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*(Incorporated in Hong Kong with limited liability)*

**(Stock Code : 00560)**

## **ANNOUNCEMENT OF INTERIM RESULTS FOR 2010**

### **CHAIRMAN'S STATEMENT**

I am pleased to announce that as of 30th June 2010, Chu Kong Shipping Development Company Limited (the "Company") and its subsidiaries (the "Group") recorded a consolidated revenue amounting to HK\$520,857,000 and profit attributable to equity holders of the Company amounted to HK\$68,189,000, up by 41.7% and 63.8% respectively against the announced figures of the last corresponding period, which included the newly acquired passenger transport business. There were increases of 23.7% and 10.7% respectively when comparing this period with the prior period in the restated figures. The Company achieved significant development in areas such as acquisition and establishment of strategic partners.

### **DIVIDENDS**

The Board of Directors has declared an interim dividend of HK2 cents per share for the six months ended 30th June 2010 to the equity holders whose names appear on the Register on 15th September 2010.

### **REVIEW AND OUTLOOK**

In March 2010, the Company announced to acquire 100% equity interests in Chu Kong Passenger Transport Company Limited ("CKPT") held by Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE"), our controlling shareholder, for a consideration of HK\$480,610,000. CKPT is mainly engaged in the businesses of passenger transporting agency services in respect of high-speed passenger vessels between Guangdong and Hong Kong and terminal operation, and it enjoys strong brand recognition in the regions where it operates as acting for 52 high-speed passenger vessels. The solid cash flow and high profit margin of CKPT's passenger transport business will help improve the overall profitability of the Group and optimise various financial indicators. Transfer of shareholding had been completed and the revenue of CKPT in the first six months of 2010 was fully consolidated with the results of the Company.

The Company actively sought to establish 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 entered into a strategic cooperation framework agreement with China Merchants Holdings (International) Company Limited (“CMHI”), one of the largest public terminal operators in China. Through the business synergies between the parties and innovation, the parties will jointly establish a premier integrated logistics services system as well as a feeder-carrier-linked port collection and distribution system that is core in hub and supported by the category-2 port (for foreign trade) in the Pearl River Delta region. In addition, CMHI intends to acquire 20% equity interest in Chu Kong River Trade Terminal Co., Ltd. held by the Company and the proposed acquisition is currently in the process of evaluation. In August, Guangdong Province Navigation Holdings Company Limited (“GPNHCL”), the ultimate controlling shareholder of the Company, entered into a cooperation framework agreement with COSCO Container Lines Company Limited (“COSCON”), under which GPNHCL will closely cooperate with COSCON through the Company in the areas of barge transport, cargo canvassing and port resources in the Pearl River Delta region. The international routes mainly covering near-sea shipping lines and the Middle East currently operated by the Company will be extended in phases to cover Europe, Americas, Asia, Africa and Oceania. It is initially estimated that such cooperation will result in a double-digit increase in the river-sea union transport / inland rivers transport volume and the throughput of the terminals across the Pearl River Delta of the Company yearly.

The global economy saw signs of recovery and China’s foreign trade and export also demonstrated recovery and an upward trend in 2010. Under such favourable economic environment, the Company undertook internal resource integration and integrated our freight-related resources into a number of main functions, namely vessels operation, sales and customers service and terminal storage etc. The overall operating efficiency can be enhanced through centralised management and process optimisation.

Upon its acquisition of CKPT and leveraging on the business opportunities brought forth by the commencement of operation of the Wuhan-Guangzhou high-speed railway, the Company put in more efforts in developing passenger transportation from Hunan and Hubei provinces. In May, the Company organised several large-scale marketing campaigns in Wuhan and Changsha jointly with the National Tourism Administration of the People’s Republic of China, Hong Kong Office, the Tourism Administration of Hunan and Hubei provinces respectively to promote and introduce the transport/tourism mode by the combination of high-speed railway and high-speed passenger vessels. The response and results were satisfactory. Currently we see increasing number of passengers visiting Hong Kong choose this combined mode of transportation. CKPT also operates, as an agent, four new CotaiJet routes between Macau and Hong Kong and between Macau and other destinations in the Pearl River Delta region.

On 2nd August 2010, the Group acquired 75% equity interest in Civet (Zhuhai Bonded Area) Logistics Company Limited for a consideration of approximately HK\$89,299,000 to operate the Civet Port in Zhuhai. This acquisition has meaningful significance to the Company in improving our network coverage of inland river terminals and market share in the Zhuhai area. All inspection and acceptance procedures for the Zhaoqing New Port invested by the Company had been completed and it was officially opened for foreign trade business in July. In addition, in order to enhance our integrated logistics services in the Zhaoqing area, the Company leased and operated a vehicle inspection centre in Zhaoqing in April.

In the second half of 2010, despite certain impacts from the macro control of the Mainland and stronger Renminbi on the general foreign trade environment, the Guangdong, Hong Kong and Macau region will remain one of the most competitive economic areas in the world. In addition, the Asian Games will be held in Guangzhou in the coming November. 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. In the executive meeting of the State Council chaired by Premier Wen Jiabao in August 2010, the plan for the development of river transportation was studied, with the emphasis on the development of high-class river routes (including such major routes as the Xijian river route in the Pearl River Delta region), speeding up the construction of major river ports and the main ports in certain regions, acceleration of the structural adjustment of the carrying capacity of vessels, optimisation of the organisation of vessels transportation, improvement of the integrated transportation system including water transportation. As the PRC is about to launch this river transportation policy, it is expected that the government would increase its investment in the construction and development of river transportation. As a major service provider of large-scale integrated transportation in the Pearl River Delta region, the Company is expected to be benefited from the market enlargement in general created by the improvement in river transportation and will be dedicated in increasing its market share. The Company will continue to strengthen its internal resource integration, improve its operation efficiency and accelerate the implementation of strategic cooperation with external partners so as to provide more value-added services to our customers. Meanwhile, we will continue the strategic plan of having all our state-owned assets held by our listed entity, actively seek to acquire quality assets from our controlling shareholders, and improve the potential and profitability of the Company.

## **RELATION WITH INVESTORS**

The website of our Company ([www.cksd.com](http://www.cksd.com)) is one of the important channels to provide timely information for the market.

## **APPRECIATION**

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, 31st August 2010

**UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET**

**AS AT 30TH JUNE 2010**

	<i>Note</i>	As at <b>30th June 2010 HK\$'000</b>	As at 31st December 2009 HK\$'000 (Restated)
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment		<b>831,565</b>	793,316
Investment properties		<b>4,454</b>	4,910
Land use rights		<b>210,030</b>	210,570
Intangible assets – goodwill		<b>31,190</b>	31,190
Jointly controlled entities		<b>552,763</b>	547,612
Loan to a jointly controlled entity		<b>7,390</b>	9,945
Deferred income tax assets		<b>476</b>	517
		<hr/>	<hr/>
		<b>1,637,868</b>	1,598,060
		-----	-----
<b>Current assets</b>			
Trade and other receivables	4	<b>348,278</b>	378,271
Loans to jointly controlled entities		<b>20,831</b>	28,596
Cash and bank balances		<b>601,667</b>	638,771
		<hr/>	<hr/>
		<b>970,776</b>	1,045,638
		-----	-----
<b>Total assets</b>		<b>2,608,644</b>	2,643,698
		<hr/> <hr/>	<hr/> <hr/>

	<i>Note</i>	As at <b>30th June 2010</b> HK\$'000	As at 31st December 2009 HK\$'000 (Restated)
<b>EQUITY</b>			
Share capital		90,000	90,000
Reserves		1,533,346	1,476,697
Final dividend proposed		-	27,000
Interim dividend declared		18,000	-
		<u>1,641,346</u>	<u>1,593,697</u>
Non-controlling interests		72,191	76,060
<b>Total equity</b>		<u>1,713,537</u>	<u>1,669,757</u>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Deferred income tax liabilities		25,016	24,490
Long term borrowings – secured		80,239	40,886
		<u>105,255</u>	<u>65,376</u>
<b>Current liabilities</b>			
Trade and other payables	5	728,230	873,577
Loan from the immediate holding company		-	3,200
Loan from a jointly controlled entity		22,716	22,704
Income tax payables		15,980	5,677
Short term borrowing – secured		11,463	-
Current portion of long term borrowings – secured		11,463	3,407
		<u>789,852</u>	<u>908,565</u>
<b>Total liabilities</b>		<u>895,107</u>	<u>973,941</u>
<b>Total equity and liabilities</b>		<u>2,608,644</u>	<u>2,643,698</u>
<b>Net current assets</b>		<u>180,924</u>	<u>137,073</u>
<b>Total assets less current liabilities</b>		<u>1,818,792</u>	<u>1,735,133</u>

**UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE SIX MONTHS ENDED 30TH JUNE 2010**

	<i>Note</i>	Six months ended 30th June <b>2010</b> <b>HK\$'000</b>	2009 HK\$'000 (Restated)
Revenue	3	<b>520,857</b>	421,033
Cost of services rendered	6	<b>(406,626)</b>	(321,794)
Gross profit		<b>114,231</b>	99,239
Other income		<b>4,524</b>	4,594
Other gains/(losses) – net	7	<b>17,549</b>	(1,574)
General and administrative expenses	6	<b>(89,155)</b>	(71,448)
Operating profit		<b>47,149</b>	30,811
Finance income		<b>2,220</b>	5,045
Finance cost		<b>(3,035)</b>	(349)
Share of profits less losses of jointly controlled entities		<b>30,913</b>	36,528
Profit before income tax		<b>77,247</b>	72,035
Income tax expense	8	<b>(13,521)</b>	(11,232)
Profit for the period		<b>63,726</b>	60,803
<b>Attributable to:</b>			
Equity holders of the Company		<b>68,189</b>	61,590
Non-controlling interests		<b>(4,463)</b>	(787)
		<b>63,726</b>	60,803
<b>Dividends</b>	9	<b>18,000</b>	4,500
<b>Earnings per share (HK cents)</b>	10		
Basic and diluted		<b>7.58</b>	6.84

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF  
COMPREHENSIVE INCOME  
FOR THE SIX MONTHS ENDED 30TH JUNE 2010**

	Six months ended 30th June	
	<b>2010</b>	2009
	<b>HK\$'000</b>	HK\$'000 (Restated)
Profit for the period	<b>63,726</b>	60,803
Other comprehensive income:		
Currency translation differences		
- Subsidiaries	<b>2,583</b>	928
- Jointly controlled entities	<b>4,471</b>	-
	<u>70,780</u>	<u>61,731</u>
<b>Total comprehensive income for the period</b>	<b><u>70,780</u></b>	<b><u>61,731</u></b>
<b>Attributable to:</b>		
Equity holders of the Company	<b>74,649</b>	62,496
Non-controlling interests	<b>(3,869)</b>	(765)
	<u>70,780</u>	<u>61,731</u>

## NOTES

### 1. Basis of preparation

- (i) This unaudited condensed consolidated interim financial information for the six months ended 30th June 2010 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2009, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”).

- (ii) On 5th May 2010, Chu Kong Shipping Enterprises (Holdings) Company Limited (“CKSE”), the immediate holding company of the Company, underwent a group reorganisation (the “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. Accordingly, the Company becomes the holding company of CKPT and its subsidiary (collectively the “Acquired Group”), now comprising the Group.

The transactions resulting from the Reorganisation above are regarded as business combinations under common control. Accordingly, the interim financial information for the six months ended 30th June 2010, including the comparative figures, has 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.

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 (“CKCT”), 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, CKCT becomes the subsidiary and ZHPC and SGPC become the jointly controlled entities of CKPT.

## 2. Principal accounting policies

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)	Statement of Cash Flow
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.

## 2. Principal accounting policies (Continued)

As the Group has adopted HKFRS 3 (Revised), it is required to adopt HKAS 27 (Revised) at the same time. 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.

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. Since the property interest is held for own use, that land interest classified as finance lease is accounted for as property, plant and equipment and is depreciated over the shorter of the useful lives of the asset and the lease term.

## 2. Principal accounting policies (Continued)

The effect of adopting the above amendment is as below:

	HK\$'000
a) Unaudited condensed consolidated income statement for the six months ended 30th June 2010	
Increase in depreciation of property, plant and equipment	2,219
Decrease in amortisation of prepaid premium for land leases	2,219
b) Unaudited condensed consolidated income statement for the six months ended 30th June 2009	
Increase in depreciation of property, plant and equipment	2,273
Decrease in amortisation of prepaid premium for land leases	2,273
c) Unaudited condensed consolidated balance sheet as at 30th June 2010	
Increase in property, plant and equipment	188,697
Decrease in prepaid premium for land leases	188,697
d) Consolidated balance sheet as at 31st December 2009	
Increase in property, plant and equipment	196,750
Decrease in prepaid premium for land leases	196,750

The HKICPA has issued certain new and revised standards, interpretations and amendments to standards which are not yet effective for the financial year ending 31st December 2010. The Group has not early adopted these standards, interpretations and amendments to standards in the interim financial information but has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of its consolidated financial statements will be resulted.

### **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 considers the business from business 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 and transshipment and container hauling and trucking
- (ii) Cargo handling and storage - Wharf cargo handling, cargo consolidation and godown storage
- (iii) Passenger transportation – Passenger transportation agency services, travel agency operation and passenger carrier service
- (iv) Corporate and other businesses - Investment holding, expressway operation and other businesses

The board 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 interim financial information.

Sales between segments are carried out on terms similar to third party transactions. The revenue from external parties reported to the board is measured in a manner consistent with that in the unaudited condensed consolidated income statement.

After the organisational restructuring and acquisition of the Acquired Group, 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
<b>Six months ended 30th</b>					
<b>June 2010</b>					
Total revenue	393,847	113,236	52,904	-	559,987
Inter-segment revenue	(934)	(36,996)	(1,200)	-	(39,130)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenue (from external customers)</b>	<b>392,913</b>	<b>76,240</b>	<b>51,704</b>	<b>-</b>	<b>520,857</b>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Segment profit before income tax expense</b>	<b>11,975</b>	<b>23,579</b>	<b>39,828</b>	<b>1,865</b>	<b>77,247</b>
Income tax expense	(1,886)	(5,466)	(4,237)	(1,932)	(13,521)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Segment profit/(loss) after income tax expense	10,089	18,113	35,591	(67)	63,726
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Segment profit before income tax expense includes:</b>					
Finance income	141	747	39	1,293	2,220
Finance cost	-	(2,778)	-	(257)	(3,035)
Depreciation and amortisation	(4,212)	(19,611)	(154)	(411)	(24,388)
Share of profits less losses of jointly controlled entities	615	13,740	11,452	5,106	30,913
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>

### 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
<b>Six months ended 30th</b>					
<b>June 2009 (Restated)</b>					
Total revenue	312,336	84,640	54,646	-	451,622
Inter-segment revenue	(876)	(28,513)	(1,200)	-	(30,589)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>Revenue (from external customers)</b>	<u>311,460</u>	<u>56,127</u>	<u>53,446</u>	<u>-</u>	<u>421,033</u>
<b>Segment profit before income tax expense</b>	10,159	30,224	23,110	8,542	72,035
Income tax expense	(1,695)	(3,227)	(3,159)	(3,151)	(11,232)
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Segment profit after income tax expense	<u>8,464</u>	<u>26,997</u>	<u>19,951</u>	<u>5,391</u>	<u>60,803</u>
<b>Segment profit before income tax expense includes:</b>					
Finance income	962	567	10	3,506	5,045
Finance cost	-	(189)	-	(160)	(349)
Depreciation and amortisation	(3,717)	(12,118)	(503)	(508)	(16,846)
Share of profits less losses of jointly controlled entities	<u>535</u>	<u>18,014</u>	<u>6,246</u>	<u>11,733</u>	<u>36,528</u>

### 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
<b>As at 30th June 2010</b>						
<b>Total segment assets</b>	492,144	1,421,419	393,131	815,978	(514,028)	2,608,644
Total segment assets include:						
Jointly controlled entities	27,113	182,946	214,312	128,392	-	552,763
<b>Total segment liabilities</b>	(385,626)	(470,282)	(73,891)	(479,336)	514,028	(895,107)
<b>As at 31st December 2009 (Restated)</b>						
<b>Total segment assets</b>	468,490	1,351,276	367,285	945,703	(489,056)	2,643,698
Total segment assets include:						
Jointly controlled entities	26,315	190,178	201,311	129,808	-	547,612
<b>Total segment liabilities</b>	(357,886)	(413,332)	(85,003)	(606,776)	489,056	(973,941)

#### 4. Trade and other receivables

The normal credit periods granted by the Group to its 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:

	<b>As at 30th June 2010 HK\$'000</b>	<b>As at 31st December 2009 HK\$'000 (Restated)</b>
Within 3 months	146,517	117,454
4 to 6 months	1,060	841
7 to 12 months	515	834
Over 12 months	3,840	4,249
	<hr/>	<hr/>
	151,932	123,378
Less: Provision for impairment	(4,211)	(4,122)
	<hr/>	<hr/>
	147,721	119,256
	<hr/> <hr/>	<hr/> <hr/>

#### 5. Trade and other payables

The ageing analysis of the trade payables is as follows:

	<b>As at 30th June 2010 HK\$'000</b>	<b>As at 31st December 2009 HK\$'000 (Restated)</b>
Within 3 months	239,048	184,539
4 to 6 months	14	31,778
7 to 12 months	171	5,630
Over 12 months	2,222	1,313
	<hr/>	<hr/>
	241,455	223,260
	<hr/> <hr/>	<hr/> <hr/>

## 6. Costs and expenses by nature

	Six months ended 30th June	
	2010	2009
	HK\$'000	HK\$'000
		(Restated)
Amortisation of land use rights	2,448	1,719
Auditor's remuneration		
- audit services	804	803
- non-audit services	2,191	307
Costs of cargo transportation, handling, storage, container hauling and trucking	261,232	212,791
Depreciation of property, plant and equipment	21,888	15,075
Depreciation of investment properties	52	52
Operating lease rental expenses		
- vessels and barges	53,118	45,367
- buildings	7,552	8,609
Staff costs (including directors' emoluments)	85,004	73,099
Others	61,492	35,420
	<hr/>	<hr/>
Total cost of services rendered and general and administrative expenses	495,781	393,242
	<hr/> <hr/>	<hr/> <hr/>

## 7. Other gains/(losses) – net

	Six months ended 30th June	
	2010	2009
	HK\$'000	HK\$'000
Exchange gains/(losses), net	150	(1,880)
Gain on disposal of property, plant and equipment	663	352
Write-back of other payables	16,744	-
(Provision)/write-back of provision for impairment of trade receivables	(8)	14
Fair value loss on derivative financial instruments	-	(60)
	<u>17,549</u>	<u>(1,574)</u>

## 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 period.

PRC corporate income tax has been calculated on the estimated assessable profit for the period at the income tax rate of the PRC entities in the range from 22% to 25% (2009: 20% to 25%).

	Six months ended 30th June	
	2010	2009
	HK\$'000	HK\$'000
Current income tax		(Restated)
- Hong Kong profits tax	8,352	6,653
- PRC corporate income tax	3,569	1,428
Deferred income tax	1,600	3,151
	<u>13,521</u>	<u>11,232</u>

## 9. Dividends

On 31st August 2010, the board of directors declared an interim dividend of HK2 cents per ordinary share for the year ending 31st December 2010. This dividend declared is not reflected as a dividend payable in this consolidated interim financial information, 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 period.

	Six months ended 30th June	
	2010	2009 (Restated)
Profit attributable to equity holders of the Company (HK\$'000)	<b>68,189</b>	61,590
Weighted average number of ordinary shares in issue (thousands)	<b>900,000</b>	900,000
Basic and diluted earnings per share (HK cents)	<b>7.58</b>	6.84

The diluted earnings per share for the six months ended 30th June 2010 and 2009 is equal to the basic earnings per share as there are no potential dilutive ordinary shares in issue during both periods.

## 11. Capital commitments

	<b>As at 30th June 2010 HK\$'000</b>	<b>As at 31st December 2009 HK\$'000</b>
Contracted but not provided for in respect of:		
- Land use rights	46,379	53,151
- Property, plant and equipment	25,343	69,888
- Investment (note)	26,500	92,277
Authorised but not contracted for in respect of:		
- Property, plant and equipment	10,545	7,234
- Investment	5,588	-
	<u>114,355</u>	<u>222,550</u>
	<u><u>114,355</u></u>	<u><u>222,550</u></u>

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

	<b>As at 30th June 2010 HK\$'000</b>	<b>As at 31st December 2009 HK\$'000</b>
Contracted but not provided for	16,021	23,726
Authorised but not contracted for	3,782	1,953
	<u>19,803</u>	<u>25,679</u>
	<u><u>19,803</u></u>	<u><u>25,679</u></u>

Note:

The capital commitment for the investment contracted but not provided for as at 30th June 2010 represented the purchase of additional 20% equity interest in Zhaoqing New Port Co., Ltd. from its minority shareholders. The balance as at 31st December 2009 represented the outstanding investment of 65% equity interest in Guangzhou Nansha Chu Kong Terminal Company Limited.

## 12. 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”). Pursuant to the Agreement, the Company has undertaken to sell 20% of its equity interest in Chu Kong River Trade Terminal Co. Ltd. (“CKRTT”), a wholly-owned subsidiary of the Company, to CMHI. The selling price will be determined with reference to the appraised value issued by the valuer as recommended and recognised by the Company and CMHI. The Company and CMHI will jointly commence the appraisal exercise on the equity interest in CKRTT and will complete the procedure on assessment of consideration and share transfer within three months from the date of the Agreement. As at the date of this interim financial report, no other financial information regarding this undertaking is available.

### (b) Business acquisition

On 2nd August 2010, CKRTT entered into an agreement with Civet Zhuhai Investment Company Limited, pursuant to which CKRTT acquires 75% equity interest in Civet (Zhuhai Bonded Area) Logistics Company Limited (“Civet Logistics”) at an initial consideration, subject to adjustment, of RMB77,690,000 (equivalent to approximately HK\$89,299,000). The initial consideration will be adjusted with reference to the final audited results of Civet Logistics prepared in accordance with the generally accepted accounting principles in the PRC, subject to a cap of RMB15,000,000 (equivalent to approximately HK\$17,241,000).

The completion of the acquisition is subject to the approval by the related government authority in the PRC. As at the date of this interim financial report, such approval has not yet been obtained.

Upon completion, Civet Logistics will become a non-wholly owned subsidiary of CKRTT and the Company the results of which will be included into the consolidated financial statements of the Group.

# MANAGEMENT DISCUSSION AND ANALYSIS

## REVIEW OF OPERATIONS

For the six months ended 30th June 2010, the Group recorded a consolidated revenue of HK\$520,857,000, up by 23.7% as compared with the corresponding period last year. Profit attributable to the equity holders of the Company was HK\$68,189,000, up by 10.7% as compared with the corresponding period last year.

As the global economy continued to stabilise in the second half of 2009, and in particular, the PRC government's stimulus economic policy brought about positive impact, the transportation market in the Guangdong and Hong Kong areas gradually improved with correspondingly higher cargo throughput. Despite the current economy recovery, the global economy remained volatile due to the debt crisis in Europe. In addition, in China, the growth in industrial output, fixed assets investment and aggregate retail sales in recent months went down, and the growth in new bank loans and money supply was also slowing down, suggesting the economy is weakening. Any loss of momentum of China's economy would lead to a more sluggish global economy.

During the period, with the continuous growth in the global economy and newly injected passenger transportation business, the overall cargo throughput and profit of the Group recorded an increase, of which container and break bulk cargoes transportation volume recorded an increase of 22.9% and 29.1% respectively, and container and break bulk cargoes handling volume recorded an increase of 6.6% and 34.0% respectively. Due to higher international oil prices, the oil cost increased by more than HK\$1,593,000 or 70.9% over the same period last year, resulting in a lower gross operating profit margin of the Group for the period. The expenses for acquisition of passenger transportation business at HK\$4,990,000 also led to a rise in the other expenses. The subsidiaries engaging in freight-related business contributed 15.7% more profit to the Group comparing with the same period last year. Excluding the one-off expenses arising from the acquisition of passenger transportation business and the loss incurred by the new terminals last year (including Zhaoqing New Port Co., Ltd., Zhaoqing Chu Kong Logistics (Sihui) Co., Ltd. and Zhaoqing Chu Kong Cargo Terminals (Dawang) Co., Ltd.), such subsidiaries contributed 114.8% more profit to the Group. During the period, the profit from the Group's investment in jointly controlled entities involved in freight-related business recorded a decrease of 12.0% compared with the same period of last year. But generally, they continued to contribute profit to the Group. Due to a much higher depreciation charge of fixed assets, the profit of Guangzhou-Foshan Expressway decreased sharply and also led to a decrease of contribute profit to the Group. Consequently, the passenger transportation business segment (including subsidiaries and investment business) contributed profit of HK\$35,591,000 to the Group.

## I. CARGO TRANSPORTATION BUSINESS

Driven by the global economy recovery, the rise in international market demand stimulated corresponding increase in exports by Mainland China's factories. The higher domestic demand of the overall economy of Hong Kong resulted in a relative increase in cargo transportation business of the Group during the period.

### 1. Business Operation Indicators

Performance statistics of our major business operations are as follows:

Indicators	For the six months ended 30th June		Change
	2010	2009 (Restated)	
Container transportation volume (TEU)	422,542	343,111	23.1%
Container handling volume (TEU)	299,424	280,865	6.6%
Volume of container hauling and trucking on land (TEU)	61,025	70,351	-13.3%
Break bulk cargoes transportation volume (revenue tons) ( <i>Note</i> )	205,115	158,875	29.1%
Volume of break bulk cargoes handled (revenue tons)	527,460	393,692	34.0%
Import and export of shipping agencies business (voyages)	8,686	8,372	3.8%

*Note:*

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

## 2. Subsidiary and Investment Business

During the period, the economy continued to improve. Chu Kong Transshipment & Logistics Company Limited (“CKTL”) and Chu Kong Agency Company Limited took advantage of this recovery opportunity to expand marketing efforts, resulting in remarkable growth in the Company’s business as a whole in the first half of 2010. With increasing number of areas for cooperation and closer relationship between CKTL and other major shipping companies, the cargo source of Connected Carrier Agreement (“CCA”) increased significantly, which was the key factor driving the overall cargo transportation of CKTL. 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 among 30 category-2 ports having business with the Group in the Pearl River Delta region accounted for 20.8%, representing an increase of 7.8% over the 19.3% in late last year.

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 52.4% over the same period last year, its profit contribution to the Group increased by 154.0%.

The aggressive exploration of the Yunfu market by Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd. guaranteed a sharp increase in the company’s stones business for the period with an increase of 121.6% in break bulk cargo handling volume comparing with the corresponding period last year. However, as the business of containers for renewable resources recorded a significant drop comparing with the corresponding period last year, its profit contribution to the Group decreased by 95.3%.

Due to increasing business expansion, strengthened market exploration, enhanced internal management and cost control, Zhaoqing Chu Kong Logistics (Sihui) Co., Ltd. marked a turnaround in profitability and recorded profits for the period.

On 16th April 2010, the Company signed an agreement as to increase its shareholding in Zhaoqing New Port Co., Ltd. to 77%. 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 period, resulting in a loss of HK\$10,246,000 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 commenced for business, which would bring new foreign-trade cargo business 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.

Due to 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 declined and a loss instead of profit recorded for the corresponding period of last year. 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.

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\$997,000, down by 52.7%. In addition, the profit contributed by Shenzhen Yantian Port Chu Kong Logistics Co., Ltd. decreased by 36.1% due to its higher cost.

The container handling volume of Foshan New Port Ltd. increased by 19.9% and break bulk cargo handling volume decreased by 72.8%, contributing profit of HK\$6,701,000 to the Group, representing an increase of 4.8%. Chu Kong Air-Sea Union Transportation Company Limited reported a profit instead of a loss this period, contributing profit of HK\$1,913,000 to the Group due to increased cargo volume and effective cost control. Although the container and break bulk cargo handling volume of Dongguan Humen Great Trade Containers Port Co., Ltd. recorded a slight drop over the same period last year, the loss decreased by 28.7% because of stringent cost control. Following the completion of acquisition of the additional 22.5% equity interest in Foshan Nankong Terminal Co., Ltd. in the second half of 2009, the company contributed profit of HK\$4,096,000 to the Group, representing an increase of 127.6%.

The expansion project of some sections of Guangzhou-Foshan Expressway was completed and commenced operation at the end of last year and the toll traffic volume of Guangzhou-Foshan Expressway Ltd. in the first half year increased by 7.9% comparing with the same period last year. However, due to the expansion of Fo-Kai Expressway, the vehicles using the whole journey decreased, resulting in smaller growth in toll compared with traffic volume. Toll income recorded an increase of 3.3% over the same period of last year. As a result of increased depreciation charges after the expansion, the total profit dropped compared with the same period last year, resulting in a decrease of 63.5% in the profit attributable to the Group.

## II 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 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”).

### 1. Business Operation Indicators

Performance statistics of the major business operations are as follows:

	For the six months ended 30th June		
	Number of Passengers		
	(in thousands)		
	2010	2009	Change
Hong Kong urban routes agent	1,946	1,844	5.5%
Hong Kong airport routes agent	645	525	22.9%
<b>Total number of passengers for agency services</b>	<b>2,591</b>	<b>2,369</b>	<b>9.4%</b>
China Ferry Terminal services	2,816	1,611	74.8%
Hong Kong airport terminal services	1,061	887	19.6%
<b>Total number of passengers for terminal services</b>	<b>3,877</b>	<b>2,498</b>	<b>55.2%</b>

## **2. Investment Business 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, a 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 raise of facilities and services standard and it can also offset the increased operating cost.

During the period, although the number of transit passengers using SkyPier increased comparing with the same period last year, HKIAFTS recorded a net share of profit after tax for the Group of HK\$6,245,000, similar to that for the same period of last year due to 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\$3,127,000 and HK\$2,080,000 respectively. The total share of profit for these investments amounted to HK\$11,452,000.

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

## **EMPLOYEES**

As at 30th June 2010, the Group employed 462 employees in Hong Kong and remunerated its employees according to the duty of their positions and market condition. Other staff benefits for eligible employees include housing allowances, retirement benefits and bonuses etc.

## **LIQUIDITY AND FINANCIAL RESOURCES**

The Group monitors its liquidity and financial resources in an effort to maintain a solid financial position. As at 30th June 2010, the Group secured a total credit limit of HK\$4,390,000 and RMB90,000,000 (equivalent to approximately HK\$103,164,000) granted by bona fide banks.

As at 30th June 2010, the current ratio of the Group, represented by current assets divided by current liabilities, was 1.2 (31st December 2009 (restated): 1.2) and the debt ratio, represented by total liabilities divided by total assets, was 34.3% (31st December 2009 (restated): 36.8%).

As at 30th June 2010, the Group's cash and bank balances amounted to HK\$601,667,000 (31st December 2009 (restated): HK\$638,771,000), which represents 23.1% (31st December 2009 (restated): 24.2%) of the total assets.

As at 30th June 2010, the gearing ratio of the Group, represented by bank borrowings divided by total equity and bank borrowings, was 5.7% (31st December 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 30th June 2010, the Group had utilised bank loan facilities amounting to RMB90,000,000 (equivalent to approximately HK\$103,164,000) (31st December 2009 (restated): RMB39,000,000 (equivalent to approximately HK\$44,704,000)) which were fixed rate loans and secured by certain land use rights and property, plant and equipment of Zhaoqing New Port Co., Ltd..

## **CURRENCY STRUCTURE**

The Group had limited exposure to foreign exchange rate fluctuations as most of its transactions, including borrowings, were mainly conducted in Hong Kong dollars or Renminbi and the exchange rates of these currencies were relatively stable throughout the period.

## **CONTINGENT LIABILITIES**

As at 30th June 2010, there was no contingent liability relating to the Group. A 40% interest in a 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.

## **DIRECTORS' AND EXECUTIVES' INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION**

At 30th June 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 period, 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 period 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 corporations.

## **SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES OF THE COMPANY**

As at 30th June 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**

	<b>Number of Shares</b>
(i) CKSE	621,210,000
(ii) GPNHCL	621,210,000

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

Save as disclosed above, as at 30th June 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 period, 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 period.

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

The interim report of the Company for the six months ended 30th June 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](http://www.cksd.com)) in due course.

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members will be closed from 16th September 2010 (Thursday) to 20th September 2010 (Monday), both dates inclusive, during which no transfer of shares will be effected. In order to qualify for the interim 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 15th September 2010 (Wednesday) for registration. Interim dividend will be payable on or before 20th October 2010.

## **REVIEW BY AUDIT COMMITTEE**

The Company's Audit Committee and the Company's independent auditor, PricewaterhouseCoopers, have reviewed the unaudited interim financial information for the six months ended 30th June 2010.

## **CORPORATE GOVERNANCE**

The Company has adopted the provisions of the Code on Corporate Governance Practices (the "Code") as the principles for its corporate governance since 1st January 2005, and partially adopted and complied with the guidance of the recommended best practices based on its actual needs for the corporate governance.

In the opinion of the Directors, the Company has complied with the Code as set out in Appendix 14 of the Listing Rules throughout the accounting period covered by the interim 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 (the “Model Code”) as set out in Appendix 10 to the Listing Rules. All directors have confirmed, following specific enquiry of all directors that they have fully complied with the required standard set out in the Model Code throughout the period under review.

### **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 60, 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 will automatically cease to be a member of the Audit Committee of the Company.

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.

By Order of the Board

**Yang Bangming**

*Managing Director*

Hong Kong, 31st August 2010