agreement with the Company to acquire 20% equity interest in Chu Kong River Trade Terminal Co., Ltd. held by the Company to jointly develop public barge express services for feeder and carrier ports, which will be formally launched to the market in March 2011 and is expected to bring considerable growth in number of containers for the Company. The equity transfer has been completed in February 2011.

In August 2010, Guangdong Province Navigation Holdings Company Limited ("GPNHCL"), the parent company of the Company, entered into a cooperation framework agreement with COSCO Container Lines Company Limited ("COSCON"), under which GPNHCL will closely cooperate with COSCON mainly through the Company.

Along with the gradual realisation of the strategic cooperation, the integrated optimisation and expansion of the feeder-carrier-linked network of the Company with the major shipping companies will enable provision of more comprehensive and more efficient quality services to the customers and promotion of the brand of CKS from near-sea shipping lines to the global market, resulting in a win-win market situation for all parties. The cooperation will also enlarge the Group's inland rivers transport volume and terminal throughput; thereby improve its overall profit level.

The Company continuously perfects the terminal configuration that it acquired 75% equity interest in Civet (Zhuhai Bonded Area) Logistics Company Limited for a final consideration of approximately HK$88,536,000 to operate the Civet Port in Zhuhai. This acquisition has meaningful significance to the Company in improving its network coverage of inland river terminals and market share in the Zhuhai area. The Company also increased its shareholdings in Zhaoqing New Port by 20.54% to a total of 77% at a consideration of RMB26,500,000 (equivalent to approximately HK$30,628,000) and had it officially opened for foreign trade business in September 2010. In order to enhance its integrated logistics service capacity in the Zhaoqing area, the Company leased and operated a vehicle inspection centre in Zhaoqing in April 2010. In February 2011, the Company acquired 49% equity interest in Chu Kong Air-Sea Union Transportation Company Limited ("CKSA"), turning it from a jointly controlled entity into a wholly owned subsidiary of the Company. The Company will leverage on the premier geological position strength of CKSA to develop the air cargo storage and distribution businesses with a higher gross profit margin, thereby improve its income level.

The Company has made remarkable progress in internal resource integration as it formulated and implemented the "Hong Kong-Based Logistics Segment Resource Integration Proposal", under which our businesses were divided into three major functions, namely vessel operation, sales and customer service and terminal storage, with an aim to promote professionalised operation orderly. Through centralised management and process optimisation, the operation efficiency of the logistics businesses was enhanced and the synergy reinforced. Through perfecting the segmental marketing and management mode, the domestic port and cargo agency marketing network was integrated. Following the continued advancement of the professionalised operation strategy, we see steady improvement in both the market influence and in the market share of the logistics businesses. In 2010, the Company's container transportation volume was 919,000 TEU, representing a corresponding increase of 18.6% as well a record high. The market share of the Group in the category-2 ports in Pearl River Delta that have business relationship with the Group increased from 19.3% in 2009 to 20.3% in 2010.

Year 2011 represents the first year of the State's "12th Five-year Plan" and a smooth beginning is of significance. In line with the cooperation between Guangdong, Hong Kong and Macau being promoted from regional strategy to national strategy, the cooperation domain for the three areas will be boundless and poses golden opportunities. Inland river transportation possesses characteristics like large transportation volume, less land occupied, low cost, low energy consumption, low pollution and marked social effects that conform to the State's industry policies advocating environment protection and energy efficient, and thus is valued highly by the State. The State Council has formulated the development planning for inland river transportation that, with a total of RMB160 billion of complementary investment funded by both the Central Government and local governments, strives to intensify inland river investment, waterway and port construction and as relevant subsidy for standardisation of ship types and construction of modernised inland river transportation system within 10 years, which will be conducive to improvement of profitability of enterprises in this industry. As a leading large-scale integrated transport services provider in the Guangdong, Hong Kong and Macau region, the Company will continue to benefit from the booming logistics and passenger flows in the region. However, we are aware of the unstable situation in North Africa and the Middle East, the impact on the global economy caused by the rise in oil prices and the adverse effects on exports of China brought about by the continued appreciation of RMB and the rising labor costs in the Mainland, etc.

In 2011, the Company will focus on implementation of the following key tasks: The first is to accelerate carrying out of the cooperation with CMHI, COSCON and other strategic partners to unfold more business solutions tailored to customer requirements; the second is to concentrate on operation management of the newly acquired terminals for prompt generation of effectiveness; the third is to increase the proportion of high value-added businesses, such as securing integrated logistics and contracted logistics businesses and embarking on the air cargo palletisation business in Guangzhou, etc for improving gross profit margin of the Company's principal businesses; the fourth is to strengthen cost control by shifting part of the back-office management posts in Hong Kong; the fifth is to continue study on acquisition of quality assets of the parent company and on accelerated pace in overall listing of the parent company; the sixth is to fortify building of our corporate culture to forge a better-off Chu Kong.

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

**Hua Honglin**
***Chairman***

Hong Kong, 16th March 2011

# 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 2010, together with the restated comparative figures for the corresponding period in 2009 as follows:

## CONSOLIDATED BALANCE SHEET
***AS AT 31ST DECEMBER 2010***

| | *Note* | **2010** | 2009 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| | | | (Restated) |
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Property, plant and equipment | | **1,068,688** | 786,051 |
| Investment properties | | **10,049** | 12,175 |
| Land use rights | | **302,788** | 210,570 |
| Intangible assets – goodwill | | **37,169** | 31,190 |
| Jointly controlled entities | | **583,110** | 547,612 |
| Loan to a jointly controlled entity | | **4,839** | 9,945 |
| Deferred income tax assets | | **387** | 517 |
| | | **2,007,030** | 1,598,060 |
| **Current assets** | | | |
| Trade and other receivables | *4* | **259,287** | 378,271 |
| Loans to jointly controlled entities | | **27,629** | 28,596 |
| Cash and cash equivalents | | **278,802** | 638,771 |
| | | **565,718** | 1,045,638 |
| **Total assets** | | **2,572,748** | 2,643,698 |
| **EQUITY** | | | |
| Share capital | | **90,000** | 90,000 |
| Reserves | | **1,585,568** | 1,476,697 |
| Final dividend proposed | | **36,000** | 27,000 |
| | | **1,711,568** | 1,593,697 |
| Non-controlling interests | | **86,250** | 76,060 |
| **Total equity** | | **1,797,818** | 1,669,757 |

| | Note | 2010 | 2009 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| | | | (Restated) |
| **LIABILITIES** | | | |
| **Non-current liabilities** | | | |
| Deferred income tax liabilities | | **54,377** | 24,490 |
| Loan from a non-controlling interest of a subsidiary | | **3,104** | - |
| Long term borrowings | | **82,266** | 40,886 |
| | | **139,747** | 65,376 |
| **Current liabilities** | | | |
| Trade and other payables | *5* | **434,017** | 873,577 |
| Loan from the immediate holding company | | **-** | 3,200 |
| Loan from a jointly controlled entity | | **23,504** | 22,704 |
| Income tax payables | | **14,158** | 5,677 |
| Short term borrowings | | **151,752** | - |
| Current portion of long term borrowings | | **11,752** | 3,407 |
| | | **635,183** | 908,565 |
| **Total liabilities** | | **774,930** | 973,941 |
| **Total equity and liabilities** | | **2,572,748** | 2,643,698 |
| **Net current (liabilities) / assets** | | **(69,465)** | 137,073 |
| **Total assets less current liabilities** | | **1,937,565** | 1,735,133 |

## CONSOLIDATED INCOME STATEMENT
***FOR THE YEAR ENDED 31ST DECEMBER 2010***

| | *Note* | **2010** | 2009 |
|---|---|---|---|
| | | ***HK$'000*** | *HK$'000* |
| | | | (Restated) |
| Revenue | *3* | **1,107,290** | 920,344 |
| Cost of services rendered | *6* | **(875,078)** | (717,062) |
| **Gross profit** | | **232,212** | 203,282 |
| Other income | | **17,762** | 13,326 |
| Other gains / (losses) - net | *7* | **27,957** | (30) |
| General and administrative expenses | *6* | **(177,880)** | (156,341) |
| **Operating profit** | | **100,051** | 60,237 |
| Finance income | | **4,035** | 9,127 |
| Finance cost | | **(5,031)** | (1,061) |
| Share of profits less losses of jointly controlled entities | | **56,726** | 58,722 |
| **Profit before income tax** | | **155,781** | 127,025 |
| Income tax expense | *8* | **(27,925)** | (14,507) |
| **Profit for the year** | | **127,856** | 112,518 |
| **Attributable to:** | | | |
| Equity holders of the Company | | **136,902** | 116,025 |
| Non-controlling interests | | **(9,046)** | (3,507) |
| | | **127,856** | 112,518 |
| **Earnings per share (HK cents)** | *10* | | |
| Basic and diluted | | **15.21** | 12.89 |
| **Dividends** | *9* | **54,000** | 31,500 |

**CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**
***FOR THE YEAR ENDED 31ST DECEMBER 2010***

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| | | (Restated) |
| Profit for the year | **127,856** | 112,518 |
| Other comprehensive income: | | |
| Currency translation differences | | |
| - Subsidiaries | **18,133** | 2,131 |
| - Jointly controlled entities | **17,301** | 464 |
| **Total comprehensive income for the year** | **163,290** | 115,113 |
| **Attributable to:** | | |
| Equity holders of the Company | **170,821** | 117,815 |
| Non-controlling interests | **(7,531)** | (2,702) |
| | **163,290** | 115,113 |

*Notes:*

## 1. Basis of preparation

(i) The 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 at 31st December 2010, the Group's and the Company's current liabilities exceeded their current assets by HK$69,465,000 and HK$164,558,000 respectively. Based on the cash flow forecast up to twelve months from the balance sheet date, the asset backing, the available banking facilities and the cash proceeds received upon the partial disposal of the interest in a subsidiary and the disposal of a jointly controlled entity subsequent to 31 December 2010, the Group and the Company have sufficient working capital to meet the Group's and Company's liabilities as and when the liabilities fall due and to continue their operations for the foreseeable future. The directors believe that the Group and the Company will continue as a going concern. Consequently, the directors have prepared the financial statements on a going concern basis.

(ii) On 5th May 2010, Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE"), the immediate holding company of the Company, underwent a group reorganisation, pursuant to which the Company acquired 100% equity interest in Chu Kong Passenger Transport Company Limited ("CKPT") from CKSE at a consideration of HK$480,610,000 (the "Reorganisation"). Accordingly, the Company becomes the holding company of CKPT and its subsidiary (collectively the "Acquired Group"), now comprising the Group. Prior to the acquisition of CKPT by the Company, reorganisation was carried out, in which CKSE transferred 100% equity interest of Chu Kong Tourism Company Limited ("CKTC"), 40% equity interest of Zhongshan-Hong Kong Passenger Shipping Co-op Co., Ltd ("ZHPC") and 40% equity interest of Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd ("SGPC") to CKPT. Accordingly, CKTC becomes the subsidiary and ZHPC and SGPC become the jointly controlled entities of CKPT.

The transactions resulting from the Reorganisation are regarded as business combinations under common control. Accordingly, the annual financial statements for the year ended 31st December 2010, including the comparative figures, have been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for the Common Control Combination" issued by the HKICPA on the basis as if the Company had been the holding company of the Acquired Group throughout the periods presented or since their respective dates of incorporation, whichever is the shorter period. Details of the relevant statements of adjustments for the common control combinations on the Group's financial position as at 31st December 2010 and 2009 and the Group's results for the years then ended are set out in note 35(a).

## 2. Principal accounting policies

### (i) Adoption of new HKFRSs

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2009, except that the Group has adopted the following revised standards, interpretations and amendments to standards issued by the HKICPA which are relevant to the Group's operations and mandatory for the financial year beginning 1st January 2010.

| | |
|---|---|
| HKAS 1 (Revised) | Presentation of Financial Statements |
| HKAS 7 (Amendment) | Statements of Cash Flows |
| HKAS 17 (Amendment) | Leases |
| HKAS 27 (Revised) | Consolidated and Separate Financial Statements |
| HKAS 36 (Amendment) | Impairment of Assets |
| HKAS 39 (Amendment) | Financial Instruments: Recognition and Measurement |
| HKFRS 1 (Revised) | First-time Adoption of Hong Kong Financial Reporting Standards |
| HKFRS 1 (Amendment) | First-time Adoption of Hong Kong Financial Reporting Standards |
| HKFRS 3 (Revised) | Business Combinations |
| HK(IFRIC) - Int 17 | Distribution of Non-cash Assets to Owners |
| HKFRSs Amendments | Improvements to HKFRSs |

HKFRS 3 (Revised), "Business Combinations", continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed.

As the Group has adopted HKFRS 3 (Revised), it is required to adopt HKAS 27 (Revised) at the same time. HKAS 27 (Revised) contained consequential amendments to, and HKAS 31, "Interests in joint ventures". HKAS 27 (Revised) requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in the consolidated income statement.

## 2. Principal accounting policies (Continued)

Previously transactions with non-controlling interests were treated as transactions with parties external to the Group. Disposals therefore resulted in gains or losses in profit or loss and purchases resulted in the recognition of goodwill. On disposal or partial disposal, a proportionate interest in reserves attributable to the subsidiary was reclassified to profit or loss or directly to retained earnings.

Previously, when the Group ceased to have control or significant influence over an entity, the carrying amount of the investment at the date control or significant influence became its cost for the purposes of subsequent accounting for the retained interests as jointly controlled entity or financial assets.

The changes in the accounting policy in respect of the adoption of HKAS 27 (Revised) and HKFRS 3 (Revised) had been applied prospectively to the relevant transactions during the year ended 31st December 2010. There was no significant impact on the consolidated financial statements.

HKAS 17 (Amendment), "Leases", deletes specific guidance regarding classification of leases of land, so as to eliminate inconsistency with the general guidance on lease classification. As a result, leases of land should be classified as either finance or operating lease using the general principles of HKAS 17, i.e. whether the lease transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee. Prior to the amendment, land interest for which title is not expected to pass to the Group by the end of the lease term was classified as an operating lease under "Leasehold land and land use rights", and amortised over the lease term.

HKAS 17 (Amendment) has been applied retrospectively for annual periods beginning 1st January 2010 in accordance with the effective date and transitional provisions of the amendment. The Group has reassessed the classification of unexpired leasehold land and land use rights as at 1st January 2010 on the basis of information existing at the inception of those leases, and recognised the leasehold land in Hong Kong as finance leases retrospectively. As a result of the reassessment, the Group has reclassified certain leasehold land from operating lease to finance lease.

The land interest of the Group that is held for own use is accounted for as property, plant and equipment and is depreciated from the land interest available for its intended use over the useful live of the assets. The land interest of the Group that is held to earn rentals and/or for capital appreciation is accounted for as investment property and is depreciated over the life of the assets.

**2. Principal accounting policies (Continued)**

The effect of adopting the above amendment is as below:

| | 31st December 2010 HK$'000 | 31st December 2009 HK$'000 | 1st January 2009 HK$'000 |
|---|---|---|---|
| Group | | | |
| (a) Increase in property, plant and equipment | 180,911 | 189,485 | 193,914 |
| Increase in investment properties | 5,647 | 7,265 | 7,302 |
| Decrease in prepaid premium for land leases | (186,558) | (196,750) | (201,216) |
| (b) Increase in depreciation of property, plant and equipment | 4,352 | 4,429 | NA |
| Increase in depreciation of investment properties | 6 | 37 | NA |
| Decrease in amortisation of prepaid premium for land leases | (4,358) | (4,466) | NA |
| Company | | | |
| (a) Increase in property, plant and equipment | 3,669 | 3,673 | 3,677 |
| Increase in investment properties | 22,587 | 22,613 | 22,639 |
| Decrease in prepaid premium for land leases | (26,256) | (26,286) | (26,316) |
| (b) Increase in depreciation of property, plant and equipment | 4 | 4 | NA |
| Increase in investment properties | 26 | 26 | NA |
| Decrease in amortisation of prepaid premium for land leases | (30) | (30) | NA |

## 2. Principal accounting policies (Continued)

### (ii) Standards, amendments and interpretations to published standards that are not yet effective for the year ended 31st December 2010 and have not been early adopted by the Group

The following new/revised standards, interpretations and amendments to existing standards which are relevant to the Group's operation, have been issued but are not effective for 2010 and have not been early adopted by the Group:

| | | Effective for accounting periods beginning on or after |
|---|---|---|
| HKAS 12 (Amendment) | Income Taxes | 1st January 2012 |
| HKAS 32 (Amendment) | Classification of Right Issues | 1st February 2010 |
| HKFRS 9 | Financial Instruments | 1st January 2013 |
| HK(IFRIC)-Int 14 Amendment | Prepayments of a Minimum Funding Requirement | 1st January 2011 |
| HK(IFRIC)-Int 19 | Extinguishing Financial Liabilities with Equity Instruments | 1st July 2010 |

In May 2010, the HKICPA has published Improvements to HKFRSs which set out amendments to a number of HKFRS which are effective for annual periods beginning on or after 1st July 2010 or 1st January 2011.

The Group will adopt the above new and revised standards, interpretations and amendments to existing standards as and when they became effective.

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

## 3. Segment information

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

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

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

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

(iii) Passenger transportation - Passenger transportation agency services, travel agency operation and passenger carrier service

(iv) Corporate and other businesses - Investment holding, expressway operation and other business

The board of directors of the Company assesses the performance of the operating segments based on their segment profit before income tax expense, which is measured in a manner consistent with that in the financial statements.

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

After the organisational restructuring and acquisition of companies which are engaged in passenger transportation business, the information provided to the chief operating decision-maker has changed to better reflect how the Group's businesses are managed. The segment information for 2009 has been restated accordingly.

## 3. Segment information (Continued)

| | Cargo transportation HK$'000 | Cargo handling and storage HK$'000 | Passenger transportation HK$'000 | Corporate and other businesses HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|
| **Year ended 31st December 2010** | | | | | |
| Total revenue | 820,991 | 241,637 | 115,425 | - | 1,178,053 |
| Inter-segment revenue | (6,405) | (64,358) | - | - | (70,763) |
| **Revenue (from external customers)** | 814,586 | 177,279 | 115,425 | - | 1,107,290 |
| Segment profit before income tax expense | 16,156 | 51,375 | 74,997 | 13,253 | 155,781 |
| Income tax expense | (3,318) | (12,464) | (8,290) | (3,853) | (27,925) |
| Segment profit after income tax expense | 12,838 | 38,911 | 66,707 | 9,400 | 127,856 |
| Segment profit before income tax expense included: | | | | | |
| Share of profits less losses of jointly controlled entities | 532 | 26,846 | 24,902 | 4,446 | 56,726 |
| Finance income | 1,796 | 477 | 286 | 1,476 | 4,035 |
| Finance cost | - | (4,520) | - | (511) | (5,031) |
| Depreciation and amortisation | (9,030) | (44,867) | (307) | (770) | (54,974) |
| **Year ended 31st December 2009 (restated)** | | | | | |
| Total revenue | 728,123 | 193,496 | 106,930 | - | 1,028,549 |
| Inter-segment revenue | (51,078) | (57,127) | - | - | (108,205) |
| **Revenue (from external customers)** | 677,045 | 136,369 | 106,930 | - | 920,344 |
| Segment profit before income tax expense | 12,733 | 54,700 | 45,611 | 13,981 | 127,025 |
| Income tax (expense) / credit | (2,686) | (6,654) | (5,417) | 250 | (14,507) |
| Segment profit after income tax expense / credit | 10,047 | 48,046 | 40,194 | 14,231 | 112,518 |
| Segment profit before income tax expense / credit included: | | | | | |
| Share of profits less losses of jointly controlled entities | 1,782 | 31,319 | 11,927 | 13,694 | 58,722 |
| Finance income | 1,580 | 4,637 | 12 | 2,898 | 9,127 |
| Finance cost | - | (698) | - | (363) | (1,061) |
| Depreciation and amortisation | (7,053) | (27,500) | (913) | (966) | (36,432) |

### 3. Segment information (Continued)

| | Cargo transportation HK$'000 | Cargo handling and storage HK$'000 | Passenger transportation HK$'000 | Corporate and other businesses HK$'000 | Inter segment elimination HK$'000 | Total HK$'000 |
|---|---|---|---|---|---|---|
| **As at 31st December 2010** | | | | | | |
| **Total segment assets** | 467,157 | 1,600,984 | 423,349 | 721,643 | (640,385) | 2,572,748 |
| Total segment assets include: | | | | | | |
| Jointly controlled entities and loan to a jointly controlled entity | 24,485 | 196,698 | 235,558 | 131,208 | - | 587,949 |
| Addition to non-current assets (excluding deferred income tax assets) | 11,616 | 406,432 | 413 | 1,992 | - | 420,453 |
| **Total segment liabilities** | (348,705) | (525,469) | (69,856) | (471,285) | 640,385 | (774,930) |
| **As at 31st December 2009 (restated)** | | | | | | |
| **Total segment assets** | 468,490 | 1,351,276 | 367,285 | 945,703 | (489,056) | 2,643,698 |
| Total segment assets include: | | | | | | |
| Jointly controlled entities and loan to a jointly controlled entity | 26,315 | 200,123 | 201,311 | 129,808 | - | 557,557 |
| Addition to non-current assets (excluding deferred income tax assets) | 3,662 | 370,339 | 170,988 | - | - | 544,989 |
| **Total segment liabilities** | (357,886) | (413,332) | (85,003) | (606,776) | 489,056 | (973,941) |

### 3. Segment information (Continued)

Over 90% of the Group's revenue is derived from operations carried out in Mainland China and Hong Kong and customers are located in Mainland China and Hong Kong. Revenue and segment results by geographical locations are not presented as the information is not available.

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

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| | | (Restated) |
| **Non current assets excluding jointly controlled entities and deferred income tax assets** | | |
| Hong Kong | **312,173** | 303,256 |
| Mainland China | **1,106,521** | 736,730 |
| | **1,418,694** | 1,039,986 |
| **Jointly controlled entities including loan to a jointly controlled entity** | | |
| Hong Kong | **47,455** | 38,584 |
| Singapore | **1,682** | 1,206 |
| Mainland China | **538,812** | 517,767 |
| | **587,949** | 557,557 |
| **Deferred income tax assets** | **387** | 517 |
| | **2,007,030** | 1,598,060 |

## 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:

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| | | (Restated) |
| Within 3 months | **144,608** | 117,453 |
| 4 to 6 months | **1,422** | 841 |
| 7 to 12 months | **104** | 834 |
| Over 12 months | **4,328** | 4,249 |
| | **150,462** | 123,377 |
| Less: Provision for impairment | **(4,150)** | (4,122) |
| | **146,312** | 119,255 |

## 5. Trade and other payables

The ageing analysis of the trade payables is as follows:

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| | | (Restated) |
| Within 3 months | **241,724** | 189,525 |
| 4 to 6 months | **200** | 31,778 |
| 7 to 12 months | **123** | 5,630 |
| Over 12 months | **3,782** | 1,313 |
| | **245,829** | 228,246 |

## 6. Costs and expenses by nature

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| | | (Restated) |
| Amortisation of land use rights | **5,233** | 4,599 |
| Costs of passenger transportation, cargo transportation, handling, storage, container hauling and trucking | **570,971** | 493,580 |
| Depreciation of property, plant and equipment | **49,631** | 31,685 |
| Depreciation of investment properties | **110** | 148 |
| Operating lease rental expenses | | |
| - vessels and barges | **102,178** | 92,472 |
| - buildings | **15,364** | 13,447 |
| Staff costs (including directors' emoluments) | **198,393** | 166,625 |
| Others | **111,078** | 70,847 |
| Total cost of services rendered and general and administrative expenses | **1,052,958** | 873,403 |

## 7. Other gains / (losses) – net

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| | | (Restated) |
| Exchange gains / (losses), net | **8,620** | (305) |
| Gains on disposal of property, plant and equipment | **1,064** | 283 |
| Write-back of provision / (provision) for impairment of trade receivables, net | **69** | (321) |
| Write-back of other payables | **16,744** | - |
| Others | **1,460** | 313 |
| | **27,957** | (30) |

## 8. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2009: 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 22% to 25% (2009: 20% to 25%).

| | **2010** | 2009 |
|---|---|---|
| | **HK$'000** | HK$'000 |
| | | (Restated) |
| Current income tax | | |
| - Hong Kong profits tax | **14,838** | 11,050 |
| - PRC corporate income tax | **9,007** | 4,569 |
| - Under / (over) provision in prior years | **1,806** | (740) |
| Deferred income tax expense / (credit) | **2,274** | (372) |
| | **27,925** | 14,507 |

## 9. Dividends

On 16th March 2011, the Board of Directors proposed a final dividend of HK4 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 2011.

## 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.

| | **2010** | 2009 |
|---|---|---|
| | | (Restated) |
| Profit attributable to equity holders of the Company (HK$'000) | **136,902** | 116,025 |
| Weighted average number of ordinary shares in issue ('000) | **900,000** | 900,000 |
| Basic and diluted earnings per share (HK cents) | **15.21** | 12.89 |

The diluted earnings per share for the years ended 31st December 2010 and 2009 is equal to the basic earnings per share as there are no potential dilutive ordinary shares in issue during both years.

**11. Events after the balance sheet date**

(a) Undertaking of partial disposal of a subsidiary

On 28th July 2010, the Company entered into a strategic cooperation framework agreement (the "Agreement") with China Merchant Holdings (International) Company Limited ("CMHI"). In December 2010, the Company entered into an agreement with a subsidiary of CMHI for sale of 20% of its equity interest in Chu Kong River Trade Terminal Co., Ltd. ("CKRTT"), a wholly-owned subsidiary of the Company. The selling price of HK$131,368,000 has been determined with reference to the appraised value issued by the valuer as recommended and recognised by the Company and CMHI. The transaction was completed in February 2011.

(b) Acquisition of an additional interest of a company which was originally classified as a jointly controlled entity

On 22nd December 2010, the Group entered into a sale and purchase agreement with other joint venture partner of Chu Kong Air-Sea Union Transportation Company Limited ("CKSA"). The Group acquired 49% shareholding in CKSA from the other joint venture partner at an initial consideration, subject to adjustment, of HK$1,396,000. The initial consideration will be adjusted with reference to the final audited results of CKSA, subject to a cap of HK$5,000,000. The transaction was completed in February 2011.

(c) Disposal of a jointly controlled entity

On 21st January 2011, the Group entered into a provisional sale and purchase agreement with a third party to dispose of 30% equity interest in Dongguan Humen Great Trade Containers Port Co., Ltd. at a consideration of HK$32,906,000. The transaction is expected to be completed by the first half of year 2011.

**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 2010 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 2010. 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 2010, the Group recorded a consolidated revenue of HK$1,107,290,000 an increase of 20.3% as compared with last year. Profit attributable to the equity holders of the Company was HK$136,902,000 an increase of 18.0% as compared with last year.

As the global economy continued to stabilise in the second half of 2009, the gross domestic product (GDP) and employment market in most of the wealthy countries started to improve in 2010, but yet to recover to the level before the economic crisis. In 2010, the global economic growth rate was estimated to be 4.0% and the economic growth rate in China reached 10.3%. This was mainly due to the supporting policy measures on macro-economy promptly adopted by the PRC government. China economy not only managed to overcome the global financial crisis smoothly, but also further strengthened its influence in the global economic system. Under the PRC government's stimulus economic policy, the import and export value in the PRC increased 34.7% in 2010. The transportation market in the Guangdong and Hong Kong areas gradually improved with correspondingly higher cargo throughput. The container throughput in Hong Kong recorded an annual growth of 11.8% for the year and the container throughput at main ports in Guangdong recorded an annual growth of 22.3% for the year. Despite the current economy recovery, the global economy remained volatile due to the debt crisis in Europe. In addition, the financial stimulus policy had come to the end, together with the new policies, which suppressed the overheating economic sectors, and the tightened monetary policy, resulting a slowdown in economic growth. Any loss of momentum of China's economy would lead to a more sluggish global economy.

During the year, with the continuous growth in the global economy and newly injected passenger transportation business, in addition to the increase in profit, the overall cargo throughput of the Group also recorded an increase, of which container and break bulk cargoes transportation volume recorded an increase of 18.6% and 15.0% respectively, and container and break bulk cargoes handling volume recorded an increase of 6.8% and 27.9% respectively. The market share of the Group in 30 category-2 ports in Pearl River Delta with which the Group has business relationship also continued to increase, from 19.3% of last year to 20.3%. However, due to higher international oil prices and an increase of oil consumption, the total oil cost increased by more than HK$27,706,000 or 51.0%. Among which, the oil cost increased by HK$14,959,000 over last year as a result of changes in oil prices, lowering the gross operating profit margin of the Group for the year.

During the year, the subsidiaries engaged in freight-related business contributed 14.9% more profit to the Group as compared with last year. The profit from the Group's investment in jointly controlled entities involved in freight-related business recorded a decrease of 14.7% compared with last year. But generally, they continued to contribute profit to the Group. Consequently, the passenger transportation business segment (including subsidiaries and investment in jointly controlled entities) acquired during the year contributed profit to the Group of HK$66,707,000.

Business of the Group's jointly controlled entities was closely related to the major business operations of the Group other than expressway operation. Due to the acquisition of passenger transportation business segment bringing additional profit to the Group, but the profit of Guang-Fo Expressway significantly decreased because of the increase in depreciation in fixed assets, resulting a drop in profit attributable to the Group accordingly, share of profits less losses of jointly controlled entities of the Group in 2010 was HK$56,726,000, representing a decrease of HK$1,996,000 or 3.4% as compared with last year.

## 1. Cargo Transportation Business

Driven by the global economy recovery, the rise in international market demand fueled corresponding increase in exports by Mainland China's factories. On the other hand, the economy grew more rapidly in China, which led to the significant improvement on the structure of demand and indicated that domestic needs reinforced its influence in driving the economic growth. Consequently, there was a relative increase in major business operations of the Group during the year. The market share of the Group in 30 category-2 ports in Pearl River Delta with which the Group has business relationship was 20.3%, an increase of 5.2% as compared with 19.3% last year, which increase was sustaining.

### I. Business Operation Indicators

Performance statistics of our major business operations are as follows:

| | For the year ended 31st December | | |
|---|---|---|---|
| **Indicators** | **2010** | 2009 (Restated) | Change |
| ***Cargo transportation volume*** | | | |
| Container transportation volume (TEU) | **919,133** | 774,747 | 18.6% |
| Break bulk cargoes transportation volume (revenue tons) (Note 1) | **411,079** | 357,563 | 15.0% |
| ***Cargo handling volume*** | | | |
| Container handling volume (TEU) (Note 2) | **636,518** | 595,822 | 6.8% |
| Volume of break bulk cargoes handled (revenue tons) (Note 2) | **1,169,929** | 914,999 | 27.9% |
| Volume of container hauling and trucking on land (TEU) | **134,425** | 134,673 | -0.2% |

Notes:

1. From 2009 onwards, the figures used for statistic changed from weighted tons to revenue tons. So some figures from the 2009 annual report were restated to conform with the current year's presentation.

2. From November 2010 onwards, the data of Civet Port was included. If the data of the new terminal was eliminated, container handling volume and break bulk cargoes transportation volume increased by 4.1% and 27.8% respectively as compared with last year.

## II. Container Transportation

During the year, the economy continued to improve. The number of orders received by the foreign trade enterprises in Pearl River Delta increased and there was a significant growth in the import and export business. With great efforts and increasing number of areas for cooperation and closer relationship between Chu Kong Transhipment & Logistics Company Limited ("CKTL"), which operates our major container transportation business, and other major shipping companies, the cargo source of Connected Carrier Agreement ("CCA") of major shipping companies increased significantly, which became the key factor driving the overall container transportation volume and resulted in a year-on-year increase of 18.6% in it. In particular, the closer communication and interaction among CKTL and its major shipping company partners helped expand and strengthen its market share. The market share in 30 category-2 ports having business with the Group in Pearl River Delta represented an increase of 5.2% over last year. Affected by two policy factors in relation to the Guangzhou Asian Games and customs, there was a decrease in the overall volume of containers for renewable resources over the last year. Cargo source of the factory generally maintained a stable growth, among which the imports from Foshan, Shunde and Jiangmen increased significantly.

## III. Break Bulk Cargoes Transportation

Chu Kong Agency Company Limited ("CKA") is responsible for our break bulk cargoes transportation business which mainly engaged in transshipment cargo. As the industry and trading relationship between Hong Kong and the Mainland China recovered and CKA paid more efforts in marketing, the break bulk cargoes transportation volume increased by 15.0%.

## IV. Wharf Handling

Benefited by recovery of the global economy, the Group's core wharf business recorded marked growth as its container and break bulk cargoes handling volume rose by 6.8% and 27.9% respectively.

Leveraging on its capability of fast customs clearance, Chu Kong Cargo Terminals (Gaoming) Co., Ltd. vigorously explored new customers and continued to explore container cargo sources of foreign-trade export factory. It actively looked for new customers while strengthening the relationships with its existing customers, and as a result, the foreign-trade container handling volume enjoyed a significant growth of 39.0% over the last year, its profit contribution to the Group of HK$ 24,575,000 increased by 149.7% over last year.

Under the situation of and policy on customs clearance, the business of containers for renewable resources of Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd. significantly dropped by 64.0% over last year; however, with aggressive exploration of the Yunfu market, there was a sharp increase in the stones business, and the container transportation volume only decreased by 25.5% and its profit contribution to the Group decreased by 91.6%.

Due to increasing business expansion and strengthened market exploration by Zhaoqing Chu Kong Logistics (Sihui) Co., Ltd., the container handling volume of the company for the year increased significantly by 221.6% over last year. In addition, the company enhanced its internal management and cost control, marking a turnaround in profitability and contributed a profit attributable to the Group of HK$1,959,000.

On 16th April 2010, the Company signed an agreement as to increase its shareholding in Zhaoqing New Port Co., Ltd. by 20.54% to 77% for RMB 26,500,000 (equivalent to approximately HK$ 30,628,000). Despite changes of cargo source and market competition, the company's handling volume in the first half year was broadly similar to that for the same period of last year. Due to capitalisation of construction in progress into fixed assets, the company's loan interests and depreciation expenses increased significantly during the year, resulting in a loss of HK$21,122,000 to the Group. On 20th May 2010, as approved by the People's Government of Guangdong Province, the category-2 port of Zhaoqing New Port opened for business, it was believed that the new foreign-trade cargo business would bring additional business income to the company.

Benefited from recent improvements of the site, equipment, machines and vehicles, the operating capacity of the terminal of Chu Kong Cargo Terminals (Kangzhou) Co., Ltd. was greatly increased. With greater efforts to explore and organise cargo sources by the specific departments, the operations of the terminal was satisfactory with substantial increase in cargo handling volume. Container handling volume recorded a year-on year increase of 20.2%. The profit contributed by the company to the Group was almost the same as last year because of increased cost.

Due to the lack of maintenance of Dawang Bridge, the main bridge to the vehicle inspection centre of Zhaoqing Chu Kong Logistics (Dawang) Co., Ltd., trailers were not allowed to use the bridge, causing substantial loss of cargo sources in the surrounding areas of Dawang. In addition, with the influence from diversion of customers to the two vehicle inspection centres in Zhaoqing, revenue of the vehicle inspection centres of Dawang declined, which brought an increase of 33.7% in the loss to the Group. Although the repair and maintenance of Dawang Bridge was completed in July 2010, more efforts have to be put in to attract old customers back due to a prolonged period of the loss of cargo sources.

On 2nd August 2010, Chu Kong River Trade Terminal Co., Ltd. ("CKRTT"), a wholly-owned subsidiary of the Company, entered into an agreement with Civet Zhuhai Investment Company Limited. Pursuant to this agreement, CKRTT acquires 75% equity interest in Civet (Zhuhai Bonded Area) Logistics Company Limited ("Civet Logistics") at a consideration of RMB76,422,000 (equivalent to HK$88,536,000). Upon the acquisition of Civet Port and the appointment of the management by the Group, adjustments for the direction and strategy of operation were made immediately so as to improve the customs situation at the terminals, enhance the competitiveness of the terminals and attract more new customers and shipping companies, and hence increasing the cargo handling volume.

Chu Kong Transportation (H.K.) Limited ("CKT") is responsible for the operation of the Group's 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. With the increase of 4.6% in the overall transshipment volume in Hong Kong and achieving the target as the integrated operator of regional shipping logistics services of the company, there was an increase of 17.7% in its break bulk cargoes handling operations.

## V. Investment in Jointly Controlled Entities

Despite the global economy recovery, as continuously impacted by domestic environmental policies and the Pearl River Delta industrial upgrading, the profit attributable by some of the Group's investment entities decreased. The profit attributable to the Group contributed by Sanshui Sangang Containers Wharf Co., Ltd. amounted to HK$2,156,000, down by 34.7%. In addition, the profit contributed by Shenzhen Yantian Port Chu Kong Logistics Co., Ltd. decreased by 94.4% due to its higher cost.

The container handling volume of Foshan New Port Ltd. increased by 23.1% and break bulk cargo handling volume decreased by 52.2%, contributing a profit of HK$15,175,000 to the Group and representing an increase of 37.5%. The container handling volume of Foshan Nankong Terminal Co., Ltd. increased by 15.0% and its break bulk cargo handling volume decreased by 50.2%, contributing a profit of HK$6,791,000 to the Group and representing an increase of 16.9%. Chu Kong Logistics (Singapore) Singapore Pte. Ltd. contributed a profit of HK$ 440,000 to the Group, representing an increase of 223.0%. Guangdong Zhu Chuan Navigation Co., Ltd. recorded a profit instead of a loss as a result of the exemption of business tax and net income from disposal of old vessels.

Despite the decrease in break bulk cargo throughput, Chu Kong Air-Sea Union Transportation Company Limited ("CKSA") contributed a profit of HK$1,889,000 to the Group, representing an increase of 29.8%, due to effective cost control. On 22nd December 2010, the Company entered into an agreement with Hong Kong Air Cargo Industry Services Limited. Pursuant to the agreement, the Company had acquired its 49% equity interest in CKSA for a consideration of 49% of the audited net assets of CKSA as at 3rd February 2010. Upon the acquisition, CKSA would become a wholly-owned subsidiary of the Company.

## 2. Passenger Transportation Business

On 18th March 2010, the board of directors of the Company passed a resolution approving the acquisition of the entire equity interest in CKPT from the immediate holding company for a consideration of HK$480,610,000. Such acquisition was then approved by the independent shareholders on 5th May 2010. In addition to its 100% equity interest in Chu Kong Tourism Co., Ltd, CKPT also holds 60% equity interest in Hong Kong International Airport Ferry Terminal Services Ltd ("HKIAFTS"), 40% equity interest in Zhongshan-HongKong Passenger Shipping Co-op Co., Ltd ("ZHPC) and 40% equity interest in Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd ("SGPC").

### I. Business Operation Indicators

Performance statistics of the major business operations are as follows:

| Indicators | For the year ended 31st December<br>Number of Passengers (in thousands) | | |
|---|---|---|---|
| | **2010** | 2009 | Change |
| Number of passengers for agency services | **5,436** | 4,891 | 11.1% |
| Number of passengers for terminal services | **5,401** | 5,102 | 5.9% |

### II. Investment in Jointly Controlled Entities of CKPT

SkyPier operated by HKIAFTS was a temporary terminal in the early stage of operation which was not well facilitated. In order to provide more comprehensive services and facilities, SkyPier finished and commenced the operation of the permanent terminal on 15th December 2009. Apart from the permanent terminal, a newly constructed passenger train linking directly between SkyPier and airport terminal can facilitate more transit passengers to use the terminal. Pursuant to the provisions of the contract, the permanent terminal is operated and charged in a manner and on a basis completely different from that of the temporary terminal. Therefore, the franchise fee payable by HKIAFTS to the Airport Authority Hong Kong is increased significantly during the contract term of three years, resulting in an increase in operating cost sharply. However, it is expected that the number of passengers will be increased in response to the improvement of facilities and services standard and it can also offset the increased operating cost.

During the year, the number of transit passengers using SkyPier increased comparing with last year, and HKIAFTS contributed a net share of profit after tax of HK$12,084,000 to the Group, up 9.6% in spite of a substantial increase in operating cost. The routes between Macau Taipa Temporary Ferry Terminal and the Hong Kong International Airport commenced operation on 8th May 2010 and it is expected that the number of transit passengers would continue to increase. The share of profit from the new investments in ZHPC and SGPC amounted to HK$8,269,000 and HK$4,549,000 respectively. The total share of profit for these investments amounted to HK$24,902,000.

## 3. Other Businesses

The expansion project of Guangzhou-Foshan Expressway was completed and commenced operation at the end of 2009 and the toll traffic volume of Guangzhou-Foshan Expressway Ltd. in 2010 increased by 17.7% comparing with last year. However, due to the expansion of Fo-Kai Expressway that connected to the Guangzhou-Foshan Expressway, the vehicles using the whole journey decreased, resulting in smaller growth in toll compared with traffic volume. Toll income recorded an increase of 13.6% over last year. However, as a result of increased depreciation charges after the expansion, the total profit dropped as compared with last year, resulting in a decrease of 70.8% in the profit attributable to the Group.

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

**Employees**

As at 31st December 2010, the Group employed 476 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.

**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 2010, the Group secured a total credit limit of HK$200,000,000 and RMB90,000,000 (equivalent to approximately HK$ 105,770,000) granted by bona fide banks.

As at 31st December 2010, the current ratio of the Group, represented by current assets divided by current liabilities, was 0.9 (2009 restated: 1.2) and the debt ratio, representing total liabilities divided by total assets, was 30.1% (2009 restated: 36.8%).

As at 31st December 2010, the Group's cash and cash equivalents amounted to HK$278,802,000 (2009 restated: HK$638,771,000), which represents 10.8% (2009 restated: 24.2%) of the total assets.

As at 31st December 2010, the gearing ratio of the Group, represented by bank borrowings divided by total equity and bank borrowings, was 12.0% (2009 restated: 2.6%).

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

**Pledge of Assets**

As at 31st December 2010, the Group had utilised bank loan facilities amounting to HK$ 140,000,000 and RMB90,000,000 (equivalent to approximately HK$105,770,000) (2009 restated: RMB39,000,000 (equivalent to approximately HK$44,293,000)) , of which the portion in Hong Kong dollar was bearing floating rate and unsecured, while the portion in Renminbi was bearing floating rate and secured by certain land use rights and property, plant and equipment of Zhaoqing New Port Co., Ltd..

**Currency Structure**

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

## Contingent Liabilities

Except for the potential tax liabilities for the purchase of properties at Mafang Port, as at 31st December 2010, there was no contingent liability relating to the Group. A 40% interest jointly controlled entity of the Group has contingent liabilities to a bank in relation to a provision of a financial guarantee and indemnity of US$400,000 (equivalent to approximately HK$3,120,000) to a third party in the PRC in 1994. This third party failed to perform its contractual and financial obligations to the bank in 1998. As such, court proceedings commenced by the bank demanded payment of US$400,000 against the jointly controlled entity and the Province Court imposed orders of execution of the jointly controlled entity in 1998 and 2001. However, no execution has been finally implemented.

## Events After the Balance Sheet Date

On 28th July 2010, the Company entered into a strategic cooperation framework agreement with China Merchant Holdings (International) Company Limited ("CMHI"). Pursuant to the agreement, the Company had undertaken to sell 20% of its equity interest in CKRTT to CMHI. In December 2010, the Company entered into an agreement with a subsidiary of CMHI for sale of 20% equity interest in CKRTT for a consideration of HK$131,368,000. CKRTT owned equity interests in 11 terminals in Pearl River Delta.

On 22nd December 2010, the Company entered into an agreement with Hong Kong Air Cargo Industry Services Limited. Pursuant to the agreement, the Company had acquired its 49% equity interest in CKSA for a consideration of 49% of the audited net assets of CKSA as at 3rd February 2010. Upon the acquisition, CKSA would become a wholly-owned subsidiary of the Company.

On 21st February 2011, CKRTT, a non-wholly-owned subsidiary of the Group at that time, entered into an agreement in relation to the disposal of its entire equity interest (i.e. 30%) in Dongguan Humen Great Trade Containers Port Co., Ltd. for a consideration of RMB28,062,000 (equivalent to approximately HK$32,979,000). Dongguan Humen Great Trade Containers Port Co., Ltd. was established in the PRC and engaged in wharf cargo handling and godown storage.

**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 2010, 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 2010, 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") | 621,210,000 |
| (ii) | Guangdong Province Navigation Holdings Company Limited ("GPNHCL") | 621,210,000 |

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 2010 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 2010 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 16th May 2011 (Monday) to 19th May 2011 (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 13th May 2011 (Friday) for registration. Final dividend will be payable on or before 31st May 2011.

**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 2010 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 this Annual Report, except that independent non-executive directors of the Company are not appointed for specific terms. They are subject to retirement by rotation at the Company's annual general meeting in accordance with the provisions of the Company's Articles of Association.

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.

**Directors**

Mr. Chow Bing Sing ("Mr. Chow") has been appointed as a non-executive director of the Company for an initial term commencing from 1st June 2010 until the next Annual General Meeting of the Company and Mr. Chow will act as a member of the Audit Committee of the Company with effect from the same date.

Mr. Chow, aged 61, graduated as a Bachelor of Social Sciences at the University of Hong Kong in 1974. He had worked for the Airport Authority Hong Kong and the Civil Aviation Department of the Government of Hong Kong and has over 30 years of experience in aviation and logistics sectors. Mr. Chow does not hold any position with other members of the Company's group.

Mr. Chow has not held any directorship in listed public companies in the last three years and has no major appointments and qualifications. Mr. Chow is not connected with any directors, senior management or substantial or controlling shareholders of the Company, and he does not have any interests in the shares of the Company within the meaning of Part XV of the SFO.

There is no service contract entered into between the Company and Mr. Chow. Mr. Chow is subject to retirement and rotation and re-election in accordance with the Articles of Association of the Company. The amount of emoluments of Mr. Chow for his initial term of directorship will be HK$8,333.33 per month as determined by the Board with regard to his duties, responsibilities, and time spent on the affairs of the Company. Save as disclosed above, there is no information which is discloseable nor is/was he involved in any of the matters required to be disclosed pursuant to any of the requirements of the provisions under paragraph 13.51(2)(h) to 13.51(2)(v) of the Listing Rules, and there is no other matter which needs to be brought to the attention of the shareholders.

Mr. Choi Kim-Lui ("Mr. Choi") has resigned as a non-executive director of the Company with effect from 1st June 2010. Upon his resignation, Mr. Choi has automatically ceased to be a member of the Audit Committee of the Company since then.

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, Ms. Yau Lai Man and Mr. Chow Bing Sing.

**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.

By Order of the Board
**Yang Bangming**
*Managing Director*

Hong Kong, 16th March 2011