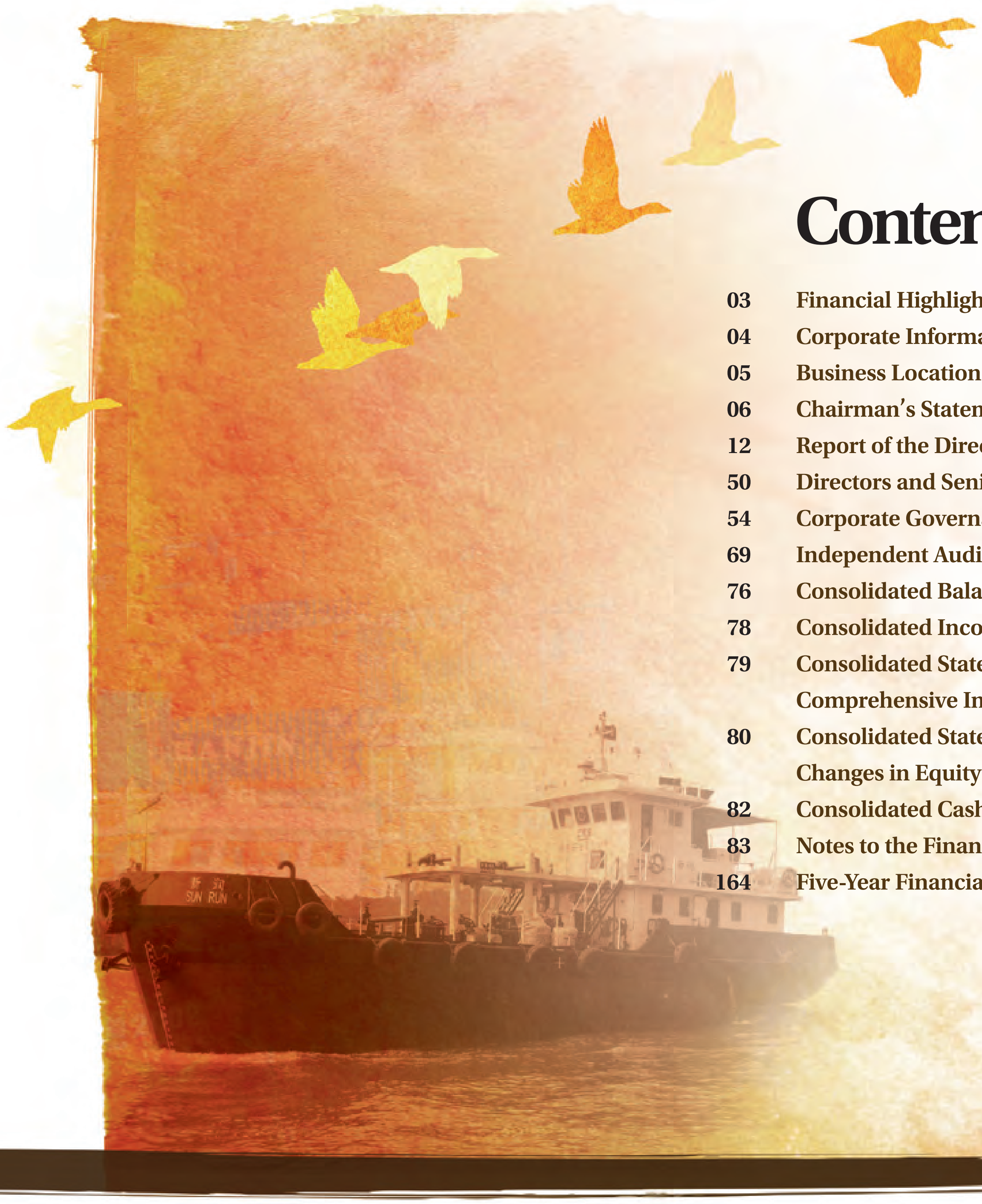
CHU KONG SHIPPING ENTERPRISES (GROUP) COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code : 00560

Annual Report 2016



Contents

Jointly Create *Fortune*
Jointly Enjoy *Achievements*

Chu Kong Shipping Enterprises (Group) Co., Ltd. ("CKSG") is building a higher level platform by actively improving the four main networks of marketing, terminals, transportation and information system based on the strategic position of "Based in Hong Kong, Backed by the Mainland, Facing the World". CKSG strives to have insight into the overall situation, occupy leading market position and expand the business all over the world.

We believe that CKSG will jointly create rich fortune, jointly enjoy great achievements and grasp the future with its stakeholders on the connected big arena of "Hong Kong, Mainland and the World".

		2016	2015 (Restated)	Change
Results				
Revenue	*HK$Million*	**2,381.9**	2,507.4	–5.0%
Operating profit	*HK$Million*	**278.6**	239.3	16.4%
Profit attributable to the equity holders of the Company	*HK$Million*	**321.8**	265.0	21.4%
Operating profit margin	*(%)*	**11.7**	9.5	23.2%
Financial Position				
Total assets	*HK$Million*	**4,024.2**	4,248.6	–5.3%
Total liabilities	*HK$Million*	**1,110.1**	1,144.4	–3.0%
Total equity	*HK$Million*	**2,914.1**	3,104.2	–6.1%
Cash and cash equivalents	*HK$Million*	**817.7**	912.8	–10.4%
Current ratio		**1.4**	1.7	–17.6%
Debt ratio	*(%)*	**27.6**	26.9	2.6%

Corporate Information

Executive Director

Mr. Xiong Gebing *(Chairman/Managing Director)*
Mr. Zeng He
Mr. Cheng Jie

Independent Non-executive Director

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

Executive Committee

Mr. Xiong Gebing
Mr. Zeng He
Mr. Cheng Jie

Audit Committee

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

Auditor

PricewaterhouseCoopers

Principal Banks

Bank of China (Hong Kong)
Nanyang Commercial Bank
Bank of East Asia
China Citic Bank International
HSBC
China Merchants Bank

Registrar

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Non-executive Director

Mr. Zhang Lei

Company Secretary

Ms. Cheung Mei Ki Maggie

Nomination Committee

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

Remuneration Committee

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

Registered Office

22nd Floor, Chu Kong Shipping Tower
143 Connaught Road
Central
Hong Kong

Business Headquarter

24th Floor, Chu Kong Shipping Tower
143 Connaught Road
Central
Hong Kong
Tel: (852) 2581 3799
Fax: (852) 2851 0389
Website: www.cksd.com

Business Location

Chairman's Statement

Mr. Xiong Gebing
Chairman

I am pleased to announce that Chu Kong Shipping Enterprises (Group) Company Limited (the "Company") and its subsidiaries (the "Group") recorded a consolidated revenue of HK$2,381,891,000 for the year ended 31st December 2016, representing a decrease of 5.0% over the same period last year. Profit attributable to the equity holders of the Company amounted to HK$321,771,000, representing an increase of 21.4% over the same period last year.

REVIEW AND OUTLOOK

In 2016, while taking proactive initiatives to address the adverse factors that affected its business development, the Group adhered to the strategy of prudent development, striving to explore the markets and strengthening its existing businesses. In addition, efforts were made to adjust corporate structure, strengthen management, enhance risk management and push ahead business transformation and upgrading. Seizing the opportunities arising from China's "One Belt, One Road" initiative, the Group made persistent effort to explore overseas markets, achieving excellent performance with improved business, increased profit and safe operation.

Regarding the terminal navigation logistics business, the Group proactively pushed ahead professionalised operation, enhanced the delicacy of management and leveraged on the resources advantage in river ports and terminals to extend the business into upstream and downstream sectors, so as to expedite our transition towards modern logistics. In 2016, despite that the total export and import value of foreign trade in Guangdong and the container throughput volume in Hong Kong decreased by 0.8% and 1.3% respectively, the Group achieved trend-bucking growth in its terminal navigation logistics business.

The growth in our terminal navigation logistics business volume was attributable to the four measures we have implemented: Firstly, the regional management was implemented for the terminal resources network at the Pearl River Delta to promote competitive strength. Of which, business in Jiangmen region, Zhuhai region and Hong Kong grew by 27.4%, 9.3% and 6.6% respectively. Secondly, the Group stepped up its effort in exploring integrated logistics projects and overseas logistics business, and has won outsourced warehousing and logistics transportation contracts from a number of well-known industrial groups. The Group also continued to expand its overseas business network. Following the establishment of branch companies in Singapore and Malaysia, the Group is actively pushing forward the preparation works for establishing a branch company in Thailand. Thirdly, the Group sped up the construction and renovation of logistics bases, terminals and warehouses, consolidating our resources advantage for future development. The Group implemented non-insitu land exchange for Tuen Mun Godown Wharf in Hong Kong, achieving seamless migration of business between the original and the new wharves, which further enhanced our unique advantage in owning our private cargo wharf in Hong Kong. Huangpu Terminal in Zhongshan had obtained foreign trade port license and was officially put into operation at the end of the year. Fourthly, the Group implemented the "Internet + Logistics" strategy. By completing the development of the transhipment business system and bonded warehousing business system and pushing forward the upgrade of the terminal system, the Group strived to streamline business process by implementation of information systems, so as to improve efficiency and achieve connection with the information systems of our business partners. In 2016, the Group recorded a container handling volume of 1,400,000 TEU, representing an increase of 2.5% over the same period last year, and a container transportation volume of 1,452,000 TEU, representing an increase of 5.3% over the same period last year.

Regarding the high-speed waterway passenger transportation in Guangdong, Hong Kong and Macau, the Group achieved improvement in its service quality and profitability for the passenger transportation segment. The CKS brand was granted the "Hong Kong Top Service Brand Award", marking a further improvement of our brand influence in Hong Kong.

In 2016, adhering to its branding strategy, the Group proactively implemented the strategies of transiting towards tourism passenger transportation and leading the replacement of ferries. Firstly, the Group continued with the integration of route resources. The Group pushed forward the all–scale cooperation with Nansha Ferry Terminal in the operation of intermediate ports, establishing two routes between Guishan Island and the Hong Kong China Ferry Terminal and between Zhuhai and Tuen Mun. Secondly, the Group enhanced the cooperation with the tourism sector to integrate our passenger transportation ticketing business with tourism, so as to enhance marketing promotion and expand sales channels. Chu Kong Passenger Transport Company Limited ("CKPT") cooperated with Airport Authority Hong Kong, airline companies, theme parks and tourist attractions to launch the "All-in-one ticket", which offers a package covering both ferry tickets and tourism products. Chu Kong High-Speed Ferry Company Limited continued to maintain strong cooperation relationship with CotaiJet. Thirdly, the Group implemented the "Internet + High-speed passenger transportation" strategy. The Group invested and established subsidiary engaging in e-commerce business, and pushed forward connection with the systems of internet companies and airline companies to deepen its cooperation with them in ticket sales, in an effort to build a platform for integrated marketing of waterway transportation and tourism products. Fourthly, the Group assisted ship owners in replacement of ferries, and implemented the "One Belt, One Road" reaching-out strategies. The first carbon fiber high-speed passenger ferry "Jin Zhu Hu" in Asia was introduced for the route connecting Lianhuashan Port and the urban areas in Hong Kong, which provides better performance in terms of energy conservation, efficiency and environmental protection as compared with ferries made of aluminum alloy, enjoying technology advantage in respect of the high-speed passenger transportation ferry in Guangdong and Hong Kong. The Group assisted ship owners to extend their business presence covering the "One Belt, One Road" route, and actively explored cooperation opportunities for waterway tourism passenger transportation in Thailand, Cambodia, India, Saipan and other countries and regions to exploit the overseas tourism passenger transportation market.

Regarding the complementary businesses, Sun Kong Petroleum Company Limited ("Sun Kong Petroleum") successfully renewed its oil supply project with the Hong Kong China Ferry Terminal and won the contract for supplying oil to the fleet of CotaiJet. In addition, Cotai Chu Kong Shipping Management Services (Macau) Company Limited ("Macau Cotai") successfully renewed the contracts of facility maintenance services and passenger services for the Taipa Temporary Ferry Terminal and the Inner Harbour Ferry Terminal.

Regarding the capital operation, the parent company continued to inject quality and profitable assets into the Company. During the year, the Company completed the acquisitions of Sun Kong Petroleum and Macau Cotai, which were held by the parent company, at the consideration of HK$252 million.

The Group continued to enhance its corporate governance and its transparency in accordance with the latest requirements of the Rules (the "Listing Rules") Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "SEHK"), which boosted the market and the strategic investors' confidence in us.

In 2017, with the ongoing lack of momentum of the global economic recovery, the global shipping market downturn will continue. With the upcoming opening of the Hong Kong – Zhuhai – Macau Bridge, the new transportation landscape will bring not only challenges but also new opportunities. Sticking to the guideline of "reforming and innovating, consolidating existing businesses, developing new business, bolstering weak spots and creating new drivers", the Group will continuously optimise its network topology, improve its business model, acquire important resources and implement internal innovation and external expansion, so as to pursue for new development. Firstly, the Group will optimise its terminal navigation logistics business. The Group will consolidate its Hong Kong transhipment base and speed up the construction of the Tuen Mun integrated logistics base. In addition, the Group will develop the Civet Port logistics base into

the logistics "bridgehead" of the Hong Kong – Zhuhai – Macau Bridge, so as to gain synergistic advantage of warehousing and storage between Guangdong and Hong Kong. Secondly, the Group will strengthen its waterway passenger transportation business. The Group will accelerate the replacement of existing ferries with carbon fiber high-speed ferries, so as to gain leading technical and brand advantages in the high-speed passenger transportation market in Guangdong and Hong Kong. The Group will assist the ship owners to extend their business presence into the tourist transportation market in Southeast Asia, so as to expand the Group's overseas tourism passenger transportation business. Thirdly, The Group will improve its passenger and freight transportation e-commerce platform. The Group will develop and upgrade its high-speed passenger transportation management system and smart ports and terminals management system, so as to achieve connection with the systems of its partners and communication with upstream and downstream customers through information technology. Fourthly, the Group will strengthen its business and capital cooperation with large terminal companies in Shenzhen, Guangzhou and Hong Kong, and seize the opportunities arising from China's "One Belt, One Road" initiative to accelerate its overseas expansion.

RELATION WITH INVESTORS

With a strong emphasis on relation with investors as always, the Group has strived to ensure communications between various investors and management of the Company. During the year, a number of roadshows and performance presentations were held for the institutional investors. The Company warmly greeted investors who interviewed the Company and disclosed information accurately according to the principles of corporate governance. I firmly believe that the ongoing effective communication with the investors will improve the management's transparency and the level of corporate governance of the Company, as well as continuously create value for the shareholders.

APPRECIATION

The year 2017 marks the 20th public listing anniversary of the Company. On behalf of the board of directors of the Company (the "Board"), I would like to give my heartfelt thanks to all shareholders, business partners as well as all stakeholders for their continuous support to the Company's development. Meanwhile, I would also like to express my sincere appreciation to all staff for their dedication. Taking the 20th anniversary as a new beginning point, the Group will continue to adhere to our initial objectives and move forward to create value for our shareholders, with an aim to contribute to the economic development of Guangdong, Hong Kong and Macau and serve the society.

Xiong Gebing
Chairman

Hong Kong, 30th March 2017

Report of the Directors

The directors of the Company (the "Directors") are pleased to present their report together with the audited consolidated financial statements of the Group for the year ended 31st December 2016.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL OPERATIONS ANALYSIS

The Company's principal business is investment holding, focusing mainly on terminal navigation logistics, high-speed waterway passenger transportation and fuel supply business. The Group establishes its freight industry based on a number of freight terminal enterprises in Guangdong and Hong Kong, and mainly engages in cargo canvassing, feeder transportation, vessel agency, wharf handling, warehousing and storage, which provide a complete supply chain of terminal and navigation logistics. Another major business of the Group, the high-speed waterway passenger transportation is based in Guangdong, Hong Kong and Macau, and has developed into the largest operation agent of high-speed waterway passenger transportation. The new businesses launched during the year included fuel supply business and other businesses, covering provision of diesel and lubricants for passenger ferries and cargo vessels in Hong Kong, as well as provision of operation and management of facilities maintenance services for terminals of government in Macau.

Apart from the aforesaid new businesses, there were no other significant changes in the principal activities of the Group during the year.

An analysis of the Group's performance for the year by operating segments and geographical locations is set out in note 5 to the financial statements.

REVIEW OF OPERATIONS

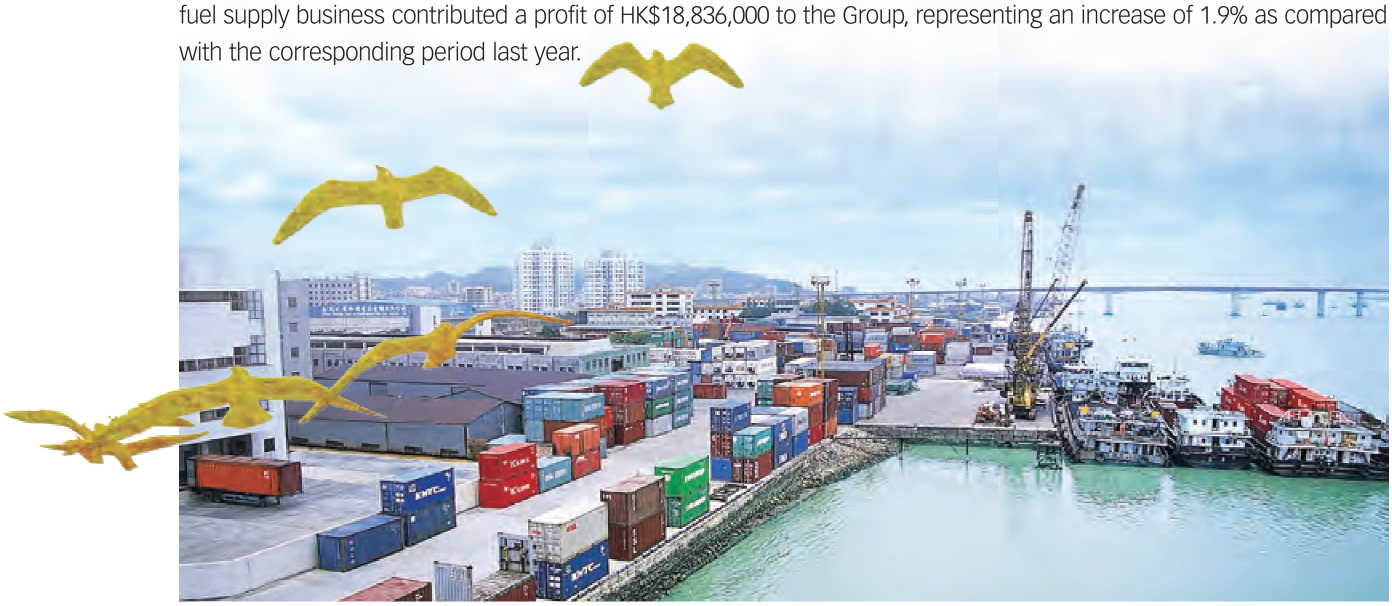
For the year ended 31st December 2016, the Group recorded a consolidated revenue of HK$2,381,891,000, representing a decrease of 5.0% over the same period last year. Profit attributable to the equity holders of the Company amounted to HK$321,771,000, representing an increase of 21.4% over the same period last year.

In 2016, the economic recovery remained slow due to the cold winter experienced by the real economy, the frequently reported Black Swan events, and the continued global economic downturn. Meanwhile, China's economic development entered into a new normal state, showing new features of lower growth rate and structural transformation and upgrading. Affected by various factors such as sluggish global economy, continued depreciation of Renminbi and changes in the social, political and economic climate in Hong Kong, both the volume of cargo and passenger waterway transportation between Guangdong and Hong Kong continued to fall. In the face of more complicated political and economic environments both at home and abroad, the Group made strenuous efforts to overcome these challenges, adhered to professionalised operation, fostered strengths and circumvented weaknesses, so as to maintain stable performance in its major businesses.

Regarding the terminal navigation logistics business, the Group leveraged on professionalised operation, utilised the advantage of "Consolidated CKTL" platform and achieved trend-bucking growth of its major businesses amid the overall downturn. For cargo handling business, benefiting from the increase in the number of containers from foreign trade, the container handling volume recorded 1,400,000 TEU, representing a year-on-year increase of 2.5%. As the terminals of the Group stepped up their efforts in exploration of break bulk cargo business, break bulk cargo handling volume recorded 1,578,000 tons, representing a year-on-year increase of 14.7%. During the year, the container transportation volume recorded 1,452,000 TEU, representing a year-on-year increase of 5.3%, while the break bulk cargo transportation volume achieved 287,000 tons, representing a year-on-year decrease of 19.0%, as affected by the diversion of cargo and the trend of containerisation. The volume of container hauling and trucking recorded 285,000 TEU, representing a year-on-year increase of 16.8%.

Regarding the passenger transportation business, as affected by various factors such as the buoyant tourism market in the neighboring countries, continuous depreciation of Renminbi and decreasing number of visitors to Hong Kong, the passenger transportation business indicator dropped. During the year, the total number of passengers for agency services was 6,217,000, representing a year-on-year decrease of 5.9%. The number of passengers for terminal services was 6,625,000, representing a year-on-year decrease of 11.8%.

The terminal navigation logistics business contributed a profit of HK$167,166,000 (including the recognition of a disposal gain of a parcel of land located in Tuen Mun by HK$52,784,000) to the Group, representing an increase of 50.0% as compared with the corresponding period last year. The passenger transportation business contributed a profit of HK$128,473,000 to the Group, representing a decrease of 3.1% as compared with the corresponding period last year. The fuel supply business contributed a profit of HK$18,836,000 to the Group, representing an increase of 1.9% as compared with the corresponding period last year.



I. TERMINAL NAVIGATION LOGISTICS BUSINESS

Capitalising on the competitive resources, the Group continued to improve its operation efficiency during the year, achieving stable performance in most of the major business indicators.

1. Cargo Transportation Business

Business Operation Indicators

Performance statistics of our major business operation indicators are as follows:

	For the year ended 31st December		
Indicators	**2016**	2015	**Change**
Container transportation volume (TEU)	**1,452,066**	1,378,337	5.3%
Break bulk cargoes transportation volume (revenue tons)	**286,859**	354,099	–19.0%
Volume of container hauling and trucking on land (TEU)	**285,411**	244,415	16.8%

Subsidiaries

The Group continued to promote professionalised operation of "Consolidated CKTL" and the business of Chu Kong Transhipment & Logistics Company Limited ("CKTL") remained stable. The container transportation volume for the year recorded 1,452,000 TEU, representing a year-on-year increase of 5.3%, mainly contributed by the container transportation of the Nansha domestic liner, Shenzhen domestic liner and the domestic transhipment of empty containers. For the break bulk cargo transportation, the break bulk cargo transportation volume for the year recorded 287,000 tons, representing a year-on-year decrease of 19.0%.

Regarding the freight forwarding business, CKTL actively exploited overseas markets, stepped up efforts in exploring the cargo sources to be exported to Singapore and Malaysia as well as reaching a cooperation intention with the business partners in Thailand and obtaining the approval for establishing a freight forwarding company in Thailand.

Regarding the air freight business, Chu Kong International Airfreight Company Limited proactively explored local airfreight market and has become the agency for Hong Kong Airlines (HX) with routes covering China, East Asia, Southeast Asia, Australia and other countries and regions, and especially routes to and from Shanghai, China (PVG) and Taipei (TPE). Due to its outstanding performance, the company has won recognition from its peers in the industry and support from the customers.

2. Cargo Handling and Storage Business

Business Operation Indicators

Performance statistics of our major business operation indicators are as follows:

	For the year ended 31st December		
Indicators	**2016**	2015	**Change**
Container handling volume (TEU)	**1,400,124**	1,365,864	2.5%
Volume of break bulk cargoes handled (revenue tons)	**1,577,880**	1,375,912	14.7%

Subsidiaries

CKTL continued to push forward the upgrade of integrated logistic business and extend the logistics service chain with remarkable results achieved. During the year, CKTL actively explored integrated logistics projects and break bulk cargo business, and was again re-awarded the contract of the Hong Kong airplane work warehousing project and also carried out the project on fixed-point/fixed-line delivery service on the airside of the Hong Kong airport to meet the needs for emergency replacement of airplane tires at the airport. CKTL successfully expanded the service scope of the integrated logistics project (cigarette category) jointly undertaken with Dragon Power Group Holdings Limited（津龍集團控股有限公司）. CKTL has also smoothly completed the land exchange for Tuen Mun Godown Wharf, and commenced the construction of the new godown wharf project, achieving seamless migration from the old godown wharf to the new one. In addition, CKTL participated in No.1141 subway transportation project of MTR Shatin to Central Link jointly undertaken with COSCO Logistics (Kunming) and COSCO (H.K.) Shipping, as well as the transportation of bridge components at the Liantang Section jointly undertaken with SINOWAY.

The overall performance of the business of the terminals in Zhuhai region was outstanding. During the year, the total container handling volume of the two terminals in the region amounted to 252,000 TEU, representing a year-on-year increase of 9.3%. Civet Port continued to maintain a strong growth momentum in its container business, and recorded a container handling volume of 193,000 TEU during the year, representing a year-on-year growth of 16.1%; among which, significant increase was recorded in import and export volume of containers and handling volume of break bulk cargo. Civet Port maintained stable customer sources through enhanced marketing efforts, and actively strengthened communications with joint inspection regulators to gain policy support. Civet Port accelerated the renovation of the new warehousing land project, and successfully passed the completion inspection and acceptance during the year, which will be beneficial to the port transformation and upgrading. Affected by the reduction in production by the major customers, Zhuhai Doumen Port recorded a container handling volume of 59,000 TEU during the year, representing a year-on-year decrease of 8.4%. The port successfully developed a new customer – Gree Electric Appliances, established the "Doumen Port – Yantian Port" domestic liner, and cooperated with Civet Port in launching the trailer supporting business to diversify the business models and create new profit growth drivers.

Due to the domestic economic downturn, the container handling volume in Zhaoqing region decreased. A container handling volume of 305,000 TEU was achieved in Zhaoqing region during the year, representing a year-on-year decrease of 6.0%. The container handling volume of Zhaoqing New Port in the region amounted to 129,000 TEU, representing an increase of 13.3% as compared with the corresponding period last year. Driven by the renewable resources and businesses from new customers, the export volume of port foreign trade recorded significant increase, while the break bulk cargo handling volume recorded a substantial increase on a year-on-year basis, which was mainly due to the diversion of certain bulk coal and limestone cargo sources to Zhaoqing New Port as a result of enhanced supervision over the domestic trade terminals along Xijiang River by Zhaoqing municipal government. Due to the prolonged impact from the traffic control over Xijiang River Bridge, the container handling volume of domestic and foreign trade business at Zhaoqing Kangzhou Port recorded dramatic decrease. The port leveraged on its geographic advantage to attract new customers and made vigorous efforts in developing new businesses, achieving an increase in the break bulk cargo volume from domestic trade as compared with the corresponding period last year. Due to the land transportation overloading prevention measures, the container handling volume at Zhaoqing Sihui Port was basically the same as last year, and the volume of container hauling and trucking recorded a slight decrease year-on-year. Affected by the economic downturn, the container handling volume at Zhaoqing Gaoyao Port recorded a slight decrease year-on-year. However, the port took active measures to address the challenges and risks by focusing on developing a specialised terminal for stone materials, grasping the opportunity arising from weight restriction on highways to expand its customer base, innovatively launching the "water-to-water" mode for domestic trade vessels and explored the emerging stainless steel import business to attract more customers, thereby achieving a substantial year-on-year increase in the break bulk cargo handling volume.

Gaoming Port of Foshan recorded a container handling volume of 385,000 TEU during the year, representing a slight increase of 2.2%. Faced with the domestic economic downturn and fierce competition from the surrounding terminals, Gaoming Port coped with these challenges with a series of proactive measures, maintaining stable performance in the import and export business. Under the support from the policy department and the customers, Gaoming Port successfully pushed forward the "water-to-water" business during the year, and launched the maiden voyage in July. In addition, Gaoming Port also carried out upgrade and transformation to its existing equipment, significantly improving the operating efficiency of the port.

The container handling volume of Qingyuan Port amounted to 29,000 TEU during the year, representing a year-on-year decrease of 1.0%. Since the resumption of service, the factory trade and renewable resources cargo businesses of Qingyuan Port recorded a strong growth. However, due to the abortion of the policy that foreign trade vessels enjoy privilege gate service at the river lock of Beijiang Hydro-Junction during the first half of the year and the shortened operation period due to closure of navigation for overhaul during the second half of the year, the businesses of the port were heavily hit. Qingyuan Port has made in-depth communication with the relevant governmental authorities. In addition, Qingyuan Port continued to push forward the manifest distribution business model between Nansha and Qingyuan, and vigorously promoted the new business model through communications with various joint inspection regulators and the customers, in a bid to enhance competitiveness of the port.

After completion inspection and acceptance by the joint inspection regulators, Zhongshan Huangpu Port was open to navigation on 28th December 2016. The port kicked off to a good start during the year. Huangpu Port will spare no effort to expand business, introduce large liners and develop large customers, with an aim to realise profit as soon as possible.

Chu Kong Air-Sea Union Transportation Company Limited has made smooth transfer of the land at Marine Cargo Terminal back to the Airport Authority Hong Kong during the year, and the relevant business has been gradually transferred to other cargo working areas, such as Tuen Mun Godown Wharf and Yau Ma Tei to achieve seamless migrations of business and customers.

Joint Ventures and Associates

The performance of the operating businesses of the joint ventures and associates of the Group were mixed. During the year, significant growth was recorded for the terminals in the Jiangmen region, which included Guangdong Sanbu Passenger and Freight Transportation Co., Ltd. and Heshan County Hekong Associated Forwarding Co., Ltd.. A total container handling volume of 257,000 TEU was recorded, representing a year-on-year increase of 27.4%. Among which, Sanbu Port finetuned its market strategy and leveraged on its advantages in both its strong service integration capability and provision of regular barge services, so as to consolidate its local import and export cargo sources. Sanbu Port also actively developed cargo sources in the surrounding regions such as Enping and Taishan, gradually perfecting the infrastructure construction and logistics distribution service system of the port, and vigorously expanded cargo sources such as dry cargo container and refrigerated container, achieving a container handling volume of 135,000 TEU during the year, which represented a year-on-year increase of 15.5%. However, due to the decrease in the handling volume of foreign trade containers which had a higher profit margin, profit for the year of Sanbu Port decreased significantly as compared with that of last year. Meanwhile, Heshan Port recorded a total container handling volume of 123,000 TEU, representing a year-on-year significant increase of 43.8%. Among which, reusable plastics and rubber wood businesses recorded strong growth. In addition, the port enhanced cooperation with other barge companies to enrich the routes, providing customers with more options of routes for import and export businesses.

During the year, the four terminals in the Foshan region, namely Foshan New Port Ltd., Foshan Nankong Terminal Co., Ltd., Chu Kong Cargo Terminals (Beicun) Co., Ltd. and Sanshui Sangang Containers Wharf Co., Ltd., achieved a total container handling volume of 511,000 TEU, representing a year-on-year increase of 5.0%. Because of the restatement of costs carried out by Foshan New Port Ltd. during the year, profit for the year recorded a substantial decrease as compared with that of last year. Zhong Shan Port Goods Transportation United Co., Ltd. achieved a container handling volume of 378,000 TEU, which was the same as that of the same period last year.

In respect of the terminal navigation logistics business, the joint ventures and associates contributed a profit of HK$30,375,000to the Group, representing a year-on-year decrease of 12.1%.

II. PASSENGER TRANSPORTATION BUSINESS

Business Operation Indicators

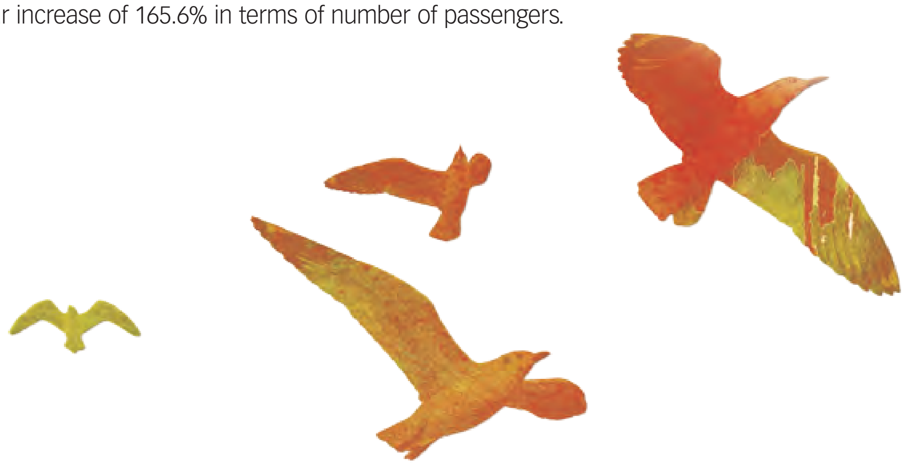
Performance statistics of the major business operation indicators are as follows:

	For the year ended 31st December Number of Passengers (in thousands)		
Indicators	**2016**	2015	**Change**
Number of passengers for agency services	**6,217**	6,607	–5.9%
Number of passengers for terminal services	**6,625**	7,514	–11.8%

Subsidiaries

Affected by various factors such as continuously strong wind and heavy fog weather in March and April, the buoyant tourism market in the neighboring countries and regions, the depreciation of Renminbi and the emergence of cross-border e-commerce business, the passenger transportation business was under downward pressure. During the year, the total number of passengers for agency services of CKPT was 6,217,000, representing a year-on-year decrease of 5.9%. The number of passengers for terminal services recorded 6,625,000, representing a year-on-year decrease of 11.8%. However, as benefiting from the lower oil prices and improvement in operation efficiency, the overall profit contribution by passenger transportation business remained stable, amounting to HK$128,473,000, representing a slight decrease as compared with that of the same period last year.

Regarding urban routes, the number of passengers for agency service recorded 4,055,000 during the year, representing a year-on-year decrease of 7.4%. The airport routes recorded a number of 2,162,000 passengers for agency service, representing a year-on-year slight decrease of 2.9%, mainly affected by the short-term impacts of domestic economic transformation and upgrade and the diversion of passenger sources due to the launch of additional international routes by the surrounding domestic airports. Despite of this, there were highlights in the performance of individual feeders of the airport routes. With the increase in the number of flights for the Macau airport routes, the number of passengers of the Macau routes recorded a year-on-year increase of 35.5%. Lianhuashan Port stepped up marketing efforts for the airport routes and increased the number of flights, achieving a year-on-year increase of 165.6% in terms of number of passengers.



Leveraging on the local ferry business platform, CKPT focused on promoting the middle to high-end tourism project "Victoria Harbour Tour", so as to speed up the localisation and diversity of its business. Adhering to the strategy of "tourism passenger transportation", CKPT integrated the tourism resources both at home and abroad, and carried out marketing and promotion activities to expand its customer base through cooperation with partners from the tourism industry, so as to promote transformation and upgrading of its existing businesses. CKPT continued to push forward the connection with the systems of internet enterprises and airline companies including Ctrip, Cathay Pacific and Hong Kong Express Airways, so as to lay a foundation for ticket agency cooperation. The relevant cooperation projects went online successively during the year. Moreover, CKPT actively implemented the "Internet +" strategy and enhanced its information system. CKPT made continuous efforts to improve the mobile ticketing platform "HEMA-WANG", and put into use a variety of supporting facilities such as self-service ticket machine, so as to optimise user experience and enhance the convenience of online platform. CKPT made great efforts to develop overseas business, implemented the "Go Overseas" strategy along the "One Belt and One Road" route, and extended its passenger transportation network and business presence, so as to further improve its brand recognition. At present, periodic progress has been achieved for a number of overseas projects.

Joint Ventures and Associates

During the year, SkyPier (operated by Hong Kong International Airport Ferry Terminal Services Limited) has served 2,599,000 passengers for terminal services, representing a year-on-year decrease of 9.1%. The number of passengers for agency services of Zhongshan – Hong Kong Passenger Shipping Co-op Co. Ltd. in Zhongshan and Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd. amounted to 935,000 and 539,000 respectively, representing a year-on-year decrease of 4.8% and 7.5% respectively. Despite the decrease in the total number of passengers, the joint ventures and associates of passenger transportation business contributed a profit of HK$62,252,000 to the Group, representing a slight year-on-year increase of 2.3%, which was attributable to the various measures implemented by these companies such as cost cutting and improvement of operation efficiency.

III. FUEL SUPPLY BUSINESS

As to the fuel supply business, Sun Kong Petroleum recorded a sales volume of diesel of 123,000 tons, representing a slight increase as compared to the corresponding period last year, which was mainly attributable to the oil supply project with CotaiJet, and a sales volume of engine oil of 569,000 litres, basically the same with that of last year. Sun Kong Petroleum has successfully obtained several key projects including the oil supply project with the Hong Kong China Ferry Terminal, ensuring the safe operation of oil supply business. In the future, Sun Kong Petroleum will consolidate and enhance cooperation of the major petroleum companies, strengthen communication with the government and proactively explore the engine oil transportation business.

Sun Kong Petroleum contributed a profit of HK$18,836,000 to the Group for the year.

IV. CORPORATE AND OTHER BUSINESSES

As to the corporate and other businesses, Macau Cotai became one of the qualified service providers of the dockyards of Macau Government by establishing long-term cooperation with the dockyards of Macau Government, and proactively explored new vessel maintenance business. Macau Cotai won three contracts in relation to the relevant vessel repair and maintenance project from Macau Government, successfully renewed the facility maintenance services and passenger services contracts for the Taipa Temporary Ferry Terminal and the Inner Harbour Ferry Terminal, and provided facility repair and maintenance and customer services for Outer Harbour Ferry Terminal.

During the year, the businesses of other subsidiaries, joint ventures and associates of the Group progressed well and experienced no unusual matters.

ENVIRONMENT, SOCIETY AND GOVERNANCE

The Group is determined to become a responsible enterprise, and is committed to improve its business. At the same time, the Group has been actively improving the local community environment and taking part in community activities. The Group seeks to fulfil its responsibility as a corporate citizen, and pay attention to the environment, resources utilisation and emissions in every aspect of its business as well as the active involvement in charity. The Board is of the opinion that a good environmental, social and governance framework is of great importance to the development of the Group. Apart from the pursuit of business growth, the Group is also constantly perfecting in sectors such as environmental protection, social responsibilities and corporate governance. Meanwhile, the Group also hopes to achieve and improve its social responsibility by enhancing corporate transparency.

For environment protection, the Group considers that the environment protection policy performed by it had received encouraging results during the year. During the year, the Group continued to adhere to the 3Rs principle (namely Reduce, Recycle and Reuse). For example, the Group proactively promoted the use of environmental-friendly paper, envelopes and other materials, in an effort to achieve paperless practice, energy conversation and low-carbon operation. The member companies of the Group also strictly abided by the Law on Prevention and Control of Environmental Pollution (《環境污染防治法》), the Clean Water Action Plan (《水十條》) and the Law on Prevention and Control of Environmental Pollution by Solid Waste (《固體廢棄物污染防治法》) and other relevant laws and regulations during the operation process, so as to ensure that the discharge and treatment of all kinds of pollutants met the standards as required by the relevant laws and regulations. The Group encouraged its member companies to improve utilisation efficiency of resources by reducing the use of fuel oil, water, electricity and other resources and improving the treatment of production waste to meet the discharge standards. For example, the Group promoted the substitution of fuel-powered terminal machinery with electrical-powered terminal machinery, the increasing use of electrical-powered equipment to replace fuel-powered equipment and reduction of CO2 emission. Meanwhile, the Group also promoted the substitution of high energy-consuming equipment with energy-saving and environmentally-friendly equipment, and regularly carried out inspection on machinery and equipment discharging pollutants to ensure the compliance of discharge standards. A sewage treatment system was built at Gaoming Terminal (which was controlled by the Group) and inspection was carried out on a regular basis.

Regarding laws and regulations, the Group endeavors to comply with the laws and regulations of the jurisdiction where its business belongs to, including but not limited to the relevant laws and regulations applicable to Hong Kong, Mainland China and Macau and operate in accordance with laws and regulations. During the reporting period, the Group operated its business in accordance with the requirements of the Guideline on Internal Control for Listed Companies (《上市公司內部控制指引》), Guidelines for Enterprise Internal Control (《企業內部控制基本規範》), the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the relevant rules promulgated by the State-owned Assets Supervision and Administration Commission of Guangdong Province, and made continuous efforts to improve and fine-tune its corporate governance structure. Through the general meetings, the Board, the independent directors system and procedural rules, the Group strived to ensure a clearly-defined responsibility system in its daily operation, transparent and open decision-making procedure and sound and effective internal control and feedback system. To the knowledge of the Group, there was no material change in relevant laws and regulations which could have a material impact on the business and operation of the Group during the year and the Group has complied with them in all material aspects without major default.

As for human resources, the Group pursues principles of equality, voluntariness and consensus and abides by people-oriented principle in affairs such as provision of employment opportunities, remuneration, training, performance assessment and promotion. In addition, the Group provided a smoke-free, healthy, well-equipped and safe office environment, in an effort to create a healthy and comfortable working environment for its employees. The Group also continued to provide sufficient training opportunities for its employees, enabling them to get a better understanding of the relevant business and industry development updates, enhance their awareness of standardised operation, as well as helping them to improve work performance and achieve self-value.

Customers and suppliers are one of the core of the Group's interests. The Group has always kept a good cooperative relationship with its customers and suppliers. As a corporate citizen, the Group focuses on identifying the key topic to the concern of both parties. Through establishing communication mechanism and intensifying information disclosure, actively communicating with key customers and suppliers through diversified channels, the Group gets to know their needs and takes corresponding and necessary measures. Through constructive communication, the Group tries to balance the opinions and interests of the stakeholders and then set the direction for the long-term development of the Group.

FINANCIAL REVIEW

Financial Management and Control

The Group consistently adopted a prudent financial policy. Fund management, financing and investment activities were all undertaken and monitored by the management of the Company.

Given the characteristics of the core business of the Group, emphasis of routine financial control management is placed on the management of working capital, particularly the timely receipts of trade receivables. As at 31st December 2016, net trade receivables of the Group amounted to HK$335,406,000, representing an increase of 5.3% as compared with last year, of which 91.3% of trade receivables was aged within 3 months. The exposure to bad debts was controlled at a comfortable level.

Review of Financial Results

The Group recorded a profit attributable to equity holders of the Company of HK$321,771,000, representing an increase of HK$56,767,000 or 21.4%, as compared with last year, details of which are as follows:

	2016 **HK$'000**	2015 HK$'000 (restated)	**Change** HK$'000
Net operating profit*	**229,123**	170,854	58,269
Share of profits less losses of joint ventures and associates	**92,648**	94,150	–1,502
Profit attributable to equity holders of the Company	**321,771**	265,004	56,767

* Net operating profit represents operating profit plus finance income, less finance cost, income tax expense and non-controlling interests (excluding share of profits less losses of joint ventures and associates).

The Group's share of profits after taxation less losses of joint ventures and associates for the year decreased by HK$1,502,000 or 1.6% from last year to HK$92,648,000. Among these, profit after taxation attributable to terminal navigation logistics business was HK$30,375,000 (2015 (restated): HK$34,540,000) and profit after taxation attributable to passenger transportation business was HK$62,252,000 (2015 (restated): HK$60,858,000).

Liquidity, Financial Resources and Capital Structure

The capital structure of the Group was constantly monitored by the Company. The use of any capital instruments, including banking facilities, by each subsidiary was under the central coordination and arrangement of the Company.

The Group keeps close track of its working capital and financial resources to maintain a solid financial position. As at 31st December 2016, the Group secured a total credit limit of HK$1,225,000,000 and RMB100,000,000 (equivalent to approximately HK$111,794,000) (2015: HK$554,000,000 and RMB100,000,000 (equivalent to approximately HK$119,360,000)) granted by bona fide banks.

As at 31st December 2016, the current ratio of the Group, represented by current assets divided by current liabilities, was 1.4 (2015 (restated): 1.7).

As at 31st December 2016, the Group's cash and cash equivalents amounted to HK$817,669,000 (2015 (restated): HK$912,794,000), which represented 20.3% (2015 (restated): 21.5%) of the total assets.

As at 31st December 2016, the gearing ratio of the Group, represented by bank borrowings divided by total equity and bank borrowings, was 8.7% (2015 (restated): 7.1%) and the debt ratio, representing total liabilities divided by total assets, was 27.6% (2015 (restated): 26.9%).

After considering its current 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 purposes. During the year, the Group did not use any financial instruments for hedging purpose.

Bank Loans and Pledge of Assets

Bank Loans	**As at 31st December 2016**	As at 31st December 2015
Banks located in Hong Kong (note 1)		
– Hong Kong Dollar	**200,000,000**	179,000,000
Bank located in China (note 2)		
– Renminbi	**68,763,000 (equivalent to approximately HK$76,873,000)**	48,333,000 (equivalent to approximately HK$57,690,000)

Notes:

1. The loans from banks located in Hong Kong in 2016 borne floating interest rate and were unsecured. The relevant terms of which are identical with those set out in 2015 Annual Report.
2. The loan from bank located in China in 2016 borne floating interest rate and was secured by the land use right of Zhongshan Huangpu Port. The relevant terms of which are identical with those set out in 2015 Annual Report.
3. Detailed analysis on bank loans is set out in note 23 to the financial statements.

Currency Structure

As at 31st December 2016, the Group deposited its cash and cash equivalents with several reputable banks, of which 30.0% (2015 (restated): 53.1%) were denominated in Hong Kong dollar ("HKD"), 63.4% (2015 (restated): 39.9%) in Renminbi ("RMB"), 4.7% (2015 (restated): 5.2%) in United States dollar ("USD") and 1.9%(2015 (restated): 1.8%) in Macau pataca, details are as follows:

	Amount HK$'000	**Percentage** %
HKD	245,708	30.0
RMB	518,079	63.4
USD	38,274	4.7
Macau pataca	15,608	1.9
	817,669	100

CAPITAL COMMITMENTS

Details of capital commitments of the Group are set out in note 35(a) to the financial statements.

The Group has sufficient financial resources, which includes cash and cash equivalents, cash from operating activities and available banking facilities, for the payment of capital commitments.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Details of information of subsidiaries, joint ventures and associates of the Group are set out in notes 10 and 11 to the financial statements respectively.

During the year, the Group completed the acquisitions of 100% equity interest in Sun Kong Petroleum from Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE"), the immediate holding company of the Company) as well as 100% equity interest in Macau Cotai from CKSE and Sportwise Development Limited (a wholly-owned subsidiary of CKSE). Sun Kong Petroleum and Macau Cotai became a direct wholly-owned subsidiary and an indirect wholly-owned subsidiary of the Company, respectively. Please refer to the announcement, supplemental announcement and circular of the Company dated 4th March 2016, 24th March 2016 and 29th March 2016 respectively for further particulars of the transactions. Save as disclosed in this annual report, the Group had no other material acquisition or disposal of any subsidiaries, joint ventures and associates for the year.

SIGNIFICANT INVESTMENT

As disclosed in the announcement of the Company dated 3rd August 2016, Chu Kong Warehouse Properties Co. Ltd. ("CKWP"), a wholly-owned subsidiary of the Company, agreed to surrender Section A of Tuen Mun Town Lot No. 320 to the government and the government agreed to regrant a lot to CKWP for a premium of HK$198,970,000. Save as disclosed in this annual report, there was no significant investment held by the Group for the year.

CONTINGENT LIABILITIES

As at 31st December 2016, the Group had no material contingent liabilities (2015: Nil).

FINANCIAL SUMMARY

A summary of the financial information of the Group for the last five financial years is set out on page 164 of this annual report. Such summary does not form part of the audited financial statements.

DIVIDENDS

The Directors have declared during the year an interim dividend of HK3 cents (2015: interim dividend of HK4 cents and interim special dividend of HK1 cent) per ordinary share, totaling HK$32,400,000 (2015: HK$54,000,000) and was paid on 31st October 2016. The Directors have proposed a final dividend of HK6 cents (2015: HK5 cents) per ordinary share for the year ended 31st December 2016, totaling HK$64,800,000 (2015: HK$54,000,000) to Shareholders whose names appeared on the register of members on 26th May 2017. The final dividend is expected to be paid in cash with an option to elect to receive wholly or partly an allotment and issue of new shares of the Company credited as fully paid in lieu of cash in respect of the proposed final dividend. Subject to the Shareholders' approval of the payment of final dividend for the year ended 31st December 2016 at the annual general meeting, details of the scrip dividend scheme will be set out in a circular to be despatched to the Shareholders.

To align with our mission to share our successes with the Shareholders, the Group has maintained a consistent dividend payout policy. With reference to the current cash and cash equivalents, the amount of dividends distributed in 2016 was HK9 cents per share, the percentage of total dividends over the profit attributable to equity holders of the Company (the "Dividend Coverage") decreased as compared with that of previous year. The Group's Dividend Coverage in the past five years was as follows:

	Dividends per share	**Total dividends**	**Profit attributable to equity holders of the Company**	**Dividend Coverage**
	HK$	HK$'000	HK$'000	
2012	0.045	40,500	135,825	29.82%
2013	0.075	67,500	190,918	35.36%
2014	0.080	72,000	221,268	32.50%
2015 (restated)	0.100	108,000	265,004	40.75%
2016*	0.090	97,200	321,771	30.21%

* Dividends per share for the year included a proposed final dividend of HK6 cents per share.

EMPLOYEES AND REMUNERATION

As at 31st December 2016, the Group employed 2,095 employees (2015 (restated): 2,105) and remunerated its employees according to the duty of their positions and the market conditions. The staff costs of the Group during this year amounted to HK$405,280,000 (2015 (restated): HK$388,873,000), such costs included basic salaries and staff benefits such as discretionary bonus, medical and insurance plans, pension scheme and share option scheme etc.. The Group will also provide trainings for staff from time to time in addition to the above staff benefits.

In respect of the standards for determining the remuneration of the Directors, please see the disclosures in "Remuneration of Executive Directors", "Remuneration of Non-executive Director" and "Remuneration of Independent Non-executive Directors" under the Corporate Governance Report of this annual report.

SIGNIFICANT RISKS AND UNSTABLE FACTORS

The operating results, financial position, business and corporate prospects of the Group may be affected by various risks and unstable factors. The following are the risks and unstable factors identified by the Group. Save as disclosed below, other risks that may become significant in the future but are unknown to the Group or are currently insignificant may exist.

Policy Risk

The principal operational and investment businesses of the Group are concentrated in Guangdong Province, Hong Kong and Macau, the operation of terminal navigation logistics business segment is distributed within Pearl River Delta region. The passengers of passenger transportation are mainly travelled between Hong Kong, Macau and Pearl River Delta region. Hence, domestic policy directions have significant impacts on the operation and development of terminal business and the number of passengers of passenger transportation. The Group pays close attention to the related policy trends, takes the initiative to communicate with government, studies the contents of new policies and assesses their influence on business, and makes timely adjustment on market strategies and operating arrangements, develops new markets and optimises the structures of cargo and passenger sources.

Market Competitiveness Risk

Regarding the terminal navigation logistics business, other than terminals operated by the Group, there are also terminals operated by other companies located around the main cargo source areas in Pearl River Delta region. The operating costs are higher for certain terminals operated by the Group as they are further away from the cargo source which weakens its competitiveness accordingly. With the continuous improvement of land transport network in Guangdong Province, Hong Kong and Macau, the Group confronts with land transport competitors in addition to the shipping competitors. The Group continues to understand the needs of its customers, formulates related services and prices on a timely basis, understands the advantages and weaknesses of competitors, enhances its quality of service and customer satisfaction, replaces price competitiveness with services, strengthens the cooperation of the overall supply chain with customers and increases interdependence. It will try to improve the efficiency and optimise the environment of immigration clearance for terminals in order to provide customers with a convenient and efficient transportation model.

Regarding passenger transportation business, the overall tourism industry are under-priced as a result of the continuous improvement of land transportation network in Guangdong Province, Hong Kong and Macau, reduction in land transportation cost and increased market competition, and the advantages of immigration clearance for water-way terminals are reduced as a result of optimisation in immigration clearance for land transportation. The Group promotes its cooperation and development in tourist passenger transportation through industry cooperation and exploits its overall advantages; extends efforts in mainland and overseas travel markets, actively develops more sales channels, and further enhances the existing terminal turnstile system to speed up the passenger clearance.

Economic Environment Risk

The Group's businesses have decreased accordingly as a result of declined economic environment, weakened consumers' confidence, reduced demand, decreased number of import and export goods by enterprises, and also decreased travel desire for individuals. The Group actively promotes the transformation and upgrading of the enterprise, and increases new growth points of income through business innovation.

Operation Facilities Risk

As part of the ferries of the routes that the Group acts as agency are approaching the term prescribed for mandatory scrapping, the malfunctioning rate has been increasing and such abnormal operation would affect the income of the Group. The Group has been proactively collaborating with ship owners to accelerate the replacement of new ferries and strengthen the regular maintenance and overhaul plans for ferries to ensure optimal operating status of ferries.

Safety Incident Risk

The terminal navigation logistics business in which the Group's subsidiaries have engaged is mainly operated by machines and workers at the wharf. Damaged goods, damaged machines and fatality and wounding of workers may be caused by machines' failure, or error or improper handling by operators. Personal injury or fatality incidents will also incur as a result of workers' failure to operate or porterage according to the rules and regulations and safety code or lack of experience when working at the wharf. The Group continuously strengthens machines maintenance management and safety inspection, conducts periodical inspection on machines and strengthens daily maintenance, and provides additional safety equipment and protective facilities. The Group enhances provision of regular training, job-based learning and propaganda towards employees to procure employees in every position to strictly execute and carry out the duties assigned to them, operational regulations and safety code, so as to improve employee's mentality on safety and prevention and operating skills.

The fuel supply business mainly involves the provision of fuel for vessels in Hong Kong. As all the fuel is stored in oil tankers, there involve safety risks in respect of management of fuel storage and warehousing. The Group, which strictly complies with the storage and warehousing management rules, has strictly conducted management and installed surveillance system, as well as regularly carried out inspections so as to mitigate such risks.

Exchange Risk

Currently, the ordinary operations and investments of the Group are concentrated in Guangdong Province, Hong Kong and Macau, with operating revenue and expenditure mainly denominated in HKD, as well as in RMB and USD. RMB revenue received in Mainland China may be used for payment of expenses and loan repayments of the Group which are denominated in RMB and 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. So long as the linked exchange rate system in Hong Kong with USD is maintained in the short term, it is expected that the Group will not be subject to relatively significant exchange risk.

CORPORATE STRATEGIES AND PROSPECTS

Focusing on the three core businesses, namely the terminal navigation logistics in Guangdong and Hong Kong, the waterway high-speed passenger transportation in Guangdong, Hong Kong and Macau and the local fuel supply services, the Group will continue to leverage on its resources and financial advantages to integrate the resources of logistics network at the Pearl River Delta region and vigorously develop integrated logistics business. In addition, seizing the opportunities arising from replacement of ferries and internet development, the Group will continue to assist ship owners to introduce new high-tech vessels to expand the Group's tourist passenger transportation business.

In 2017, with the lack of momentum of economic recovery, the global shipping market downturn will continue. The Group will speed up the transformation and upgrade of the terminal logistics business, with an aim to build Tuen Mun godown whalf and Civet Port into integrated logistics bases covering the Pearl River Delta region. In response to changes in the tourism market, the Group will push forward the localisation of the passenger transportation business, build an online tourism platform and seize the opportunities arising from the "One Belt, One Road" strategy to layout the passenger transportation market in the Southeast Asia. The Board and the management are optimistic about the long-term development of the Group in the future, and will endeavor to take on the challenges and opportunities arising in the coming year.

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

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

FUND RAISING ACTIVITIES DURING THE YEAR AND USE OF PROCEEDS

There was no fund raising activity held by the Group during the year.

SHARE CAPITAL

There were no changes in the share capital of the Company during the year. Details of the share capital of the Company during the year are set out in note 17 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and of the Company during the year are set out in note 19 and 39 to the financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31st December 2016, the Company's reserves available for distribution, calculated in accordance with the Part 6 of Hong Kong Companies Ordinance, amounted to HK$997,440,000 (2015: HK$914,988,000), of which HK$64,800,000 (2015: HK$54,000,000) has been proposed as final dividend for the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31st December 2016, the combined value of the Group's contracts with its five largest suppliers accounted for less than 30% of the total value of supplies purchased. The Group's five largest customers combined contributed less than 30% of its total revenue and other income during the year ended 31st December 2016.

DIRECTORS

During the year and up to the date of this report, the Directors were as follows:

Executive Directors:

Mr. Xiong Gebing (Chairman and Managing Director)
Mr. Zeng He
Mr. Cheng Jie

Non-executive Director:

Mr. Zhang Lei

Independent Non-executive Directors:

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

In accordance with the Articles of Association of the Company, Mr. Zhang Lei, Mr. Cheng Jie and Mr. Chow Bing Sing shall retire by rotation at the forthcoming annual general meeting and, being eligible, shall offer themselves for re-election at the meeting.

DIRECTORS OF SUBSIDIARIES

The names of all directors who have served on the boards of the subsidiaries of the Company (as included in the consolidated financial statements of the Company for the year ended 31st December 2016) from 1st January 2016 up to 30th March 2017 (being the date of approval of the Company's 2016 Annual Report) are available on the Company's website at www.cksd.com.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS

Save for the Share Option Scheme disclosed below, at any time during the year or at the end of 2016, neither the Company nor any of its subsidiary undertakings was a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of the Company or any other body corporate.

DIRECTORS' SERVICE CONTRACTS

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

Save as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without compensation other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Details of the Directors' and senior management's biographies are set out on pages 50 to 53 of this annual report.

Save as disclosed in the section "Directors' and senior management's biographies" of this annual report, none of Directors has any other relationship with any Directors, senior management, substantial Shareholders or controlling Shareholders.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST-PAID EMPLOYEES

Details of the remuneration of Directors (on a named basis) and the five highest-paid employees are set out in note 40 and 33 to the financial statements, respectively.

SECURITIES TRANSACTIONS AND INTERESTS HELD BY THE DIRECTORS

Adoption of Model Code for Securities Transaction by Directors

The Company has adopted a code of conduct prescribing standards and requirements no less than that required by the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct of Directors for conducting securities transactions. All Directors have confirmed, following specific enquiry of all Directors that they have fully complied with the required standards set out in the Model Code in relation to such transactions during the accounting period covered by this annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 31st December 2016, interests or short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO; or were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are deemed or taken to have under such provisions of the SFO); or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

Share Options (Long Positions)

Name of Directors	Capacity	Number of underlying shares involved under share options	Percentage to the issued shares of the Company (Note 1)
Mr. Xiong Gebing	Beneficial owner	241,000	0.0223%
Mr. Zeng He	Beneficial owner	201,000	0.0186%
Mr. Cheng Jie	Beneficial owner	201,000	0.0186%
Mr. Zhang Lei	Beneficial owner	201,000	0.0186%
		844,000	0.0781%

Note 1: Percentage of shareholding is calculated on the basis of 1,080,000,000 issued shares of the Company as at 31st December 2016.

Save as disclosed above, as at 31st December 2016, the Company has not been notified of any interests or short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO; or were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

EQUITY-LINKED AGREEMENT

Share Option Scheme

In accordance with the share option scheme (the "Share Option Scheme") approved and adopted on the general meeting of the Company held on 8th December 2015 (the "Adoption Date"), the Board may grant share options to the incentive objects in accordance with the terms and conditions stipulated in the Share Option Scheme upon satisfaction of the specified conditions by the Company and the incentive objects.

Details of the Share Option Scheme are disclosed in the circular of the Company dated 23rd November 2015, the main details of which are as follows:–

Purposes

The purposes of the Share Option Scheme are to:

(1) enhance Shareholders' value and safeguard the interest of the stakeholders;

(2) optimise the reform of the remuneration system of the Company to form a profit sharing and risk sharing mechanism between the Company and its employees, and to effectively motivate the incentive of the senior management and key personnel of the Company;

(3) assist the management of the Company to balance short-term and long-term objectives and assist the strategic realisation and long-term sustainable development of the Company; and

(4) attract and retain quality management and key business personnel to ensure the long-term development of the Company.

Incentive Objects

The grantees of share options shall, in principle, include the senior management including the chairman, Directors (excluding independent non-executive Directors), general manager, deputy general manager, financial controller, secretary to the Board, assistant to general manager and other members of the management of the same rank and taking executive positions of the Company and its subsidiaries.

Any grant of share options to Directors, chief executives or substantial Shareholders or their respective associates by the Company shall be subject to the approval from the independent non-executive Directors.

Conditions of Grant of Share Options

The Board may only grant share options to the incentive objects in accordance with the Share Option Scheme upon satisfaction of the following conditions by the Company and the incentive objects:

(1) None of the following circumstances has occurred to the Company:

1. a qualified opinion by or inability to provide an opinion by the auditor in the auditor's report in the issued financial and accounting report for the most recent accounting year;

2. imposition of administrative penalties by the regulatory authorities during the most recent year due to material non-compliance of laws and regulations; and

3. other circumstances that in the opinion of the Stock Exchange would render the implementation of the Share Option Scheme impossible.

(2) According to the measures on the performance appraisal of the Company, the performance appraisal on the proposed incentive objects in the preceding financial year prior to the initial grant of share options must reach pass grade or above.

(3) None of the following circumstances has occurred to the incentive objects:

1. public censure or declaration as ineligible candidate to be a director by the Stock Exchange in the most recent three years;

2. imposition of administrative penalties or public censure by the regulatory authorities during the most recent three years due to material non-compliance of laws and regulations.

Save as disclosed above, the Board is also entitled in accordance with the business performance of the Company to set concrete business performance indicators and targets as the additional conditions of grant of share options and to adjust the number of share options to be granted based on the fulfillment of performance-based conditions. Subject to the terms of the Share Option Scheme and the Listing Rules, the Board may in its absolute discretion impose any conditions, constraints or restrictions as it sees fit upon the offer.

Limit

The total number of new shares of the Company that may be issued upon exercise of options that may be granted under the Share Option Scheme shall not, in aggregate, exceed 10% of the relevant class of shares of the Company as at the date on which the Share Option Scheme is approved by the Shareholders (the "Scheme Mandate Limit"), and the Company may at any time as the Board thinks fit, seek approval from the Shareholders to refresh the Scheme Mandate Limit, except that the number of shares to be issued upon exercise of all the share options granted but yet to be exercised under the Share Option Scheme and any other schemes shall not exceed 30% of the total number of issued shares of the Company from time to time; whereas the total number of the shares to be issued upon exercise of all the share options granted but yet to be exercised under all equity incentive schemes of the Company that are currently in force shall not, in aggregate, exceed 10% of the total number of issued shares of the Company from time to time.

The total number of share options to be granted initially under the Share Option Scheme shall not exceed 1% of the total number of issued shares of the Company.

Unless approved by the Shareholders, the total number of shares which are issued and will be issued upon exercise of options (including those exercised, cancelled and outstanding) granted and to be granted to any particular incentive object under the Share Option Scheme and any other share option schemes of the Company within any 12-month period must not exceed 1% of the issued shares of the Company from time to time. Any further grant of share options to an incentive object which would result in the shares issued and to be issued upon exercise of options in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total issued shares shall be subject to approval of the Shareholders in general meeting with such incentive object and his/her close associates (or his/her associates if such incentive object is a connected person) abstaining from voting.

Acceptance of Offer of Share Options and Payment

Upon the Board's approval of the grant of share options proposed by the Remuneration Committee, an offer which sets out the conditions of the offer of the share options is made to the incentive objects. Where the incentive objects accept the offer within 21 days from the offer date (or any other date as determined by the Board in its discretion in accordance with the Listing Rules) and a payment of HK$1.00 is made to the Company as consideration of accepting the grant of share options, the offer shall be deemed to have been accepted and become effective. Such payment shall in no circumstances be refundable or deemed to be part of the subscription price.

Where the offer is not accepted in the manner stated in the Share Option Scheme within 21 days from the date on which the offer is made, the offer shall be deemed to have been irrevocably rejected and shall automatically lapse.

Effective Date of Share Options

All incentive objects shall not exercise their share options granted under the Share Option Scheme within two years from the grant date and in principle, from the grant date:–

a) one-third (1/3) of the share options granted to each incentive object shall be vested after its second anniversary (after 24 months);

b) another one-third (1/3) of the share options granted to each incentive object shall be vested after its third anniversary (after 36 months);

c) the remaining one-third (1/3) shall be vested after its fourth anniversary (after 48 months).

The Board is also entitled in accordance with the business performance of the Company to set concrete business performance indicators and targets as the additional conditions of grant of share options and to adjust the number of share options to be vested based on the fulfillment of performance-based conditions, provided that the details of the performance based conditions shall be determined by the Board and incentive objects be notified upon the grant of share options.

Validity Period of Exercise of Share Options

The validity period of exercise of options granted under the Share Option Scheme shall be five (5) years from the effective date. Upon expiry of the validity period, the outstanding share options shall automatically lapse and cannot be exercised retrospectively.

Exercise Price

The exercise price of the share options shall be determined by the Board in its absolute discretion upon the grant of share options with reference to the fair market price and shall not be less than the higher one of the following two prices:

a) the closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of grant; and

b) the average closing price of the shares of Company as stated in the daily quotation sheets of the Stock Exchange for five consecutive business days immediately preceding the date of grant.

Validity Period of the Share Option Scheme

Unless the Share Option Scheme has been otherwise terminated as provided therein, it shall be valid for ten (10) years from the Adoption Date and will terminate on 7th December 2025.

The Shares Issuable under the Share Option Scheme

The total number of shares that may be issued under the Share Option Scheme is 108,000,000, representing 10% of issued shares of the Company as at the date of this annual report. On 18th December 2015, the Company granted share options (which were duly accepted by the eligible persons subsequently) under the Share Option Scheme to certain eligible persons to subscribe for a total of 9,165,000 ordinary shares. During the year ended 31st December 2016, the changes of share options granted under the Share Option Scheme are as follows:

				Number of shares in respect of share options					
Incentive Objects	Date of Grant	Exercise Price per Share Option (HK$) (Note 1)	Exercise Period	Held on 1st January 2016 (Note 2)	Granted during the year	Exercised during the year	Lapsed during the year (Note 3)	Cancelled during the year	Held on 31st December 2016
Directors, chief executives or substantial Shareholders or their respective associates									
Mr. Xiong Gebing (Director)	18th December 2015	2.33	19th December 2017 to 18th December 2024	241,000	–	–	–	–	241,000
Mr. Zeng He (Director)	18th December 2015	2.33	19th December 2017 to 18th December 2024	201,000	–	–	–	–	201,000
Mr. Cheng Jie (Director)	18th December 2015	2.33	19th December 2017 to 18th December 2024	201,000	–	–	–	–	201,000
Mr. Zhang Lei (Director)	18th December 2015	2.33	19th December 2017 to 18th December 2024	201,000	–	–	–	–	201,000
Staff of the Group	18th December 2015	2.33	19th December 2017 to 18th December 2024	8,321,000	–	–	(911,000)	–	7,330,000
Total				9,165,000	–	–	(911,000)	–	8,254,000

Notes:

1. The closing price per share of the Company as quoted on the Stock Exchange on the day immediately before the date of grant was HK$2.33.

2. On 18th December 2015, the Company granted share options to certain eligible persons in accordance with the Share Option Scheme to subscribe for a total of 9,392,000 ordinary shares, of which the share options in relation to 227,000 ordinary shares had not been accepted by the eligible persons. Accordingly, the offer of the grant of such share options automatically lapsed on 8th January 2016 and the shares in respect of such share options which had not been accepted by the eligible persons were not included in the number of share options held on 1st January 2016.

3. During 2016, share options entitling the holders to subscribe for 911,000 ordinary shares were lapsed due to employees' resignation, retirement or other reasons.

During the year, no share options were granted under the Share Option Scheme, so the Company did not receive any consideration.

The remaining total number of shares which may be issued under the Share Option Scheme amounts to 99,746,000 shares, representing approximately 9.24% of the issued shares of the Company as at the date of this annual report.

Other than the Share Option Scheme mentioned above, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

DIRECTORS' INTERESTS IN CONTRACTS

During any time of the year or at the end of 2016, there was no transactions, arrangements or contracts of significance in relation to the Group's business which the Company, any of its subsidiaries, its holding company or any of the subsidiaries of its holding company was a party to or involved in, and in which a Director or its connected entity had a material interest, whether directly or indirectly.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year, no Director has any interest in a business which competes or is likely to compete, either directly or indirectly, with the Company's business.

SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN THE SHARES OF THE COMPANY

So far as was known to the Directors and the chief executive, on 31st December 2016, the following persons, other than a Director or the chief executive, had, or were deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Ordinary shares of the Company

	Name of shareholder	Capacity/ Nature of interest	Number of Shares (Note 1)	Percentage of shareholding (Note 2)
(i)	CKSE (Note 3)	Beneficial owner	702,000,000 (L)	65.00%
(ii)	Guangdong Province Navigation Group Company Limited ("GNG") (Note 3)	Interest of controlled corporation	702,000,000 (L)	65.00%
(iii)	Harvest Fund Management Co., Ltd. ("Harvest Fund") (Note 4)	Investment manager	75,484,000 (L) (Note 5)	6.99%
(iv)	China Credit Trust Co., Ltd. ("China Credit Trust") (Note 4)	Interest of controlled corporation	75,484,000 (L)	6.99%

Notes:

1. The letter "L" denotes long position in the shares of the Company.

2. Percentage of shareholding is calculated on the basis of 1,080,000,000 issued shares of the Company as at 31st December 2016.

3. CKSE is wholly owned by GNG, GNG is deemed to be interested in all the shares held by CKSE pursuant to the SFO. Accordingly, the interests disclosed by shareholders (i) and (ii) above are in respect of the same shareholding.

4. China Credit Trust is the controlling shareholders of Harvest Fund. China Credit Trust is deemed to be interested in all the shares held by Harvest Fund pursuant to the SFO. Accordingly, the interests disclosed by shareholders (iii) and (iv) above are in respect of the same shareholding.

5. Of which, Harvest Fund is directly interested in 44,790,000 shares, Harvest Global Investments Limited ("Harvest Global") is directly interested in the remaining 30,694,000 shares. Harvest Global is wholly owned by Harvest Fund, Harvest Fund is deemed to be interested in all the shares held by Harvest Global pursuant to the SFO.

Save as disclosed above, on 31st December 2016, the Directors and the chief executive were not aware of any other person who had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of no less than 25% of the Company's issued shares as of the date of this report.

CONNECTED TRANSACTIONS

Details of connected transactions with parent company, immediate holding company, fellow subsidiaries and related entities are as follows:

Connected Transactions

1. The Company (as a purchaser) entered into a share purchase agreement on 4th March 2016 and a supplemental agreement on 24th March 2016 with CKSE (the immediate holding company of the Company, as a vendor), pursuant to which, the Company conditionally agreed to acquire and CKSE conditionally agreed to sell the total issued shares of Sun Kong Petroleum for a consideration of HK$166,000,000. The above transaction is subject to the reporting, announcement, and independent Shareholders' approval requirements. Such transaction was approved by the independent Shareholders at the general meeting held on 15th April 2016 and was completed on 30th June 2016. Upon completion of the acquisition, Sun Kong Petroleum became a direct wholly-owned subsidiary of the Company. Please refer to the Company's announcements dated 4th March 2016, 24th March 2016 and 30th June 2016 respectively and circular dated 29th March 2016 for further particulars of the transaction.

2 The Company (as a purchaser) and Chu Kong Passenger Transport Company Limited ("CKPT", a direct wholly-owned subsidiary of the Company and also as a purchaser) entered into a share purchase agreement on 4th March 2016 and a supplemental agreement on 24th March 2016 with CKSE (the immediate holding company of the Company, as a vendor) and Sportwise Development Limited ("Sportwise Development", a wholly owned company of CKSE and also as a vendor), pursuant to which, (a) the Company conditionally agreed to acquire and CKSE conditionally agreed to sell 95% of the issued shares of Macau Cotai; and (b) CKPT conditionally agreed to acquire and Sportwise Development conditionally agreed to sell 5% of the issued shares of Macau Cotai for a total consideration of MOP88,900,000. The above transactions are subject to the reporting, announcement, and independent Shareholders' approval requirements. Such transactions were approved by the independent Shareholders at the general meeting held on 15th April 2016 and were completed on 30th June 2016. Upon completion of the acquisition, Macau Cotai became an indirect wholly-owned subsidiary of the Company. Please refer to the Company's announcements dated 4th March 2016, 24th March 2016 and 30th June 2016 respectively and circular dated 29th March 2016 for further particulars of the transactions.

The connected transactions set out in the items (1) to (2) above further improve the Company's business chain structures, which cover high-speed waterway passenger transportation, ticketing agency service, provision of diesel and oil for vessels and water tourism. Through integration in sales and marketing, resources allocation, technology development and customer services, the above transactions bring synergies, which complements the Company's businesses, increases the Company's competitiveness and further expands the Company's market share, so as to improve the profitability of the Company.

Continuing Connected Transactions

1. Master Fuel Supply Agreement

On 30th June 2016, the Company (on behalf of the Group) as supplier entered into a master fuel supply agreement (the "Master Fuel Supply Agreement") with GNG (the Company's parent company, on behalf of the GNG Group, as customer) in respect of supply of diesel and lubricants to the passenger ferries and cargo vessels owned, chartered, operated or acted as agent by GNG Group in Hong Kong.

The term of the Master Fuel Supply Agreement is from 30th June 2016 to 31st December 2018. Depending on the term of supply and the size of customers, the price of the diesel was determined by the Group after making reference to the followings: (a) the aggregate sum of (i) the monthly average spot price for diesel as quoted in the Singaporean market and (ii) the handling fees charged by the diesel supplier(s) plus an operational handling fees; (b) the selling price is to be adjusted from time to time based on the trend of the change in selling price of diesel as quoted by one of the largest diesel suppliers in Hong Kong; or (c) based on the spot settlement price for diesel as quoted in the Singaporean market on the date preceding the supply of diesel, and with reference to the trends of the change in the Brent Crude Oil price and the selling price of diesel as quoted by one of the largest diesel suppliers in Hong Kong. The price of lubricants was determined by the Group on the basis of cost plus a prevailing market rate. The annual caps of the Master Fuel Supply Agreement for the years ended 31st December 2016, 2017 and 2018 are HK$65,000,000, HK$93,000,000 and HK$95,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2016 was HK$46,772,000.

2. Master Passenger Transportation Agency Services Agreement

On 23rd November 2015, the Company (on behalf of the Group, as a service provider) entered into a master passenger transportation agency services agreement (the "Master Passenger Transportation Agency Services Agreement") with GNG (the Company's parent company, on behalf of the GNG Group, as a service recipient) in respect of appointing any member of the Group as the exclusive agent/sub-agent of any member of the GNG Group, in connection with their waterway passenger transport business in Hong Kong (for routes to and from Pearl River Delta region) to provide the passenger transportation agency services to (a) the ferries operated and owned by such member of the GNG Group; and/or (b) the relevant ferries operated and owned by any independent third parties in which any member of the GNG Group is acting as agent, from time to time.

The term of the Master Passenger Transportation Agency Services Agreement is three years from 1st January 2016 to 31st December 2018. The passenger transportation agency fee was agreed from time to time after arm's length negotiation between the parties by making reference to the prevailing market rate of the passenger transportation agency services provided by other suppliers (with scale similar to the Group) to other customers (with scale similar to the GNG Group) at the relevant time. The annual caps of the Master Passenger Transportation Agency Services Agreement for the years ended 31st December 2016, 2017 and 2018 are HK$12,000,000, HK$13,000,000 and HK$14,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2016 was HK$8,077,000.

3. Master Ferry Technical Support Agency Services Agreement

On 23rd November 2015, the Company (on behalf of the Group, as a service recipient) entered into a master ferry technical support agency services agreement (the "Master Ferry Technical Support Agency Services Agreement") with GNG (the Company's parent company, on behalf of the GNG Group, as a service provider). To facilitate any member of the Group in providing the passenger transportation agency services (as one-stop full agency services, which include services for arranging ferries for regular maintenance and repairment, and emergency ad hoc repairment in Hong Kong) to those ferries which appoint any member of the Group as agent and/or sub-agent for the provision of the passenger transportation agency services (the "Relevant Ferries"), such member of the Group would acquire from any member of the GNG Group the ferry technical support agency services under the Master Ferry Technical Support Agency Services Agreement from time to time.

The term of the Master Ferry Technical Support Agency Services Agreement is three years from 1st January 2016 to 31st December 2018. The service fee for the provision of the ferry technical support agency services were agreed from time to time after arm's length negotiation between the parties by making reference to the prevailing market rate of the ferry technical support agency services provided by other suppliers (with scale similar to GNG Group) to other customers (with scale similar to the Group) at the relevant time. The annual caps of the Master Ferry Technical Support Agency Services Agreement for the years ended 31st December 2016, 2017 and 2018 are HK$9,000,000, HK$9,500,000 and HK$10,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2016 was HK$7,138,000.

4. Master Ferry Terminal Luggage Facilities and Handling Services Agreement

On 23rd November 2015, the Company (on behalf of the Group, as a service recipient) entered into a master ferry terminal luggage facilities and handling services agreement (the "Master Ferry Terminal Luggage Facilities and Handling Services Agreement") with GNG (the Company's parent company, on behalf of the GNG Group, as a service provider) in respect of the provision of ferry terminal luggage facilities and handling services by any member of GNG Group to any member of the Group (who stop their ferries at the relevant terminal for passengers departing from and arriving in Hong Kong). The provision of the ferry terminal luggage facilities includes (among others) the provision of such facilities at the relevant terminals, which allows the passengers departing from and arriving in Hong Kong at the relevant terminals to check-in and/or undergo clearance of their luggage at the relevant terminals. The provision of luggage handling services include (among others) the operation, maintenance and repairing of the luggage handling system and equipment situated at the relevant terminals, and the provision of luggage handling services and berthing services to all passenger ferries using the relevant terminals.

The term of the Master Ferry Terminal Luggage Facilities and Handling Services Agreement is three years from 1st January 2016 to 31st December 2018. The service fee for the provision of the ferry terminal luggage facilities and handling services comprise (a) the passenger levy (which is based on the number of passengers departing from and arriving at the relevant terminals); and (b) luggage handling charges (which is based on the number of luggage handled at the relevant terminals). The passenger levy and the luggage handling charges were agreed from time to time after arm's length negotiation between the parties by making reference to the prevailing rate chargeable against other ferry service carriers (other than the Group) for other routes at the same relevant terminals at the relevant time. The annual caps of the Master Ferry Terminal Luggage Facilities and Handling Services Agreement for the years ended 31st December 2016, 2017 and 2018 are HK$7,800,000, HK$8,200,000 and HK$8,700,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2016 was HK$5,644,000.

5. Master Sub-baggage Handling Services Agreement

On 23rd November 2015, the Company (on behalf of the Group, as a service provider) entered into a master sub-baggage handling services agreement (the "Master Sub-baggage Handling Services Agreement") with GNG (the Company's parent company, on behalf of the GNG Group, as a service recipient) in respect of appointing any member of the Group as the sub-contractor of any member of the GNG Group (who is appointed and authorised by the relevant government authorities to provide terminal luggage facilities and handling services at the relevant terminal) for the provision of the baggage handling services to all ferry service carriers who stop their ferries at the relevant terminal for passengers departing from and arriving in Hong Kong (including but not limited to the Group itself) at the relevant terminal directly. The provision of baggage handling services include, among others, the operation, maintenance and repairing of the baggage handling system and equipment situated at the relevant terminal, and the provision of baggage handling services and berthing services to all passenger ferries using the relevant terminal.

The term of the Master Sub-baggage Handling Services Agreement is three years from 1st January 2016 to 31st December 2018. The baggage handling charges were agreed from time to time after arm's length negotiation between the parties by making reference to the amount of the handling charges received by the relevant member of the GNG Group from all ferry service carriers based on the number of luggages handled at the relevant terminal. The annual caps of the Master Sub-baggage Handling Services Agreement for the years ended 31st December 2016, 2017 and 2018 are HK$10,000,000, HK$10,500,000 and HK$11,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2016 was HK$7,103,000.

6. Master IT Services Agreement

On 23rd November 2015, the Company (on behalf of the Group, as a service recipient) entered into a master IT services agreement (the "Master IT Services Agreement") with GNG (the Company's parent company, on behalf of the GNG Group, as a service provider) in respect of the provision of IT services from time to time by any member of GNG Group to any member of the Group. The IT services included (among others) IT consultancy services, server custodian services; maintenance of the IT system services and PTMS services.

The term of the Master IT Services Agreement is three years from 1st January 2016 to 31st December 2018. The fee for the provision of the IT services (i.e. monthly service fees and additional usage charges for the provision of IT services to the Group) was based on the usage amount for the IT services, and were agreed from time to time after arm's length negotiation between the parties by making reference to the prevailing market price of the IT Services provided by other suppliers (with scale similar to GNG Group) to other customers (with scale similar to the Group) at the relevant time. The annual caps of the Master IT Services Agreement for the years ended 31st December 2016, 2017 and 2018 are HK$8,000,000, HK$8,000,000 and HK$8,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2016 was HK$7,200,000.

7. Master Rental Agreement

On 23rd November 2015, the Company (on behalf of the Group, as a lessee) entered into a master rental agreement (the "Master Rental Agreement") with GNG (the parent company of the Company, on behalf of GNG Group, as a lessor) in respect of leasing premises (including but not limited to warehouses, offices, car parks and staff quarters) owned by any member of GNG Group to any member of the Group from time to time.

The term of the Master Rental Agreement is three years from 1st January 2016 to 31st December 2018. The rent in respect of the leasing of the premises was based on arm's length negotiation between the parties involved with reference to the prevailing market rent for similar properties in the same region. The annual caps of the Master Rental Agreement for the years ended 31st December 2016, 2017 and 2018 are HK$21,600,000, HK$21,600,000 and HK$21,600,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2016 was HK$13,559,000.

8. Master Vessels Rental Agreement

On 23rd November 2015, the Company (on behalf of the Group, as a lessee) entered into a master vessels rental agreement (the "Master Vessels Rental Agreement") with GNG (the parent company of the Company, on behalf of the GNG Group, as a lessor) in respect of (a) leasing the GNG Group's cargo vessels (inclusive of related expenses for operating the cargo vessels but excluding fuel charge) to the Group; and (b) the provision of non-scheduled vessel space or charter vessels for transportation of cargo between the PRC and Hong Kong to the Group from time to time.

The term of the Master Vessels Rental Agreement is three years from 1st January 2016 to 31st December 2018. The rent in respect of the leasing of cargo vessels was determined with reference to the prevailing market rental of cargo vessels and the relevant cost of expenses for operating the cargo vessels (excluding fuel charge), while the service fees in respect of the provision of non-scheduled vessel space or charter vessels were based on the cargo space and the destination of transportation. The rental and services fees were based on arm's length negotiation between the parties. The annual caps of the Master Vessels Rental Agreement for the years ended 31st December 2016, 2017 and 2018 are HK$38,000,000, HK$42,000,000 and HK$46,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2016 was HK$31,455,000.

9. Master Ferries Rental Agreement

On 23rd November 2015, the Company (on behalf of the Group, as a lessee) entered into a master ferries rental agreement (the "Master Ferries Rental Agreement") with GNG (the parent company of the Company, on behalf of the GNG Group, as a lessor) in respect of leasing ferries of the GNG Group to the Group.

The term of the Master Ferries Rental Agreement is three years from 1st January 2016 to 31st December 2018. The rent in respect of the leasing of ferries was based on arm's length negotiation between the parties involved with reference to the number of chartered trips and the prevailing market rental of ferries. The annual caps of the Master Ferries Rental Agreement for the years ended 31st December 2016, 2017 and 2018 are HK$6,400,000, HK$6,800,000 and HK$7,200,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2016 was HK$2,950,000.

10. Master Fuel Charge Agreement

On 23rd November 2015, the Company (on behalf of the Group, as a purchaser) entered into a master fuel charge agreement (the "Master Fuel Charge Agreement") with GNG (the parent company of the Company, on behalf of the GNG Group, as a vendor) in respect of supplying of the diesel and lubricants by the GNG Group to the vessels owned or chartered by the Group in Hong Kong.

The term of the Master Fuel Charge Agreement is three years from 1st January 2016 to 31st December 2018. The price of the diesel and lubricants was determined by the GNG Group on a daily basis principally with reference to (a) the fuel price quoted by the fuel supplier plus a reasonable profit margin and (b) the terms offered by GNG Group is no less favourable than the terms available from the independent third parties to the Group. The annual caps of the Master Fuel Charge Agreement for the years ended 31st December 2016, 2017 and 2018 are HK$71,000,000, HK$77,000,000 and HK$85,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2016 was HK$19,544,000.

11. Master Transportation Agreement

On 23rd November 2015, the Company (on behalf of the Group, as a service recipient) entered into a master transportation agreement (the "Master Transportation Agreement") with GNG (the parent company of the Company, on behalf of the GNG Group, as a service provider) in respect of the provision of (a) shipping transportation services, (b) hauling and trucking services; (c) wharf cargo handling services; and (d) cargo agency services between Hong Kong and the PRC by GNG Group to the Group.

The term of the Master Transportation Agreement is three years from 1st January 2016 to 31st December 2018. The service fees were to be determined based on the destination of transportation, size of the cargo, weight of the cargo and the number of cargo after arm's length negotiation between the parties. The annual caps of the Master Transportation Agreement for the years ended 31st December 2016, 2017 and 2018 are HK$89,000,000, HK$98,000,000 and HK$110,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2016 was HK$67,690,000.

12. Management Agreement

On 25th June 2014, the Company (as a service provider) entered into a management agreement (the "Management Agreement") with CKSE (the Company's immediate holding company, as a service recipient) in respect of the provision of management services for the assets of CKSE.

The term of the Management Agreement was 3 years from 1st July 2014 to 30th June 2017 and the management fees were determined after arm's length negotiation between the parties with reference to the value of the assets concerned. The annual caps of the Management Agreement for the years ended 31st December 2014, 2015, 2016 and 2017 are HK$15,000,000, HK$30,000,000, HK$30,000,000 and HK$15,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2016 was HK$30,000,000.

The above continuing connected transactions were beneficial for the operations of the Group and/or provided stable income and profit to the Group. The items (1) to (10) and (12) above were continuing connected transactions subject to the reporting and announcement requirements and exempt from the independent Shareholders' approval requirement while item (11) was continuing connected transactions subject to the reporting, announcement requirement and the independent Shareholders' approval requirements which were approved by the independent Shareholders at the general meeting held on 30th December 2015.

The aforesaid continuing connected transactions have been reviewed by independent non-executive Directors. The independent non-executive Directors confirmed that these connected transactions were entered into (a) in the usual course of business of the Group; (b) on normal commercial terms or better terms; (c) in accordance with the agreements relating to the transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and (d) without exceeding the relevant cap amount disclosed in the previous announcements.

Part of the related party transactions disclosed in Note 38 to the Financial Statements are continuing connected transactions under Chapter 14A of the Listing Rules and the Company has confirmed that it complied with the disclosure requirements under the said Chapter.

The Board engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagement 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the continuing connected transactions set out above in accordance with Listing Rule 14A.56 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The auditors have confirmed that the aforesaid continuing connected transactions: (1) have been approved by the Board; (2) were in all material respects, in accordance with the pricing policies of the Group where the transactions involve the provision of goods or services by the Group; (3) were entered into, in all material respects, in accordance with the agreements relating to the transactions; and (4) have not exceeded the cap. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS OR ITS SUBSIDIARIES

Save as disclosed in this annual report, there were no contracts of significance or material contracts on provision of services between the Company or any of its subsidiaries and the Company's controlling shareholders or any of its subsidiaries during the year.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into by the Group or existed during the year.

INSURANCE ARRANGEMENT FOR DIRECTORS/PERMITTED INDEMNITY PROVISION

In order to facilitate the exercise of power by the Directors, the Company has already arranged suitable insurance in respect of the possible legal actions against the Directors to indemnify them from the liabilities that may arise from their participation in the decision-making process of the Company. These provisions were effective for the financial year ended 31st December 2016, and remained effective as at the date of this report.

DONATIONS

The total charity and other donations of the Group for the year amounted to RMB1,000,000 (approximately HK$1,154,000) (2015: RMB3,000,000 (approximately HK$3,688,000)).

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

In the opinion of the Directors, save as disclosed in the Corporate Governance Report, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the accounting period covered by this annual report. Please refer to the Corporate Governance Report on pages 54 to 68 of this annual report.

EXECUTIVE COMMITTEE

The Company has established an executive committee to approve and undertake transactions on behalf of the Board in respect of various investment projects or other day-to-day business operations within the authorised limit. Members of the committee shall be the chairman of the Board or/and executive Directors and the committee has written terms of reference.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and supervising the Group's financial reporting process, internal controls, risk management and corporate governance. The committee comprises three independent non-executive Directors. The committee meets at least twice a year and has written terms of reference.

REMUNERATION COMMITTEE

The Company has established a remuneration committee in compliance with the requirements of the Listing Rules to formulate the remuneration policy of the Company and determine the remunerations for the executive Directors and the senior management. The committee comprises three independent non-executive Directors and one executive Director. The committee meets at least twice a year and has written terms of reference.

NOMINATION COMMITTEE

The Company has established a nomination committee in compliance with the requirements of the Listing Rules for proposing nomination of Directors and senior management to the Board. Members of the committee shall comprise Directors and the number of which shall not be less than three, with a majority of independent non-executive Directors. The committee has written terms of reference.

AUDITOR

PricewaterhouseCoopers will retire on expiry of its term at the 2017 annual general meeting of the Company. A resolution to re-appoint PricewaterhouseCoopers and to authorise the Directors to fix its remuneration will be proposed at the 2017 annual general meeting of the Company.

BY ORDER OF THE BOARD

Xiong Gebing
Managing Director
Hong Kong, 30th March 2017

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Xiong Gebing, aged 51, was appointed as the chairman of the Board of the Company on 3rd May 2015 and has been appointed as the managing director of the Company since 3rd May 2013 (appointed as an executive director of the Company on 1st January 2013) and is responsible for the planning, decision-making and operational development of the Group. Mr. Xiong graduated from South China University of Technology (Internal Combustion Engine Engineering Specialty) in 1988 with a bachelor degree. Mr. Xiong joined the vessel engineering and the international trade sectors in 1988, and worked as the deputy managing director of Guangdong Shipbuilding Industry Import & Export Corporation from 2001 to 2007, the deputy managing director of Guangdong New China Shipyard Ltd. from 2007 to 2009, the deputy managing director of Chu Kong Group Shipyard Co., Ltd. from 2009 to 2010 and the managing director of the same company from 2010 to 2011 and the deputy general manager of the Company from 2011 to 2013. Currently, Mr. Xiong is also the director of CKSE and the chairman of CKPT, Chu Kong Shipping (Guangdong) Logistics Company Limited, Hong Kong International Airport Ferry Terminal Services Limited and Guangzhou WinKong Real Estate Co., Ltd.. Mr. Xiong has 28 years of experience in vessel engineering and trading.

Mr. Zeng He, aged 51, graduated successively from the Guangdong Communication Polytechnic, majoring in coastal navigation and Dalian Maritime University, majoring in economic management. He has joined the navigation business sector since 1987, with 30 years of related working experience. Mr. Zeng was appointed as executive director of the Company on 1st March 2014, as well as the safety representative, and as deputy general manager of the Company since June 2013 and is responsible for the passenger transport business of the Company and in charge of the Macau Branch Office of CKPT. Mr. Zeng is currently the director of CKPT, Zhuhai High-speed Passenger Ferry Co., Ltd. and Jiangmen Hong Kong Macau Joint Passenger Transportation Co., Ltd., the vice-chairman of Zhongshan Zhongshan-HongKong Passenger Shipping Co-op Co., Ltd., Doumen-Hong Kong Passenger Transportation Integrated Co., Ltd. and Foshan Nanhai Pinggang Passenger Transportation Co., Ltd., as well as the chairman of Macau Branch Office of CKPT, Chu Kong High-Speed Ferry Company Limited, Cotai Chu Kong Shipping Management Services (Macau) Co., Ltd., Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd. and Shenzhen Airport Hi-speed Passenger Transport Co., Ltd.. Mr. Zeng worked successively as the deputy general manager and director and managing director of Sun Kong Petroleum Company Limited and China Hong Kong Macau Duty Free Goods Limited from 2005 to 2010 and the deputy general manager and general manager of human resources department of GNG from 2010 to 2013.

Mr. Cheng Jie, aged 47, was appointed as executive director and deputy general manager of the Company on 1st March 2014, responsible for the investment and information engineering works. Mr. Cheng graduated successively from Shanghai Maritime University (formerly Shanghai Maritime College) with a bachelor degree of international economics and South China University of Technology with an executive master degree in business administration. He has joined the navigation, logistics and corporation management sectors since 1992, with 25 years of related working experience. Mr. Cheng worked successively as the deputy general manager and director and managing director of CKTL from 1999 to 2005, deputy general manager and general manager of development department of GNG from 2005 to 2007, managing director of Guangdong Guanghang Navigation Co., Ltd. from 2007 to 2009 and managing director of Guangdong Zhujiang Navigation Co., Ltd. from 2009 to 2013. Mr. Cheng is currently the chairman of Chu Kong Maritime Consultant Co., Ltd., Chu Kong Shipping (Guangdong) Investment Limited, Chu Kong Infrastructure Investment Limited and Guangzhou Pintu Internet Co., Ltd., vice chairman of Guangzhou-Foshan Expressway Ltd. as well as director of Bonny Fair Development Limited.

NON-EXECUTIVE DIRECTOR

Mr. Zhang Lei, aged 52, was appointed as non-executive director of the Company on 20th June 2011 and participates in strategic planning and decision making of the Group. Mr. Zhang graduated from the School of Communication, South China University of Technology, majoring in shipping machinery. Mr. Zhang has worked in the marine industry sector since 1986, and was appointed as assistant to general manager and deputy general manager of Guangdong New China Shipyard Ltd. from July 1996 to October 2000, managing director of the same company from November 2000 to April 2007, the chairman of the same company from April 2007 to November 2010, the chairman of Yuet Hing Marine Supplies Co., Ltd and Chu Kong Group Shipyard Co. Ltd from February 2011 to April 2015. Mr. Zhang has been appointed as the director of CKSE since February 2011. He is currently the chairman of Guangdong Chu Kong Shipping Co., Ltd. and the director of Guangzhou WinKong Real Estate Co., Ltd.. Mr. Zhang has over 31 years of experience in marine industry management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Kay-cheung, FHKIB, aged 70, is a senior advisor of The Bank of East Asia, Limited, vice chairman of The Bank of East Asia (China) Limited and chairman of Shaanxi Fuping BEA Rural Bank Corporation. Mr. Chan was an executive director and deputy chief executive of The Bank of East Asia, Limited. Mr. Chan joined The Bank of East Asia, Limited in 1965 and possesses extensive knowledge and experience in the banking industry. Mr. Chan is a fellow member of the Hong Kong Institute of Bankers, a member of the Committee of Overseers of Lee Woo Sing College, The Chinese University of Hong Kong, a member of The China Unionpay International Advisory Group and an international senior economic consultant of The People's Government of Shaanxi Province. Mr. Chan is also an independent non-executive director of China Electronics Corporation Holdings Company Limited, Dah Chong Hong Holdings Limited, Hong Kong Food Investment Holdings Limited and SOCAM Development Limited. Mr. Chan was appointed as independent non-executive director of the Company in April 1998.

Ms. Yau Lai Man, aged 53, was appointed as independent non-executive director of the Company on 1st January 2005. Ms. Yau graduated from The University of Warwick in the United Kingdom with a master degree in business administration. Ms. Yau is a member holding Practising Certificate of the Hong Kong Institute of Certified Public Accountants. Ms. Yau is also a member of the Institute of Chartered Accountants in England & Wales. She has over 26 years auditing and commercial experiences. Ms. Yau presently is the financial controller and company secretary of Essex Bio-Technology Limited listed on the Main Board of the Stock Exchange.

Mr. Chow Bing Sing, aged 67, was appointed as independent non-executive director of the Company on 1st June 2011. Mr. Chow graduated as a bachelor of social sciences at the University of Hong Kong in 1974. He worked as a social worker in his early career years and later joined the aviation industry. He had held senior management positions with the Civil Aviation Department of the Government of Hong Kong and the Airport Authority Hong Kong and has over 30 years of experience in aviation and logistics sectors. Mr. Chow is not only the chartered member of the Hong Kong Chartered Institute of Logistics and Transport and the member of the Hong Kong Logistics Association but also the Chairman of the Advisory Committee of the Logistics Research Centre of the Hong Kong Polytechnic University.

SENIOR MANAGEMENT

Mr. Li Zhijie, aged 55, graduated from the Shanghai Maritime University, majoring in water transportation management, an assistant economist. He has been appointed as deputy general manager of the Company and director and general manager of Chu Kong Shipping (Guangdong) Logistics Company Limited since June 2012, responsible for the logistics professional operation. Mr. Li worked successively in Guangdong and Hong Kong shipping companies for more than 30 years and acted as deputy general manager of CKTL and general manager of Guangdong Hong Kong & Macau Freight Transport Trust Company in 1992; deputy managing director of CKSE in 2001; deputy general manager and general manager of the strategy development department of GNG in 2007. Currently, Mr. Li is also the chairman of Chu Kong Transhipment &Logistics Company Limited, Chu Kong Logistics (Singapore) Pte. Ltd., Chu Kong (Guangdong) International Freight Forwarding Co., Ltd., Chu Kong River Trade Terminal Co., Ltd., Nansha Freight (Hong Kong) Limited, Guangzhou Nansha Economic & Technological Development Zone, Tung-Fat Cargo Terminal Ltd., Chu Kong Logistics (Malaysia) Pte. Ltd., vice chairman of Guangzhou Panyu Lianhuashan Pangang Transportation Co., Ltd., Foshan New Port Ltd. and Foshan City Shunde Rong Qi Port Container Terminal Co., Ltd. and director of Guangzhou Nansha International Logistics Park Development Co., Ltd. and Guangzhou WinKong Real Estate Co., Ltd..

Mr. Fan Linchun, aged 51, has been appointed as deputy general manager of the Company since 3rd April 2015, responsible for capital operation and legal affairs. Mr. Fan graduated from Shenzhen University with a bachelor degree in finance. He joined the financial and foreign currency management sector since 1986 and has over 30 years of working experience. Mr. Fan joined the People's Bank of China (PBOC) since 1986 and worked as the deputy director of Current Project Management Office of PBOC Guangzhou Branch from 2001 to 2005, the Vice President of PBOC Shanwei Central Branch and the deputy director of the State Administration of Foreign Exchange (SAFE) Shanwei Central Branch from 2005 to 2009, the deputy director of Capital Project Management Office of PBOC Guangzhou Branch from 2009 to 2011, the office director of the Cross-border RMB Settlement Pilot Work Group of PBOC Guangzhou Branch from 2011 to 2014 and the director of Financial Settlement Center of GNG from 2014 to 2015. Mr. Fan is also a director of GTF Maritime Financial Leasing Co., Ltd..

Mr. Huang Wanan, aged 43, has been appointed as financial controller of the Company from 11th August 2016, responsible for financial management and control of the Group. Mr. Huang graduated from the Guangdong Communication Polytechnic in 1993, majoring in communication financial accounting and South China University of Technology in 2010 with a master degree in business administration. He is also a certified senior accountant in the PRC. Mr. Huang has been working in the finance and management sectors since 1993 and worked successively as the finance manager of Pan Kong Passenger and Cargo Transportation Co-operation Co., Ltd., Foshan New Port Ltd. and Chu Kong Transhipment & Logistics Company Limited. He worked as the financial controller of Shenzhen Yantian Port Chu Kong Logistics Co., Ltd from 2004 and also as the deputy general manager of the same company from 2009, the managing director of Civet (Zhuhai Bonded Area) Logistics Company Limited from 2010 and the general manager of finance and audit department of Chu Kong Shipping Enterprises (Holdings) Company Limited from 2013 to August 2016. Mr. Huang has more than 24 years of experience in accounting, financial management and corporate management. Currently, Mr. Huang is also the chairman of Guangzhou Shenggang Real Estate Co., Ltd. and Guangzhou Huagang Real Estate Co., Ltd., the chairman of supervisory committee of GTF Maritime Financial Leasing Co., Ltd., as well as the director of Guangdong Chu Kong Shipping Co. Ltd., Chu Kong Passenger Transport Company Limited, Chu Kong River Trade Terminal Co., Ltd., Guangzhou-Foshan Expressway Ltd., Chu Kong Shipping (Guangdong) Investment Limited, Guangzhou WinKong Real Estate Co., Ltd., Guangzhou PanYu LianHuaShan Port Passenger Transport Co., Ltd., Waibert Steamship Company Limited and Bonny Fair Development Limited.

Mr. Ke Guigen, aged 53, has been appointed as financial controller of the Company since June 2011, and resigned with effect from 11th August 2016. Mr. Ke graduated from Anhui University of Finance & Economics (formerly Anhui Institute of Finance and Trade) with a bachelor degree in economics in 1987 and had worked as a lecturer in the accounting faculty of the University. Mr. Ke also worked as specialized supervisor of GNG. Mr. Ke joined CKS in 2006 and was engaged in capital, finance and audit management. Mr. Ke is a certified advanced accountant in the PRC, and a certified associate professor in accounting in the PRC. Mr. Ke has 30 years of experience in accounting, financial management and audit.

Ms. Cheung Mei Ki, Maggie, aged 50, joined the Company in 2008, and has been appointed as general manager in assurance since 2011 and was appointed as the company secretary on 1st April 2012, and appointed as deputy general manager of the internal audit department in 2016, responsible for overseeing the Group's internal audit, control of risk management, financial reporting procedures, company secretarial and corporate governance matters. Before joining the Company, Ms. Cheung had held position in Hong Kong Air Cargo Terminals Limited. Ms. Cheung graduated from the Hong Kong Polytechnic University in 2010 with a master degree in corporate governance and graduated from The University of Strathclyde (in the United Kingdom) in 2003 with a master degree in business administration. She is a member of the Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administration in the United Kingdom, the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants in the United Kingdom, a fellow of the Taxation Institute of Hong Kong and a Certified Tax Adviser in Hong Kong. She has over 30 years' experience in accounting, financial management and corporate governance.

Corporate Governance Report

The Company strives to maintain a high standard of corporate governance practices and procedures to safeguard the interests of its shareholders. The corporate governance level is constantly improved and enhanced by establishing an internal control system and enhancing accountability and transparency.

CORPORATE GOVERNANCE PRACTICE

The Directors have adopted various policies to ensure compliance with the code provisions of the Corporate Governance Code (the "Code") under Appendix 14 to the Listing Rules. The Board considers that the Company has complied with all applicable Code during the year except with the deviation as disclosed in this report. In the future, the Company will also adopt more Recommended Best Practices as set out in the Code according to actual needs, so as to further enhance the level of corporate governance.

DIRECTORS' AND EMPLOYEES' SECURITIES TRANSACTIONS

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

The Company has also formulated written guidelines regarding the securities transactions by the employees of the Company who may be exposed to inside information. The requirements of the written guidelines are no less exacting than those set out in the Model Code. The Company recorded no non-compliance events during the year.

THE BOARD OF DIRECTORS

The Board is responsible for formulating the overall development strategy, operation and financial reporting of the Company, internal control and risk management, major acquisitions, substantial connected transactions, annual and interim results, proposed interim and final dividends, proposed appointment or re-election of directors, appointment of auditor, share issue and repurchase and other operational and financial matters relating to the Company.

Composition of the Board

As at 31st December 2016, the Board consisted of seven members, namely three executive Directors (Mr. Xiong Gebing, Mr. Zeng He and Mr. Cheng Jie), one non-executive Director (Mr. Zhang Lei) and three independent non-executive Directors (Mr. Chan Kay-cheung, Ms. Yau Lai Man and Mr. Chow Bing Sing). The Company forms its Board based on the characteristics and uniqueness of its operations to ensure that each Director possesses the required industrial experience and managerial expertise. The personal biographies of the Directors are set out in pages 50 to 51 of the annual report. The Directors clearly understand that they should fulfill their duties diligently in the best interest of the Company and its shareholders.

The Company has signed appointment letters with all Directors for a fixed term of three years, unless terminated by either party giving to the other not less than 1 month's prior notice in writing, but the Directors are subject to retirement by rotation and re-election according to the Articles of Association of the Company.

The Board delegated its authorities and obligations in management of daily operations, business strategies and the Group's business to the executive Directors and senior management, and delegated certain specific responsibilities to the committees under the Board.

Relationship between Board Members

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

Responsibilities of the Chairman and Managing Director

It is the consistent policy of the Company to appoint different individuals to act as chairman and managing director so as to ensure the accountability and independence of the policy making process of the Company. The chairman of the Group is responsible for leading the Board. The chairman should ensure that the Board works effectively and discharges its responsibilities, and be responsible for building the management of the Company, organising the formulation of the development strategies and etc. The managing director is responsible for managing the daily business operations of the Company, implementing the development strategies formulated by the Board, expediting the development of high-end integrated logistics business, driving the development of the passenger transportation business etc. and strengthening the internal management.

According to the provision of Code A.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual. The roles of chairman and managing director were acted by Mr. Liu Weiqing and Mr. Xiong Gebing respectively. After the resignation of Mr. Liu Weiqing on 3rd May 2015, as more time is needed to arrange the appointment of a suitable candidate as the chairman of the Board or managing Director, the Board has unanimously resolved to appoint Mr. Xiong Gebing, the managing Director, as the chairman of the Board (and the chairman of the Executive Committee and the Nomination Committee) temporarily with effect from 3rd May 2015. Announcement in respect of the related appointment of the chairman of the Board or managing Director will be made by the Company when such appointment is confirmed.

According to the provisions of the Code, the chairman of the Group has held a meeting with the non-executive Directors without other executive Directors' presence.

Independent Non-executive Directors

In order to ensure the independence of the policy making process of the Board and protect the interest of its shareholders, the Company appoints three qualified independent non-executive Directors, as such, the Company complies with Rule 3.10A of the Listing Rules of having at least one-third of the Board being represented by independent non-executive Directors. They are professionals experienced in banking, finance and logistics services. One of the independent non-executive Directors has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2). The Company undertakes to give them adequate access to the information of the Company and encourages them to thoroughly discuss and provide independent opinions on matters of the Company.

According to the provisions of the Code, a service term of over nine years is one of the key factors in determining the independence of an independent non-executive director. Mr. Chan Kay-cheung and Ms. Yau Lai Man have served as independent non-executive Directors for over nine years. During their years of service with the Company, Mr. Chan and Ms. Yau have contributed by providing independent viewpoints and advice to the Company in relation to its businesses, operations, future development and strategy. The Board considers that Mr. Chan and Ms. Yau have the character, integrity, ability and experience to continue to fulfill his/her role as required effectively. The Company believes that Mr. Chan and Ms. Yau can independently express opinions on matters of the Company and there is no evidence that his/her over nine years of service with the Company would have any impact on his/her independence and therefore his/her independence is confirmed. According to the provisions of Code A.4.3, if an independent non-executive director serves more than nine years, his/her further appointment should be subject to a separate resolution to be approved by shareholders. Mr. Chan and Ms. Yau retired on rotation at the annual general meeting held on 21st May 2015, and being eligible, offered themselves for re-election at the said meeting. Mr. Chan and Ms. Yau had already been re-appointed by separate resolutions of the then Shareholders at the said meeting.

The Company has received from each of the current independent non-executive Directors an annual confirmation of his/her independence in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors have maintained their respective independence in accordance with the Listing Rules.

Board Diversity Policy

Pursuant to the Code, the Board has adopted the Board Diversity Policy since 15th August 2013 which is posted on the Company's website. To attain diversity of the Board, it is the Company's policy to consider an array of factors including age, skills, knowledge, experience, cultural and educational background when appointing and re-appointing a member of the Board. All appointments of the Board members are based on merits, in the content of the talents, skills and experience the Board as a whole requires to be effective.

Directors' Responsibilities for Financial Statements

During each financial period, the Directors are responsible for the preparation of the financial statements that give a true and fair view of the state of affairs of the Group and of its results and cash flows during the relevant period. In preparing the financial statements for the year, the Directors selected and applied consistently appropriate accounting policies, made careful and reasonable judgment and estimates, and prepared the financial statements on a going concern basis. The Directors are responsible for the filing of appropriate accounting records that reasonably and accurately disclose the financial position of the Company at any time. The Board is not aware so far of any significant uncertain events or circumstances which would affect the business of the Company or its ability to continue its operation. The responsibilities of the Company's external auditor are set out in the Independent Auditor's Report on pages 69 to 75 of the annual report.

Board Meeting Procedures

The Board held regular meetings during the year. The company secretary assists the chairman in establishing the meeting agenda, and each Director/committee member may request inclusion of items in the agenda. The time and agenda of the Board meeting will be available to the Directors at least 14 days in advance and related documents will be available to the Directors at least 7 days in advance to enable each Director to fully understand the matters to be discussed and make an informed opinion. Draft and final versions of the minutes of Board meetings and Board committee meetings prepared in sufficient details by the secretary of the meetings, were circulated to the Directors for their comment and record respectively. Originals of such minutes, being kept by the company secretary, are open for inspection at any reasonable time on reasonable notice by any Director. Each Director has the right to seek independent professional advice in furtherance of his/her duties at the expense of the Company. No Director has requested to seek professional advice as mentioned above during the year.

If a Director has a conflict of interest in a matter to be considered at the meetings of the Board and the committee which the Board has determined to be material, such Director may express his/her recommendations but shall not be counted in the quorum and shall abstain from voting on the relevant resolution.

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

Attendance at Meetings and Time Commitment of Directors

During 2016, the attendance of the Board members at general meetings, the meetings of the Board and respective committees was as follows:

	Attendance in person/number of meetings held					
	General Meeting	Board	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Xiong Gebing (Chairman of the Board, Managing Director)	2/2	4/4	12/12	N/A	2/2	1/1
Mr. Zeng He (Executive Director)	2/2	4/4	12/12	N/A	N/A	N/A
Mr. Cheng Jie (Executive Director)	2/2	4/4	12/12	N/A	N/A	N/A
Mr. Zhang Lei (Non-executive Director)	1/2	4/4	N/A	N/A	N/A	N/A
Mr. Chan Kay-cheung (Independent non-executive Director)	2/2	4/4	N/A	2/2	2/2	1/1
Ms. Yau Lai Man (Independent non-executive Director)	2/2	4/4	N/A	2/2	2/2	1/1
Mr. Chow Bing Sing (Independent non-executive Director)	2/2	4/4	N/A	2/2	2/2	1/1

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

Committees under the Board

In order to assist the Directors to perform their responsibilities, the Board has set up four Board committees, namely, the executive committee, the audit committee, the remuneration committee and the nomination committee. The chairmen of all the committees are appointed by the Board, in which the audit committee and the remuneration committee are both chaired by an independent non-executive Director with written terms of reference which were discussed and approved by the Board. The related terms of reference of each committee have been published on the websites of the Company and the Stock Exchange. The duties of the four committees are as follows:

Executive Committee

The Executive Committee was established in 2009 to approve and undertake the transactions on behalf of the Board in respect of each investment project within an authorised limit or other day-to-day business operations. The committee consists of the chairman or/and executive Directors.

The Executive Committee comprises:

Mr. Xiong Gebing (Chairman of the committee)
Mr. Zeng He
Mr. Cheng Jie

Audit Committee

The Audit Committee was established in 2001 to review the Company's financial reporting, internal control, risk management, appointment of auditor and corporate governance issues and make recommendations to the Board. The Audit Committee consists entirely of independent non-executive Directors, who are experienced in finance, internal audit, banking and logistics, and are therefore capable of providing expert opinions on the steady financial operations of the Company. Currently, the Audit Committee comprises three independent non-executive Directors.

The Audit Committee comprises:

Mr. Chan Kay-cheung (Chairman of the committee)
Ms. Yau Lai Man
Mr. Chow Bing Sing

The Audit Committee held two meetings in 2016 with an average attendance rate of 100% to review the following matters with the Company's senior management and independent auditor:

- Accounting principles adopted by the Company for preparing financial statements;
- Draft annual report, interim report and financial statements of the Company;
- Scope of audit work of external auditor;
- Independent audit results of the Company's financial statements;
- Internal recommendations issued by external auditor to the management and the management's response;
- Appointment of external auditor for providing non-audit services to the Company;
- Audit fee proposal for 2016;

- Internal audit function (including its effectiveness) of the Company including internal audit policy, internal audit plan and internal audit reports, covering financial monitoring, internal control and risk management;
- Corporate governance of the Company; and
- Connected transactions of the Company.

Reference to the functions of the Audit Committee is available under the terms of reference of the Audit Committee which have been published on the websites of the Company and the Stock Exchange.

To further enhance the independence of the external independent auditors, some parts of the above meetings were only attended by independent non-executive Directors and the independent auditor.

Since 2009, the Board has delegated the corporate governance functions to the Audit Committee, of which the terms of reference are in accordance with the provision of Code D.3.1, as it considered members of the Audit Committee to be better positioned to provide an objective and independent guidance on governance-related matters.

The Audit Committee has reviewed the Company's compliance with the provisions of the Code for the year and the disclosure in this Corporate Governance Report.

Remuneration Committee

The Remuneration Committee was established in 2005 to make recommendations to the Board on the remuneration policy of the Company and the remunerations of the Directors and executives appointed by the Board. The Remuneration Committee met twice in 2016 with an average attendance rate of 100%. Currently, the Remuneration Committee comprises three independent non-executive Directors and one executive Director and is chaired by an independent non-executive Director.

The Remuneration Committee comprises:

Mr. Chan Kay-cheung (Chairman of the committee)
Ms. Yau Lai Man
Mr. Chow Bing Sing
Mr. Xiong Gebing (Executive Director)

Reference to the functions of the Remuneration Committee is available under the terms of reference of Remuneration Committee which have been published on the websites of the Company and the Stock Exchange.

During the year, the Remuneration Committee reviewed the remuneration packages of the Directors of the Company (including executive Directors, non-executive Director and independent non-executive Directors) and discussed on the remuneration and benefits system and policy of the staff of the Group.

Remuneration of Executive Directors:

The remuneration of the executive Directors of the Company mainly includes basic salary, bonus and directors' fee, which were determined by the Board by reference to various factors (including market conditions) upon the recommendations of the Remuneration Committee to the Board. The Company considers various factors in determining the remuneration such as market conditions, comparable companies and time of the executive Directors spent on managing the affairs of the Company. The executive Directors currently do not receive any director's remuneration.

Remuneration of Non-executive Director:

Currently, the non-executive Director does not receive any director's remuneration.

Remuneration of Independent Non-executive Directors:

The Company pays emoluments to independent non-executive Directors in form of directors' fee. The Remuneration Committee will present a proposal to the Board, and the Board will make decisions based on market conditions.

Nomination Committee

The committee was established in 2011 and it is mainly responsible for making recommendations to the Board on the appointment of Directors and senior management. The Nomination Committee held one meeting in 2016 with attendance rate of 100%. Currently, the committee comprises four Directors, of which three are independent non-executive Directors.

The Nomination Committee comprises:

Mr. Xiong Gebing (Chairman of the committee and executive Director)
Mr. Chan Kay-cheung
Ms. Yau Lai Man
Mr. Chow Bing Sing

Reference to the functions of the Nomination Committee is available under the terms of reference of Nomination Committee which have been published on the websites of the Company and the Stock Exchange.

During the year, the Nomination Committee has made recommendations to the Board on re-election of retiring Directors. The Nomination Committee also reviewed the structure, size and composition of the Board and believed that the composition of the Board is diversified (also as disclosed in "Composition of the Board" above).

The Nomination Committee will consider the Board Diversity Policy when nominating the Directors (see the "Board Diversity Policy" above).

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

In accordance with Article 88 of the Articles of Association, Mr. Zhang Lei, Mr. Cheng Jie and Mr. Chow Bing Sing will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election. The Nomination Committee recommended to the Board that Mr. Zhang Lei, Mr. Cheng Jie and Mr. Chow Bing Sing be nominated for re-election at the forthcoming annual general meeting of the Company.

Training for Directors and Company Secretary

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest in shares and business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors. All Directors have also been updated on the latest development regarding the Listing Rules and other applicable regulatory requirements to ensure compliance with relevant regulations and enhance their awareness of good corporate governance practices. During the year, the Company organised seminars presented by professionals for Directors and executives to explain the latest amendments to the Listing Rules.

All Directors confirmed that they have complied with the provision of Code A.6.5 on directors' training. During the year, all Directors have participated in continuous professional development by reading materials or attending seminars/briefing sessions to develop and refresh their knowledge and skills and provided records of training to the Company. Current Directors have participated training on the following topics during the year:

	Corporate governance/ updates on laws, rules and regulations		Accounting/financial/ management or other expertise	
	Reading materials	Attending seminars/ briefing sessions	Reading materials	Attending seminars/ briefing sessions
Mr. Xiong Gebing (Chairman/managing Director)	✓	✓	✓	✓
Mr. Zeng He (Executive Director)	✓	✓	✓	✓
Mr. Cheng Jie (Executive Director)	✓	✓	✓	✓
Mr. Zhang Lei (Non-executive Director)	✓	✓	✓	✓
Mr. Chan Kay-cheung (Independent non-executive Director)	✓	✓	✓	✓
Ms. Yau Lai Man (Independent non-executive Director)	✓	✓	✓	✓
Mr. Chow Bing Sing (Independent non-executive Director	✓	✓	✓	✓

To comply with Rule 3.29 of the Listing Rules, the company secretary has taken no less than 15 hours of relevant professional training during the year.

Changes in Information of Directors

Save as disclosed in this annual report, pursuant to Rule 13.51B(1) of the Listing Rules, following specific enquiry of all Directors by the Company, all Directors have confirmed that there is no any other changes in information of Directors of the Company during 2016 which needs to be disclosed.

Details of changes in the annual remuneration of Directors are set out in the note 40 to the financial statements.

Remuneration of Senior Management

Number of senior management according to the level of remuneration:

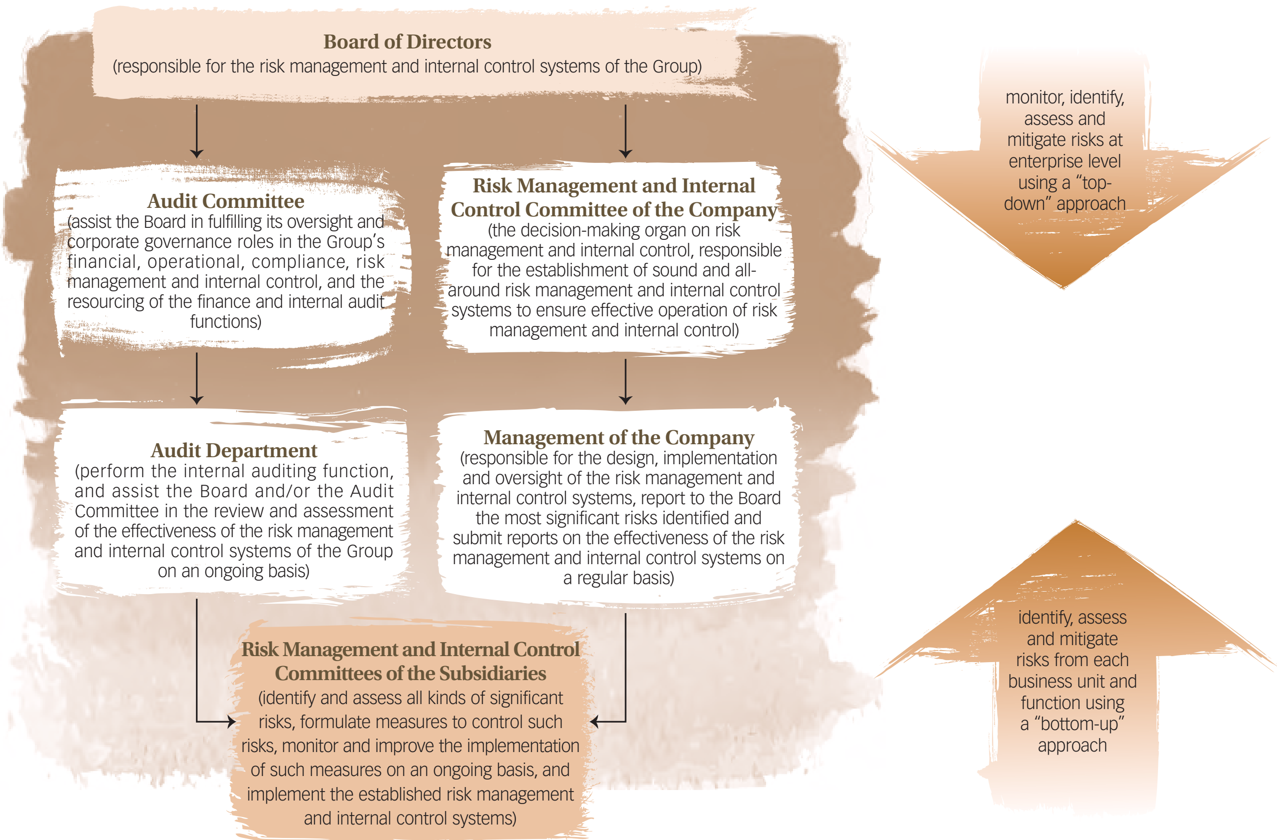
Level of remuneration	**Number of Senior Management**	
HK$'000	**2016**	2015
401 – 1,200	**3**	3
1,201 – 1,800	**1**	0

RISK MANAGEMENT AND INTERNAL CONTROL

The Group has established effective risk management and internal control systems to provide reasonable (though not absolute) assurance against material misstatement or loss and to manage (rather than eliminate) risks of failing to achieve business objectives. The Board shall be responsible for the risk management and internal control systems and shall review at least annually the effectiveness of such systems for that relevant financial year. Instead of establishing a separate Board committee to assist the Board on matters regarding risk management and internal control systems, the Audit Committee shall assist the Board in fulfilling its oversight and corporate governance roles in the Group's financial, operational, compliance, risk management and internal control, and the resourcing of the finance and internal audit functions.

The Group has established an organisational structure with defined levels of responsibilities and reporting procedures:

STRUCTURE OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS | **RISK MANAGEMENT PROCESS**



- the internal audit department of the Company has internal audit function, and shall assist the Board and/or the Audit Committee in the review of the effectiveness of the Group's internal control and risk management systems on an ongoing basis. The head of the internal audit department of the Company shall report directly to the Audit Committee;

- the Company has also established the Risk Management and Internal Control Committee (the "Risk Control Committee") comprising Mr. Xiong Gebing, Mr. Zeng He, Mr. Li Zhijie and heads of all departments, which shall determine the members of the committee and their respective responsibilities, define the work division among all departments and the duties and responsibilities of each group, and give instructions in relation to the commencement of risk assessment and internal control assessment. The Risk Control Committee shall report directly to the Board about the significant risks that may affect the performance of the Group on a regular basis; and

- the Company will set up task group(s) in light of the actual situation, which will hold meetings regularly to review the effectiveness of the relevant financial, operational and compliance control as well as risk management procedures and to review on how to make further improvement.

The Company has implemented the following procedures to identify, assess and manage significant risks:

1. the Company has formulated the Guideline on Risk Management (《風險管理工作指引》), and required the Company and all subsidiaries to manage risks in accordance with the Guideline;

2. all subsidiaries have set up their own risk management and internal control committees and identified their officer-in-charge for risk management. An annual inspection shall be carried out to identify their respective risks, assess all kinds of significant risks, formulate relevant control measures and make further improvement. An annual review shall be conducted in the year for self-inspection and self-reporting of risks/to check the implementation of such control measures, so as to ensure the feasibility and effectiveness of existing control measures;

3. after collecting information on the risk profile of each subsidiary and the relevant control measures implemented by them, the Company would summarise a list of significant risks based on the major risk categories (including industry/market risks, investment risks, financial risks, information and communication risks, etc.). After ranking these significant risks by priority, the management of the Company would identify the most significant risks and request the relevant companies to focus on the supervision of such risks;

4. the internal audit department of the Company would carry out the following tasks every year in accordance with its internal audit plan:

    - to examine if all companies have focused their supervision on the most significant risks;
    - to evaluate the report in relation to the most significant risks;
    - to assess and ensure the effectiveness of the risk management procedures; and
    - to ensure accurate assessment of each risk;

5. the internal audit department of the Company would submit the internal audit report on risk management to the Audit Committee on a yearly basis.

The formulation and execution procedures of the internal audit plan of the Company are as follows: the internal audit department of the Company adopts a risk and control-based audit approach. An annual work plan will be formulated, covering the Group's operation and businesses as well as all the major activities and processes of each subsidiary, and special review will be carried out on the demand of the management. The audit result shall be submitted to the Audit Committee promptly for review. Where any deficiency in the internal control is identified, the subsidiaries are required to make improvements promptly according to the recommendations. Audit issues are tracked and followed up by the internal audit department of the Company for proper implementation. The internal audit department of the Company shall report to the Audit Committee on a regular basis, while the Audit Committee shall report the audit findings and/or progress of the audit work to the Board after reviewing the relevant information.

The Company adopted the Inside Information Management Policy (《內幕消息管理制度》) (as revised in 2015) in 2013, which provides guideline on the handling and dissemination of the Group's inside information by the Directors and employees who may have access to such information as well as the relevant internal control measures. The Board has authorised the establishment of the Inside Information Committee, a committee under the Executive Committee which comprises the executive Directors, the company secretary, the general manager of the capital operation department and the general manager of the legal department. The members of the Inside Information Committee shall take joint responsibility for the registration and management of the inside information and the insiders of the Group, which shall be organised and implemented by the company secretary and the capital operation department. The officer-in-charge of other departments, branch companies and subsidiaries of the Company as well as the invested companies over which the Company has significant influence shall be responsible for the confidentiality of such information arising within their management authority, and shall report and communicate such inside information that comes to their knowledge. After being aware of any event potentially involving inside information, the senior officers shall fill in and submit the Inside Information Reporting Form (《內幕消息呈報表格》) truthfully on the date such inside information comes to their knowledge. Upon receipt of such alert, the company secretary shall promptly convey such inside information to the members of the Inside Information Committee for assessment. In accordance with the relevant provisions of the information disclosure rules, members of the Inside Information Committee shall assess on the potential inside information, fill in the Inside Information Assessment Report (《內幕消息評估報告》) and decide whether a disclosure on such information is required. Where it is determined that a disclosure is required to be made, it shall be reported to the securities regulatory authority and make relevant disclosure within 3 working days or as required by the regulatory rules and regulations.

In respect of the review of the adequacy and effectiveness of the risk management and internal control systems, the internal audit department of the Company provides independent assurance regarding the adequacy and effectiveness of the Group's risk management and internal control systems to the Board and the Audit Committee. The head of our internal audit department shall report directly to the Audit Committee. With the assistance of the internal audit department of the Company, the management of the Group shall be responsible for the design, implementation and monitoring of the risk management and internal control systems. The Annual Self-assessment Form of Internal Controls and Risk Management (《內部控制及風險管理年度自評表》) are despatched to all subsidiaries, which shall be collected and consolidated by the Company. Such results shall be assessed by the internal audit department of the Company and reported to the Audit Committee, which will then review such information and submit reports on the effectiveness of such systems to the Board on a regular basis. Where necessary, the task group(s) will hold meetings regularly to review the effectiveness of the relevant financial, operational as well as compliance control and risk management procedures and to make further improvement when necessary.

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

- formulated and implemented the Internal Audit Management Policy （《內部審計管理制度》）at the request of the Board and the Audit Committee in accordance with the requirements of the provision of Code C.2 "Risk Management and Internal Control" of the Code as contained in Appendix 14 to the Listing Rules and the relevant laws and regulations as well as according to the actual condition of the Group;

- formulated the Annual Self-assessment Form of Internal Controls and Risk Management（《內部控制及風險管理年度自評表》）, and required all subsidiaries to fill in the self-assessment forms according to the current condition of internal control and risk management. After consolidating all self-assessment forms, the Company made detailed report to the Board and the Audit Committee. Apart from carrying out internal audit on the subsidiaries pursuant to the annual internal audit plan, the internal audit department of the Company reviewed such self-assessment forms to make sure that the self-assessment result was consistent with the actual condition of the relevant company;

- inspection on key processes and sampling test on the effectiveness of risk management were carried out on four companies, namely the Civet Port, the companies in Singapore and Malaysia, and Macau Cotai respectively, so as to verify and examine the risk points reported by these companies;

- inspection on bill-of-lading management was carried out on CKTL and offices of the twelve terminals and freight forwarders to identify all kinds of shortcomings in the bill-of-lading management and put forward remedial measures for business units with deficiency in their business process;

- during the year, a total of 19 internal financial audit reports were completed. In respect of the 52 audit comments and recommendations provided for the financial year of 2014, of which improvement works for 32 audit comments and recommendations were completed while the improvement works for the other 20 were still underway. 43 audit comments and recommendations were provided for the financial year of 2015, and all subsidiaries had been asked to make improvement according to such recommendations; and

- reviewed the Inside Information Management Policy and the relevant internal control measures adopted by the Company, and considered if any update or improvement needs to be made.

In 2016, the Board had, through the Audit Committee, reviewed the adequacy and effectiveness of the risk management and internal control systems of the Group. The Annual Self-assessment Form of Internal Controls and Risk Management（《內部控制及風險管理年度自評表》） had been despatched to all subsidiaries, which had been collected and consolidated by the Company. Such results were assessed by the internal audit department of the Company and reported to the Audit Committee, which then reviewed and reported the same to the Board. The Audit Committee and the Board were not aware of any areas of concern that would have a material impact on the financial position or operating results of the Group and considered the risk management and internal control systems to be generally adequate and effective.

REMUNERATION OF AUDITOR

For the year ended 31st December 2016, the Company paid the auditor of the Company the following fees for audit and non-audit services.

	2016 HK$'000	2015 HK$'000 (Restated)
Audit Services	**3,035**	3,379
Non-audit Services (including the review of the interim report, continuing connected transactions and annual results announcement)	**770**	1,044
	3,805	4,423

COMMUNICATION WITH SHAREHOLDERS

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

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

1. Procedures for shareholders of the Company to convene a general meeting

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

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

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

The General Meeting Requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a general meeting if the Board had not arranged to duly convene a general meeting within 28 days upon serving a written notice in relation to the general meeting within 21 days of the deposit of the General Meeting Requisitionists' request, provided that any general meeting so convened is held within three months from the date of the original General Meeting Requisitionists' request. Any reasonable expenses incurred by the General Meeting Requisitionists by reason of the Board's failure to duly convene a general meeting shall be repaid to the General Meeting Requisitionists by the Company.

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

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

3. Enquiries to the Board

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

Address: 24th Floor, Chu Kong Shipping Tower, 143 Connaught Road Central, Hong Kong
Telephone: (852) 2859 1415
Facsimile: (852) 2186 7204
E-mail: maggie-cksd@cks.com.hk

The general meeting is an important occasion for direct dialogues between Directors, senior executives and shareholders, and the Company attaches great importance to any general meeting. All Directors (including independent non-executive Directors) and senior executives will try to attend the meetings, listen to shareholders' proposals in person, and answer questions raised by shareholders concerning the development strategies and operations of the Company. The Company welcomes shareholders to attend general meetings in person and express their opinions and raised their enquiries to the Directors and management.

INVESTOR RELATIONS AND COMMUNICATIONS

The Company regards investor relations as utmost importance and discloses relevant information timely under the guidelines of the Listing Rules. The Company introduces the situation of the Company to institutional investors and analysts regularly. In the year, the Company frequently met with fund managers and investment bank analysts and responded swiftly to the queries of the small and medium investors.

During 2016, there was no amendment to the constitutional document of the Company.

pwc

羅兵咸永道

To the Members of Chu Kong Shipping Enterprises (Group) Company Limited
(incorporated in Hong Kong with limited liability)

OPINION

What we have audited

The consolidated financial statements of Chu Kong Shipping Enterprises (Group) Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 76 to 163, which comprise:

- the consolidated balance sheet as at 31st December 2016;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2016, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters identified in our audit are summarised as follows:

- Impairment assessment of cargo handling and storage assets
- Accounting for land transactions

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of cargo handling and storage assets Refer to note 4 "Critical accounting estimates and judgements – impairment assessment of goodwill, property, plant and equipment and land use rights related to cargo handling and storage operations" and note 9 "Intangible assets – Goodwill" to the consolidated financial statements. As at 31st December 2016, the Group had property, plant and equipment, land use rights and goodwill related to cargo handling and storage operations ("Terminal Assets") with an aggregate carrying amount of HK$1,906,069,000. Some of the terminals have been loss making or have been significantly delayed in completing their construction, which may be indications of impairment.	In addressing this matter, we performed the following procedures on the impairment assessment: • Tested management's assessment as to which property, plant and equipment and land use rights related to cargo handling and storage operations have indicators of impairment and the allocation of Terminal Assets to the relevant CGUs. • For those Terminal Assets where impairment indicators exist and in relation to the annual impairment assessment required for goodwill, we tested the cash flow forecasts prepared by management, including: • Involved our valuation specialists to assess the appropriateness of the methodologies adopted and the reasonableness of the discounted rates used in the cash flow forecasts;

Key Audit Matter	How our audit addressed the Key Audit Matter
An impairment assessment is required annually for goodwill and for other Terminal Assets where impairment indicators exist. Management conducted an impairment review by estimating the recoverable amounts of the relevant cash generating units ("CGUs") to which the Terminal Assets belong, using the value in use model. The key assumptions and judgments adopted by management in the relevant cash flow forecasts included revenue growth rates, gross margin and discount rates. Based on its assessment, no impairment on the Terminal Assets is required. Because of the significance of the carrying amounts of Terminal Assets as at 31st December 2016 (including those with impairment indicators), together with the use of significant judgment in estimating the recoverable amounts of the Terminal Assets, we identified this matter as a key audit matter.	• assessed the reasonableness of key input data in the cash flow forecasts by comparing them with historical actual information and management's approved budget; • compared the expected revenue growth rates and gross margin to relevant market expectations such as industry information; • tested the discount rates with reference to our understanding of the business including future business plans of the relevant CGU, and comparisons to other similar companies; • checked the mathematical accuracy of the value in use calculation used to estimate the recoverable amounts; and • performed sensitivity analysis on the assumptions to the impairment assessment, to understand the impact of reasonable alternative assumptions on the estimated recoverable amounts. We found the Group's significant estimates and assumptions used in the impairment assessment to be supported by the available evidence and consistent with our expectation.

Key Audit Matter	How our audit addressed the Key Audit Matter
Accounting for land transactions Refer to note 4 "Critical accounting estimates and judgements – Accounting for land transactions", note 6 "Property, plant and equipment" and note 25 "Other gains/(losses) – net – Gain on disposals of property, plant and equipment" to the consolidated financial statements. Owing to a land reclamation project undertaken by the Hong Kong government (the "Government"), a parcel of land in Tuen Mun ("Surrendered Land") previously owned by the Group was surrendered to the Government and the Government re-granted another nearby parcel of land ("Re-granted Land") plus a land premium payment amounted to HK$198,970,000 (the "Land Transactions"). Management assessed the Land Transactions by comparing the risk, timing and amount of the cash flows from the Surrendered Land and the Re-granted Land and concluded that the cash flows were significantly different and therefore the Land Transactions have separate commercial substance and should be recognised as two separate transactions. Consequently, management recognised a gain on disposal of the Surrendered Land and the Re-granted Land was recognised as an acquisition of a new parcel of land at its fair value. Management engaged an external valuer to ascertain the fair value of the Re-granted Land. Since the assessment of the accounting treatment for the Land Transactions involved management judgment and is a significant asset of the Group and the amount of gain on disposal was significant to the financial performance of the Group, significant audit attention was given to this area.	In addressing this matter, we performed the following procedures: • reviewed the agreements between the Group and the Government to understand the terms; • discussed with management in connection with their rationale and judgment of recognising the Land Transactions as two separate transactions; • assessed the reasonableness of the input data used in the cash flow projections on the Surrendered Land and the Re-granted Land and assessed whether the risk, timing and amount of cash flows are significantly different; • assessed the competence, capabilities and objectivity of management's external valuer; • involved our valuation specialists to assess the reasonableness of the fair value of the Re-granted Land based on the external valuation reports of the Re-granted Land which was valued using the direct comparison approach and taking into account of the requisite cost to complete the proposed development and a reasonable developer's profit margin; and • checked the arithmetical accuracy of the calculation of the gain on disposal of the Surrendered Land and agreed the payment of the land premium to the bank-in slip. We found management's judgment used in accounting for the Land Transactions to be supported by the available evidence.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The Audit Committee is responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the audit committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the audit committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Liao Weining.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30th March 2017

Consolidated Balance Sheet
As at 31st December 2016

	Note	2016 HK$'000	2015 HK$'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,623,562**	1,455,446
Investment properties	7	**4,772**	4,829
Land use rights	8	**448,244**	489,787
Intangible assets	9	**44,702**	37,751
Investments in joint ventures	11	**398,530**	465,161
Investments in associates	11	**100,006**	124,636
Deposits and prepayments	12	**9,106**	23,096
Deferred income tax assets	13	**8,801**	1,364
		2,637,723	2,602,070
Current assets			
Inventories	14	**4,693**	752
Trade and other receivables	15	**547,425**	713,828
Loans to joint ventures	15	**16,675**	17,805
Cash and cash equivalents	16	**817,669**	912,794
		1,386,462	1,645,179
Asset held for sale	20	**–**	1,367
		1,386,462	1,646,546
Total assets		**4,024,185**	4,248,616
EQUITY			
Share capital	17	**1,333,171**	1,333,171
Reserves	19	**1,325,462**	1,553,061
		2,658,633	2,886,232
Non-controlling interests		**255,456**	217,979
Total equity		**2,914,089**	3,104,211

	Note	2016 HK$'000	2015 HK$'000 (Restated)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	13	**83,084**	83,056
Deferred income		**5,105**	7,657
Amount due to the non-controlling interest of a subsidiary	22(c)	–	38,013
Loan from immediate holding company	22(b)	–	7,500
Other payable	21	–	346
Long term borrowings	23	**65,694**	51,722
		153,883	188,294
Current liabilities			
Trade payables, accruals and other payables	21	**600,696**	632,487
Loans from associates	22(a)	**23,343**	24,922
Amounts due to the non-controlling interests of subsidiaries	22(c)	**88,539**	75,700
Amount due to a related party	22(d)	**13,444**	14,354
Income tax payables		**19,012**	23,680
Short term borrowings	23	**100,000**	75,000
Current portion of long term borrowings	23	**111,179**	109,968
		956,213	956,111
Total liabilities		**1,110,096**	1,144,405
Total equity and liabilities		**4,024,185**	4,248,616

The notes on pages 83 to 163 are an integral part of these consolidated financial statements.

The financial statements on pages 76 to 163 were approved by the board of directors on 30th March 2017 and were signed on its behalf.

Xiong Gebing
Director

Cheng Jie
Director

Consolidated
Income Statement

For the year ended 31St December 2016

	Note	2016 HK$'000	2015 HK$'000 (Restated)
Revenue	5	**2,381,891**	2,507,427
Cost of services rendered	26	**(1,867,881)**	(1,989,174)
Gross profit		**514,010**	518,253
Other income	24	**40,927**	41,161
Other gains/(losses), net	25	**39,329**	(8,558)
General and administrative expenses	26	**(315,668)**	(311,533)
Operating profit		**278,598**	239,323
Finance income	27	**11,875**	8,454
Finance cost	27	**(7,513)**	(10,852)
Share of profits less losses of:			
– Joint ventures	28	**74,723**	74,325
– Associates	28	**17,925**	19,825
Profit before income tax		**375,608**	331,075
Income tax expense	29	**(49,167)**	(60,592)
Profit for the year		**326,441**	270,483
Attributable to:			
Equity holders of the Company		**321,771**	265,004
Non-controlling interests		**4,670**	5,479
		326,441	270,483
Earnings per share (HK cents)			
Basic	31	**29.79**	26.25
Diluted	31	**29.79**	26.25

The notes on pages 83 to 163 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31St December 2016

	2016 HK$'000	2015 HK$'000 (Restated)
Profit for the year	**326,441**	270,483
Other comprehensive loss:		
Items that may be reclassified to profit or loss		
Currency translation differences		
– Subsidiaries	**(102,062)**	(100,395)
– Joint ventures and associates	**(34,280)**	(33,274)
Other comprehensive loss for the year	**(136,342)**	(133,669)
Total comprehensive income for the year	**190,099**	136,814
Attributable to:		
Equity holders of the Company	**193,984**	138,726
Non-controlling interests	**(3,885)**	(1,912)
	190,099	136,814

The notes on pages 83 to 163 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2016

	Attributable to owners of the Company				
	Share capital HK$'000	Total reserves HK$'000 (Note 19)	Equity holders HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1st January 2016, as previously reported	**1,333,171**	**1,373,411**	**2,706,582**	**217,979**	**2,924,561**
Adoption of merger accounting	**–**	**179,650**	**179,650**	**–**	**179,650**
At 1st January 2016, as restated	**1,333,171**	**1,553,061**	**2,886,232**	**217,979**	**3,104,211**
Total comprehensive income for the year	**–**	**193,984**	**193,984**	**(3,885)**	**190,099**
Transactions with owners					
Consideration in connection with the purchase of Sun Kong Petroleum and Macau Cotai	**–**	**(252,233)**	**(252,233)**	**–**	**(252,233)**
Employee share option scheme:					
– Value of employee services	**–**	**2,050**	**2,050**	**–**	**2,050**
Capital contribution by a non-controlling interest	**–**	**–**	**–**	**41,362**	**41,362**
Dividend paid by Sun Kong Petoleum to CKSE (note 19(d))	**–**	**(85,000)**	**(85,000)**	**–**	**(85,000)**
2015 final dividend	**–**	**(54,000)**	**(54,000)**	**–**	**(54,000)**
2016 interim dividend	**–**	**(32,400)**	**(32,400)**	**–**	**(32,400)**
Total transactions with owners	**–**	**(421,583)**	**(421,583)**	**41,362**	**(380,221)**
At 31st December 2016	**1,333,171**	**1,325,462**	**2,658,633**	**255,456**	**2,914,089**

	Attributable to owners of the Company				
	Share capital HK$'000	Total reserves HK$'000 (Note 19)	Equity holders HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1st January 2015, as previously reported	877,762	1,360,064	2,237,826	209,047	2,446,873
Adoption of merger accounting	–	151,064	151,064	–	151,064
At 1st January 2015, as restated	877,762	1,511,128	2,388,890	209,047	2,597,937
Total comprehensive income for the year	–	138,726	138,726	(1,912)	136,814
Transactions with owners					
Employee share option scheme:					
– Value of employee services	–	78	78	–	78
Placement of shares	455,409	–	455,409	–	455,409
Gain on partial disposal of a subsidiary, net of tax	–	25,985	25,985	6,496	32,481
Equity interest on partial disposal of a subsidiary	–	–	–	12,048	12,048
Dividend paid by Sun Kong Petroleum to CKSE (note 19 (d))	–	(4,056)	(4,056)	–	(4,056)
2014 final dividend	–	(64,800)	(64,800)	–	(64,800)
2015 interim dividend	–	(43,200)	(43,200)	–	(43,200)
2015 interim special dividend	–	(10,800)	(10,800)	–	(10,800)
Dividend paid to non-controlling interests	–	–	–	(7,700)	(7,700)
Total transactions with owners	455,409	(196,793)	358,616	10,844	369,460
At 31st December 2015	1,333,171	1,553,061	2,886,232	217,979	3,104,211

The notes on pages 83 to 163 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31st December 2016

	Note	2016 HK$'000	2015 HK$'000 (Restated)
Cash flows from operating activities			
Cash generated from operations	34	**283,731**	237,553
Hong Kong profits tax paid		**(21,630)**	(24,476)
Mainland China corporate income tax paid		**(34,044)**	(31,087)
Macau profits tax paid		**(4,293)**	(2,979)
Net cash generated from operating activities		**223,764**	179,011
Cash flows from investing activities			
Purchase of property, plant and equipment		**(86,388)**	(77,141)
Purchase of intangible asset		**(828)**	–
Payment for land	6	**(198,970)**	–
Deposits for purchase of property, plant and equipment		**–**	(4,970)
Proceeds from disposal of property, plant and equipment		**2,972**	7,032
Proceeds from disposal of asset held for sale		**1,367**	–
Cash received from capital refund of associates and joint ventures		**25,687**	–
Government grants received for acquisition of property, plant and equipment		**–**	12,761
Dividends received from joint ventures and associates		**231,183**	14,854
Interest received		**11,875**	8,454
Proceeds from disposal of 20% shareholding of a subsidiary		**–**	44,529
Net cash (used in)/generated from investing activities		**(13,102)**	5,519
Cash flows from financing activities			
Dividends paid		**(86,400)**	(122,856)
Dividends paid to a non-controlling interest		**(7,700)**	–
Interest paid		**(7,513)**	(10,669)
Capital contribution by a non-controlling interest		**5,612**	–
Cash paid for purchase of Sun Kong Petroleum and Macau Cotai	19(d)	**(252,233)**	–
Repayment of bank loans		**(179,000)**	(191,000)
Drawdown of bank loans		**219,182**	25,555
Drawdown of loan from immediate holding company		**–**	6,000
Repayment of loan from immediate holding company		**(7,500)**	–
Increase in amount due to the non-controlling interests of a subsidiary		**11,179**	–
Net proceeds from placement of shares		**–**	455,409
Net cash (used in)/generated from financing activities		**(304,373)**	162,439
Net (decrease)/increase in cash and cash equivalents		**(93,711)**	346,969
Cash and cash equivalents at the beginning of the year		**912,794**	574,129
Effect of exchange rate changes		**(1,414)**	(8,304)
Cash and cash equivalents at the end of the year	16	**817,669**	912,794

The notes on pages 83 to 163 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

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

The Company and its subsidiaries (collectively referred to as the "Group") are mainly engaged in provision of management and other related services to high-speed waterway passenger transportation in Guangdong, Hong Kong and Macau; the operation and management of river trade cargo terminals in the Mainland China and Hong Kong; cargo transportation, warehousing and storage business; provision of diesel and lubricants for passenger ferries and cargo vessels in Hong Kong; and provision of operation and management of facilities maintenance services for terminals of government in Macau.

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

These financial statements have been approved for issue by the board of directors of the Company on 30th March 2017.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

(i) On 4th March 2016, the Company and its subsidiary acquired 100% equity interest in Sun Kong Petroleum Company Limited ("Sun Kong Petroleum") at a consideration of HK$166,000,000 and 100% equity interest in Cotai Chu Kong Shipping Management Services (Macau) Company Limited ("Macau Cotai") at a consideration of MOP88,900,000 (equivalent to approximately HK$86,233,000) from Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE"), immediate holding company of the Company (the "Acquisition"). The Acquisition was completed on 30th June 2016 and the consideration was fully settled by the Company on 28th December 2016.

The Acquisition is regarded as business combinations under common control. Accordingly, the consolidated financial statements for the year ended 31st December 2016, 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 Hong Kong Institute of Certified Public Accountants ("HKICPA") on the basis as if the Company had been the holding company of the Sun Kong Petroleum and Macau Cotai throughout the periods presented or since their respective dates of incorporation, whichever is the shorter period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(ii) The consolidated financial statements of Chu Kong Shipping Enterprises (Group) Company Limited have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards ("HKFRSs"). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with HKFRSs requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in note 4.

(iii) Adoption of amended HKFRSs and interpretation

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2015, except that the Group has adopted the following amended standards and interpretation issued by the HKICPA which are relevant to the Group's operations and mandatory for the financial year beginning on or after 1st January 2016.

HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKFRS 14	Regulatory Deferral Accounts
HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements
Annual Improvements Project	Annual Improvements 2012-2014 Cycle

The adoption of the above amended HKFRSs and interpretation in current year does not have any significant financial effect on the consolidated financial statements or result in any substantial changes in the Group's significant accounting policies.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(iv) New and amended standards not yet adopted

The following new and amended standards which are relevant to the Group's operation, have been issued and are effective for annual period beginning after 1st January 2016, have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKFRS 2 (Amendment)	Classification and Measurement of Share-Based Payment Transactions	1 January 2018
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1 January 2018
HKFRS 9	Financial Instruments	1 January 2018
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 15	Revenue from Contracts with Customers	1 January 2018
HKFRS 16	Leases	1 January 2019
HKAS 7 (Amendment)	Disclosure Initiative	1 January 2017
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses	1 January 2017

The Group will adopt the above new and amended standards as and when they become effective.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation

A subsidiary is an entity (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(i) Business combination not under common control

The Group uses the acquisition method of accounting to account for business combinations other than those which are under common control. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

If the business combination is achieved in stages, the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation (Continued)

(i) Business combination not under common control (Continued)

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

(ii) Business combination under common control

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Consolidation (Continued)

(ii) Business combination under common control (Continued)

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

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

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

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

(iii) Transactions with non-controlling interests

Transactions with non-controlling interests that do not result in a loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying amount of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequent accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements. Under HKFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations of each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures.

Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the joint venture and its carrying value and recognises the amount adjacent to 'share of profits less losses of joint ventures and associates' in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Associates

An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to 'share of profits less losses of joint ventures and associates' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

Gain or losses on dilution of equity interest in associates are recognised in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of sale. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(f) Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuations where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-ended exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other gains/losses – net'.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each balance sheet presented are translated at the rates ruling at the date of that balance sheet;

– income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and

– all resulting exchange differences are recognised as other comprehensive income.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the exchange differences accumulated in equity in respect of that operation attributable to the equity holders of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the rates ruling at the balance sheet date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment

(i) Construction in progress

Construction in progress represents warehouse, vessels and barges or other property, plant and equipment under construction which is carried at cost less any accumulated impairment losses.

Construction in progress includes construction expenditure incurred, borrowing costs and other direct costs attributable to the construction. On completion, the construction in progress is transferred to appropriate categories of property, plant and equipment. No depreciation is provided for construction in progress.

(ii) Other property, plant and equipment

Leasehold land classified as finance lease and all other property, plant and equipment are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

Buildings	20 – 50 years
Leasehold land classified as finance lease	Shorter of lease term or remaining useful life
Leasehold improvements	5 – 8 years
Plant and machinery	4 – 10 years
Furniture, fixtures and equipment	3 – 8 years
Motor vehicles	3 – 8 years
Containers	4 – 8 years
Vessels and barges	8 – 15 years

Major costs incurred in restoring the property, plant and equipment to their normal working condition are charged to the income statement. Improvements are capitalised and depreciated over their expected useful lives.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Property, plant and equipment (Continued)

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

Vessel repairs and survey costs are charged as operating expenses as they are incurred. Vessel component costs include the cost of major components which are usually replaced or renewed at dry-dockings. Dry-docking costs of vessel and the costs incurred in replacing or renewing the separate assets are capitalised and depreciated over the period to the next estimated dry-dock date.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts of the assets and are recognised within 'other gains/losses – net', in the income statement.

(h) Investment properties

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies in the Group, is classified as investment property in the financial statements.

Investment property is situated on leasehold land and is carried at historical cost, including related transaction costs, less depreciation and impairment. Depreciation of the investment property is calculated using the straight-line method to allocate cost over their estimated lives.

Subsequent expenditure is included to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed in the income statement during the financial period in which they are incurred.

(i) Land use rights

Land use rights represent operating lease payments for land and are carried at cost less accumulated amortisation and impairment. Amortisation is calculated using the straight-line method to allocate the operating lease payments over the remaining lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

(k) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the consolidated balance sheet.

(l) Financial assets

(i) Classification

The Group classifies its financial assets in loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables include trade and other receivables excluding deposits and prepayments (note 12), loans to joint ventures (note 15) and cash and cash equivalents (note 16).

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of investments in subsidiaries, joint ventures, associates and non-financial assets

Assets that have an indefinite useful life, for example, goodwill, are not subject to depreciation/ amortisation and are tested annually for impairment. Assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of sale and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (CGUs). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

Impairment testing of the investments in subsidiaries, joint ventures and associates is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiaries, joint ventures and associates in the period the dividend is declared or if the carrying amount of the investment exceeds the carrying amount of the investee's net assets.

(n) Impairment of financial assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;

The Group first assesses whether objective evidence of impairment exists.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the reversal of the previously recognised impairment loss is recognised in the income statement.

(o) Share capital

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

(p) Trade payables, accruals and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade payables and other are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables, accruals and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(q) Current and deferred income tax

The income tax expense for the year comprises current and deferred tax. Income tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the income tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the Company, its subsidiaries, joint ventures and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or a liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Current and deferred income tax (Continued)

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

Deferred income tax liabilities are provided on taxable temporary differences arising on investments in subsidiaries, joint ventures and associates, except where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(r) Employee benefits

(i) Employee leave entitlements

Employee entitlements to annual leave is recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the balance sheet date.

Employee entitlements to sick leave and maternity leave are not recognised until the time of leave.

(ii) Retirement benefit obligations

The contributions to defined contribution schemes are recognised as employee benefit expense when they are due and are not reduced by contributions forfeited by those employees who leave the schemes prior to vesting fully in the contributions. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(iii) Bonus entitlements

The Group recognises a liability and an expense for bonus when the Group has a present legal or constructive obligation as a result of services rendered by employees and a reliable estimate of the obligation can be made.

Liabilities for bonus are expected to be settled within twelve months and are measured at the amounts expected to be paid when they are settled.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits (Continued)

(iv) Termination benefits

Termination benefits are payable when employment is terminated by the Group before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits when it is demonstrably committed to a termination when the entity has a detailed formal plan to terminate the employment of current employees without possibility of withdrawal. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value.

(s) Revenue/income recognition

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

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

(i) Cargo transportation

Revenues from the rendering of services in river trade cargo direct shipment and transhipment are recognised in the financial period in which the services are rendered.

(ii) Cargo handling and storage

Revenues from the rendering of services in river trade wharf cargo handling, cargo consolidation and godown storage and container hauling and trucking are recognised in the financial period in which the services are rendered.

(iii) Passenger transportation agency service

Revenues from passenger transportation agency services are recognised based on net agency fee upon departure of ferries at terminals.

(iv) Ferry terminal operation service

Revenues from ferry terminal operation service are recognised based on net ferry terminal operation service fee upon departure of ferries at terminals.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenue/income recognition (Continued)

(v) Management service

Revenues from management service are recognised when the service is rendered.

(vi) Advertising service

The Group provides advertising services to customers to advertise at terminals and ferries. Revenue is recognised upon provision of services.

(vii) Travel agency service

Revenue from travel agency services is recognised upon provision of services.

(viii) Interest income

Interest income is recognised using the effective interest method.

(ix) Dividend income

Dividend income is recognised when the right to receive payment is established.

(x) Rental income

Rental income is recognised on a straight-line basis over the term of the lease.

(xi) Passenger and maintenance services income

Revenue from the provision of passenger services and ferry terminal maintenance services are recognised when the services are rendered.

(xii) Oil trading

Revenue from trading of oil are recognised when the goods are delivered.

(xiii) Marine bunkering services

Revenue from marine bunkering services is recognised upon provision of services.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged in the consolidated income statement on a straight-line basis over the period of the lease.

(u) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the income statement on a straight-line basis over the expected lives of the related assets.

(v) Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's equity holders or directors, as appropriate.

(w) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Contingent liabilities

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to financial statements. When a change in probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

(y) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the executive directors of the Company that makes strategic decisions.

(z) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets which necessarily takes a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of the assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to the income statement in the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Share-based payments

The Group operates a equity-settled, share-based compensation plan, under which the entity receives services from employees as consideration for equity instruments (options) of the Group. The fair value of the employee services received in exchange for the grant of the options is recognised as an expense. The total amount to be expensed is determined by reference to the fair value of the options granted:

- including any market performance conditions (for example, an entity's share price);
- excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and
- including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the income statement, with a corresponding adjustment to equity.

When the options are exercised, the Company issues new shares. The proceeds received net of any directly attributable transaction costs are credited to share capital.

(ab) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

3 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risks (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(i) Foreign exchange risk

The Group mainly operates in Hong Kong and the PRC and is exposed to foreign exchange risk primarily arising from Renminbi and United States dollar, with respect to the Hong Kong dollar. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in the PRC. The Group continuously monitors its foreign currency position and will consider hedging significant foreign currency exposure by using foreign exchange forward contracts when the need arises.

The actual foreign exchange risk faced by the Group therefore primarily arises from non-functional currency bank balances, receivable and payable balances. The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

At 31st December 2016, if Hong Kong dollar had weakened or strengthened by 5% against the Renminbi with all other variables held constant, profit after income tax for the year of the Group would have been HK$10,299,000 (2015: HK$9,076,000) higher or lower respectively, mainly as a result of foreign exchange gains on translation of bank balances, receivable and payable balances denominated in Renminbi.

Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the United States dollar. Therefore the Group does not expose to significant foreign exchange risk in respect of its assets and liabilities denominated in United State dollar.

(ii) Interest rate risk

The Group's loans to joint ventures, loan from associate, amount due to the non-controlling interest of a subsidiary, amount due to a related party, bank balances and bank borrowings bear interest at floating rates which expose the Group to cash flow interest rate risk. The Group currently does not have a hedging policy on interest rate exposure. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure if necessary.

At 31st December 2016, if interest rates on financial assets had been 50 basis points higher or lower with all other variables held constant, profit after income tax for the year of the Group would have been HK$651,000 (2015: HK$1,643,000) higher or lower respectively, mainly as a result of higher or lower finance income from floating rate loans to joint ventures and short-term bank deposits.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(ii) Interest rate risk (Continued)

As 31st December 2016, if interest rates on financial liabilities had been 50 basis points higher or lower with all other variables held constant, profit after income tax for the year of the Group would have been HK$1,296,000 (2015: HK$1,088,000) lower or higher respectively mainly as a result of higher or lower finance cost from floating rate bank borrowings.

(iii) Credit risk

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

For banks and financial institutions, a substantial portion of the Group's bank balances and deposits were placed with PRC state owned banks which have sound credit ratings. Management considers the credit risk is low.

There is no concentration of credit risk with respect to trade and other receivables as the Group has a large number of customers which are internationally dispersed. No individual third party customers accounted for more than 10% of the Group's revenue. The Group limits its exposure to credit risk through performing credit review and monitoring the financial strength of its major customers and generally does not require collateral on trade and other receivables.

Loans to joint ventures are granted taken into account of their financial position, past experience and other factors. The Group monitors the credibility of joint ventures continuously.

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

(iv) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by maintaining available committed credit lines.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(iv) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities which will be settled into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Group					
At 31st December 2016					
Bank borrowings	**217,710**	**14,157**	**44,409**	**15,625**	**291,901**
Amounts due to the non-controlling interests of subsidiaries	**89,413**	**–**	**–**	**–**	**89,413**
Amount due to a related party	**14,029**	**–**	**–**	**–**	**14,029**
Loans from associates	**23,693**	**–**	**–**	**–**	**23,693**
Trade payables, accruals and other payables	**599,012**	**1,684**	**–**	**–**	**600,696**
At 31st December 2015 (Restated)					
Bank borrowings	189,595	14,168	41,696	997	246,456
Amounts due to the non-controlling interests of subsidiaries	75,870	39,567	–	–	115,437
Amount due to a related party	14,978	–	–	–	14,978
Loans from associates	25,296	–	–	–	25,296
Trade payables, accruals and other payables	630,066	2,767	–	–	632,833
Loan from immediate holding company	–	7,950	–	–	7,950

(b) Capital risk management

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

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

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Capital risk management (Continued)

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

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

(c) Fair value estimation

The carrying values less impairment provision (if applicable) of financial assets (including cash and cash equivalents) and the carrying values of financial liabilities with maturities less than twelve months from the end of the reporting period are reasonable approximation of their fair values.

Fair value of long-term borrowings are estimated using the estimated future payments discounted at market interest rates.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future financial periods are stated below.

(i) Impairment assessment of goodwill, property, plant and equipment and land use rights related to cargo handling and storage operations

The Group's goodwill, property, plant and equipment and land use rights are mainly related to cargo handling and storage operations and amounted to HK$1,906,069,000 ("Terminal Assets") as at 31st December 2016. Management has performed impairment assessment on Terminal Assets based on the policies set out below.

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2 (e). Determining whether goodwill is impaired requires an estimation of the recoverable amounts of cash generating units ("CGU") to which goodwill has been allocated. The recoverable amounts of CGUs have been determined based on value-in-use calculations.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(i) Impairment assessment of goodwill, property, plant and equipment and land use rights related to cargo handling and storage operations (Continued)

According to the accounting policies stated in note 2 (m), property, plant and equipment and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management judgement is required in the area of asset impairment particularly in assessing (i) whether any events including changes in government policies has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of sale or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including revenue and gross margin growth rates and discount rates.

The key assumptions applied in the cash flow projections are revenue growth rates, gross margin and discount rate.

The recoverable amount calculated based on value-in-use exceeded carrying value. A fall in revenue growth rate by 10% or a rise in discount rate by 0.5%, all changes taken in isolation, would remove the remaining headroom.

(ii) Accounting for land transactions

During the year, owing to the reclamation project of the Government of the Hong Kong Special Administrative Region ("the Government"), a parcel of land in Tuen Mun owned by the Group (the "Surrendered Land") was surrendered and the Government has re-granted a new nearby parcel of land (the "Re-Granted Land") for a premium of HK$198,970,000 (the "Land Transactions").

In assessing the commercial substance of the Land Transactions, management considered the risk, timing and amount of the cash flows from the Surrendered Land and the Re-Granted Land were significantly different based on the cash flow projections and the investments to be made on these two parcels of land. Accordingly, the Land Transactions was treated as two separate transactions. Consequently, management recognise a gain on disposal of the Surrendered Land amounted to HK$52,784,000 and the Re-Granted Land was recognised as an acquisition of a new parcel of land at its fair value. The fair value of the Re-Granted Land was based on the valuation performed by an external third party valuer. Assessment of the accounting treatment for the Land Transactions involved significant management judgement.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(iii) Useful lives of fixed assets

The annual depreciation charges are sensitive to the estimated economic useful lives the Group allocates to each type of fixed assets. Management performs annual reviews to assess the appropriateness of their estimated economic useful lives. Such reviews take into account the technological changes, prospective economic utilisation and physical condition of the assets concerned. The useful lives are estimated at the time the purchases are made after considering the future, business developments and the Group's strategies. Should there be unexpected adverse changes in the circumstances or events, the Group assesses the need to shorten the useful lives and/or make impairment provisions. Indications of these unexpected adverse changes include declines in projected operating results, negative industry or economic trends and rapid advancement in technology.

(iv) Provision for trade and other receivables

Management determines the provision for impairment of trade and other receivables based on the credit history of its customers and the current market situation. Management will reassess the estimations at each balance sheet date.

(v) Income taxes and deferred income tax assets

The Group is mainly subject to income taxes in Hong Kong, Macau and the PRC. Significant judgement is required in determining the provision for income taxes in Hong Kong, Macau and the PRC. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectations are different from the original estimates, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimates is changed.

5 REVENUE AND SEGMENT INFORMATION

Revenue consists of sales from cargo transportation, cargo handling and storage, passenger transportation, fuel supply and corporate and other business.

	2016 HK$'000	2015 HK$'000 (Restated)
Cargo transportation	**1,284,608**	1,284,534
Cargo handling and storage	**424,135**	436,389
Passenger transportation	**207,037**	201,357
Fuel supply	**410,795**	530,660
Corporate and other business	**55,316**	54,487
	2,381,891	2,507,427

The chief operating decision-maker has been identified as the executive 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 executive directors of the Company consider the business from service perspectives and assess the performance of the Group and its joint ventures and associates which are organised into five main businesses:

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

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

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

(iv) Fuel Supply – Oil trading and marine bunkering service

(v) Corporate and other businesses

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

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

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Cargo transportation HK$'000	Cargo handling and storage HK$'000	Passenger transportation HK$'000	Fuel supply HK$'000	Corporate and other businesses HK$'000	Total HK$'000
Year ended 31st December 2016						
Total revenue	1,289,238	513,737	207,037	447,302	87,923	2,545,237
Inter-segment revenue	(4,630)	(89,602)	–	(36,507)	(32,607)	(163,346)
Revenue (from external customers)	1,284,608	424,135	207,037	410,795	55,316	2,381,891
Segment profit before income tax expense	7,027	183,165	148,196	21,848	15,372	375,608
Income tax expense	(2,695)	(20,331)	(19,723)	(3,012)	(3,406)	(49,167)
Segment profit after income tax expense	4,332	162,834	128,473	18,836	11,966	326,441
Segment profit before income tax expense includes:						
Finance income	193	811	183	15	10,673	11,875
Finance cost	–	(5,304)	–	–	(2,209)	(7,513)
Depreciation and amortisation	(10,645)	(91,804)	(184)	(1,738)	(3,552)	(107,923)
Share of profits less losses of:						
Joint ventures	1,184	24,912	48,606	–	21	74,723
Associates	–	4,279	13,646	–	–	17,925
Year ended 31st December 2015 (Restated)						
Total revenue	1,289,001	530,414	201,357	578,305	84,611	2,683,688
Inter-segment revenue	(4,467)	(94,025)	–	(47,645)	(30,124)	(176,261)
Revenue (from external customers)	1,284,534	436,389	201,357	530,660	54,487	2,507,427
Segment profit before income tax expense	9,979	138,098	145,180	22,403	15,415	331,075
Income tax expense	(4,186)	(32,436)	(12,638)	(3,919)	(7,413)	(60,592)
Segment profit after income tax expense	5,793	105,662	132,542	18,484	8,002	270,483
Segment profit before income tax expense includes:						
Finance income	269	673	107	13	7,392	8,454
Finance cost	–	(4,895)	–	–	(5,957)	(10,852)
Depreciation and amortisation	(11,141)	(92,687)	(131)	(1,983)	(3,348)	(109,290)
Share of profits less losses of:						
Joint ventures	2,021	26,581	45,711	–	12	74,325
Associates	–	5,938	15,147	(1,260)	–	19,825

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Cargo transportation HK$'000	Cargo handling and storage HK$'000	Passenger transportation HK$'000	Fuel supply HK$'000	Corporate and other businesses HK$'000	Inter segment elimination HK$'000	Total HK$'000
As at 31st December 2016							
Total segment assets	548,730	2,400,613	627,433	140,067	1,784,586	(1,477,244)	4,024,185
Total segment assets include:							
– Joint ventures	25,648	180,106	162,126	–	30,650	–	398,530
– Associates	–	46,786	53,220	–	–	–	100,006
Addition to non-current assets (excluding deferred income tax assets)	4,706	416,890	–	112	2,511	–	424,219
Total segment liabilities	(449,080)	(771,764)	(152,779)	(48,892)	(1,164,825)	1,477,244	(1,110,096)
As at 31st December 2015 (Restated)							
Total segment assets	547,600	2,167,057	576,122	193,985	1,951,573	(1,187,721)	4,248,616
Total segment assets include:							
– Joint ventures	26,115	191,741	214,603	–	32,702	–	465,161
– Associates	–	45,528	79,108	–	–	–	124,636
Addition to non-current assets (excluding deferred income tax assets)	4,211	75,832	667	746	1,401	–	82,857
Total segment liabilities	(419,437)	(653,344)	(106,622)	(36,207)	(1,116,516)	1,187,721	(1,144,405)

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical analysis

Over 90% of the Group's revenue is derived from operations carried out in Mainland China and Hong Kong and customers are located in Mainland China and Hong Kong. Geographical segment information is not presented as the directors consider that the nature of the provision of cargo and passenger transportation services, which are carried out in Mainland China and Hong Kong, preclude a meaningful allocation of operating profit to specific geographical segments.

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

	2016 **HK$'000**	2015 HK$'000 (Restated)
Non-current assets excluding joint ventures and associates and deferred income tax assets		
Hong Kong	**737,075**	495,959
Mainland China	**1,393,095**	1,511,033
Macau	**216**	3,917
	2,130,386	2,010,909
Joint ventures and associates		
Hong Kong	**41,595**	54,206
Singapore	**7,207**	6,443
Mainland China	**449,734**	529,148
	498,536	589,797
Deferred income tax assets	**8,801**	1,364
	2,637,723	2,602,070

6 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Containers HK$'000	Vessels and barges HK$'000	Total HK$'000
Cost									
At 1st January 2016 (restated)	1,449,226	44,414	30,396	377,416	63,812	69,320	21,089	64,632	2,120,305
Exchange differences	(71,593)	(3,146)	(605)	(22,011)	(2,298)	(1,907)	(12)	–	(101,572)
Additions (note (b))	337,569	50,662	4,153	24,412	3,917	2,078	2,387	–	425,178
Transfer	12,625	(23,975)	290	9,648	1,412	–	–	–	–
Disposals/write-off (note (b))	(138,727)	–	–	(7,938)	(7,222)	(8,790)	(1,183)	(625)	(164,485)
At 31st December 2016	1,589,100	67,955	34,234	381,527	59,621	60,701	22,281	64,007	2,279,426
Accumulated depreciation									
At 1st January 2016 (restated)	317,481	–	24,023	174,899	44,836	47,637	16,390	39,593	664,859
Exchange differences	(14,237)	–	(494)	(10,329)	(1,694)	(1,395)	(9)	–	(28,158)
Charge for the year	39,662	–	2,800	36,167	6,225	6,640	1,756	2,728	95,978
Disposals/write-off (note (b))	(53,500)	–	–	(7,695)	(5,997)	(8,313)	(1,182)	(128)	(76,815)
At 31st December 2016	289,406	–	26,329	193,042	43,370	44,569	16,955	42,193	655,864
Net book value									
At 31st December 2016	1,299,694	67,955	7,905	188,485	16,251	16,132	5,326	21,814	1,623,562
Cost									
At 1st January 2015, as previously reported	1,503,476	29,879	26,974	378,471	62,730	66,615	23,756	30,863	2,122,764
Adoption of merger accounting	–	–	–	–	656	1,864	–	33,023	35,543
At 1st January 2015, as restated	1,503,476	29,879	26,974	378,471	63,386	68,479	23,756	63,886	2,158,307
Exchange differences	(64,587)	(1,934)	(520)	(20,349)	(2,275)	(2,052)	(11)	–	(91,728)
Additions	3,207	30,453	4,184	28,820	1,573	8,741	163	746	77,887
Transfer	7,275	(13,984)	–	5,202	1,507	–	–	–	–
Disposals/write-off	(145)	–	(242)	(14,728)	(379)	(5,848)	(2,819)	–	(24,161)
At 31st December 2015 (Restated)	1,449,226	44,414	30,396	377,416	63,812	69,320	21,089	64,632	2,120,305
Accumulated depreciation									
At 1st January 2015, as previously reported	283,410	–	22,111	161,697	40,147	45,960	17,437	21,573	592,335
Adoption of merger accounting	–	–	–	–	629	1,648	–	15,022	17,299
At 1st January 2015, as restated	283,410	–	22,111	161,697	40,776	47,608	17,437	36,595	609,634
Exchange differences	(11,684)	–	(403)	(8,612)	(1,583)	(1,398)	(8)	–	(23,688)
Charge for the year	45,794	–	2,315	30,961	5,988	6,960	1,759	2,998	96,775
Disposals/write-off	(39)	–	–	(9,147)	(345)	(5,533)	(2,798)	–	(17,862)
At 31st December 2015 (Restated)	317,481	–	24,023	174,899	44,836	47,637	16,390	39,593	664,859
Net book value									
At 31st December 2015 (Restated)	1,131,745	44,414	6,373	202,517	18,976	21,683	4,699	25,039	1,455,446

Notes

(a) Depreciation of HK$80,313,000 (2015: HK$81,512,000) and HK$15,665,000 (2015: HK$15,263,000) have been included in cost of services rendered and general and administrative expenses respectively.

(b) Included in the additions and the disposals to land and buildings during the year ended 31st December 2016, amounted to HK$337,000,000 and HK$85,246,000 respectively, were related to the loss of Re-Granted Land and the net book value at Surrendered Land at date of acquisition and disposal respectively. Details of the Land Transactions are set out in note 4(ii).

7 INVESTMENT PROPERTIES

	2016 HK$'000	2015 HK$'000
Cost		
At 1st January and 31st December	**5,551**	5,551
Accumulated depreciation		
At 1st January	**722**	665
Charge for the year	**57**	57
At 31st December	**779**	722
Closing net book value		
As at 31st December	**4,772**	4,829

As at 31st December 2016, the Group had no unprovided contractual obligations for future repairs and maintenance (2015: nil).

Independent valuations of the Group's investment properties as at 31st December 2016 and 2015 were performed by the valuer, RHL Appraisal Limited. The fair values of the Group's investment properties were HK$46,470,000 (2015: HK$47,398,000).

8 LAND USE RIGHTS

	2016 HK$'000	2015 HK$'000 (Restated)
Opening net book value as at 1st January	**489,787**	533,077
Exchange difference	**(29,727)**	(30,832)
Amortisation	**(11,816)**	(12,458)
Closing net book value as at 31st December	**448,244**	489,787

Land use rights of the Group with net book value amounting to HK$56,859,000 (2015: HK$62,014,000) have been pledged as security for the bank loans of the Group (note 23).

9 INTANGIBLE ASSETS

	Goodwill HK$'000	Software HK$'000	Total HK$'000
At 1st January 2015			
Cost	40,091	–	40,091
Accumulated amortisation	–	–	–
Net book amount	40,091	–	40,091
Year ended 31st December 2015			
Opening net book amount	40,091	–	40,091
Exchange differences	(2,340)	–	(2,340)
Closing net book amount	37,751	–	37,751
At 31st December 2015			
Cost	37,751	–	37,751
Accumulated amortisation	–	–	–
Net book amount	37,751	–	37,751
Year ended 31st December 2016			
Opening net book amount	37,751	–	37,751
Exchange differences	(2,393)	–	(2,393)
Additions	–	9,416	9,416
Amortisation charge	–	(72)	(72)
Closing net book amount	35,358	9,344	44,702
At 31st December 2016			
Cost	35,358	9,416	44,774
Accumulated amortisation	–	(72)	(72)
Net book amount	35,358	9,344	44,702

Goodwill arose from the acquisitions of Chu Kong Cargo Terminals (Gaoming) Co., Ltd., Zhaoqing New Port Co., Ltd. and Civet (Zhuhai Bonded Area) Logistics Company Limited in previous years. These companies are principally engaged in cargo handling and transportation in the PRC.

For the purpose of impairment testing, the goodwill is allocated to each acquired company representing the lowest level at which the goodwill is monitored by management.

9 INTANGIBLE ASSETS (CONTINUED)

The recoverable amount of the goodwill is determined based on a value-in-use calculation. This calculation used discounted cash flow projections based on financial budgets approved by the management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the constant estimated growth rates. The key assumptions are set out below:

	2016	2015
Revenue growth rates	**0%-29%**	2%-29%
Gross margin	**1%-72%**	34%-87%
Discount rate	**10%-11.5%**	10%

The recoverable amount calculated based on value-in-use exceeded carrying value by HK$73,060,000. A fall in revenue growth rate by 10% or a rise in discount rate by 0.5%, all changes taken in isolation, would remove the remaining headroom.

10 SUBSIDIARIES

(a) Details of the subsidiaries as at 31st December 2016 are as follows:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held
Directly-held subsidiaries				
Chu Kong Agency Company Limited	Hong Kong	Shipping agency and freight forwarding agency in Hong Kong	100 ordinary shares 100,000 deferred shares (Note (b))	**100%**
Chu Kong Air-Sea Union Transportation Company Limited	Hong Kong	Operation and management of a marine cargo terminal in Hong Kong	10,000 ordinary shares	**100%**
Chu Kong Container Transportation Company Limited	Hong Kong	Container and cargo transportation and towing in Hong Kong	100 ordinary shares 10,000 deferred shares (Note (b))	**100%**
Chu Kong (Guangdong) International Freight Forwarding Co., Ltd. @	PRC, limited liability company	Shipping agency and freight forwarding agency in the PRC	RMB22,660,000	**75%**
Chu Kong High-Speed Ferry Company Limited	Hong Kong	Management of ships in Hong Kong	10,000 ordinary shares	**100%**

10 SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries as at 31st December 2016 are as follows: (Continued)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held
Chu Kong Godown Wharf & Transportation Company Limited	Hong Kong	Godown and wharf operations in Hong Kong	100 ordinary shares 1,000,000 deferred shares (Note (b))	**100%**
Chu Kong River Trade Terminal Co., Ltd.	British Virgin Islands	Investment holding in the PRC entities in Hong Kong	100 ordinary shares of US$1 each	**80%**
Chu Kong Transhipment & Logistics Company Limited	Hong Kong	Transshipment and transportation in Hong Kong	100 ordinary shares 100,000 deferred shares (Note (b))	**100%**
Chu Kong Transportation (H.K.) Limited	Hong Kong	Wharf cargo handling and transportation in Hong Kong	100 ordinary shares 100,000 deferred shares (Note (b))	**100%**
Chu Kong Warehouse Properties Co., Ltd.	British Virgin Islands	Property holding in Hong Kong	100 ordinary shares of US$1 each 9,900 preferred shares of US$1 each (Note (c))	**100%**
Chu Kong Passenger Transport Company Limited	Hong Kong	Provision of agency services and management of ships in Hong Kong	300,000 ordinary shares	**100%**
Chu Kong Information Technology Service Company Limited	Hong Kong	Provision of information technology service in Hong Kong	10,000 ordinary shares	**100%**
Cotai Chu Kong Shipping Management Services (Macau) Company Limited	Hong Kong	Provision of passenger services and maintenance services at Macau Maritime Ferry Terminal	MOP50,000	**100%**
Sun Kong Petroleum Company Limited	Hong Kong	Oil trading and marine bunkering services in Hong Kong	200,000 ordinary shares	**100%**
CKS Container Terminal (Zhuhai Doumen) Co., Ltd.	PRC, limited liability company	Cargo transportation and consolidation in the PRC	RMB73,000,000	**100%**

10 SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries as at 31st December 2016 are as follows: (Continued)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held
Chu Kong Shipping (Guangdong) Logistics Co., Ltd.	PRC, limited liability company	Provision of logistics services in the PRC	RMB10,000,000	**100%**
Zhaoqing Chu Kong Cargo Terminals (Dawang) Co., Ltd.	PRC, limited liability company	Cargo transportation and consolidation in the PRC	US$3,620,000	**100%**
Zhaoqing Chu Kong Logistics (Dawang) Co., Ltd.	PRC, limited liability company	Provision of logistics services in the PRC	US$3,620,000	**100%**
Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd.	PRC, limited liability company	Provision of logistics services in the PRC	US$6,000,000	**100%**
Zhongshan City Huangpu Port Cargo and Container Terminal Co., Ltd.	PRC, limited liability company	Cargo handling and transportation in the PRC	RMB115,700,000	**80%**
Zhaoqing New Port Co., Ltd.	PRC, limited liability company	Cargo handling and transportation in the PRC	RMB101,288,600	**100%**
Zhaoqing Chu Kong Logistics (Sihui) Co., Ltd.	PRC, limited liability company	Cargo handling and transportation in the PRC	US$4,000,000	**100%**
Indirectly-held subsidiaries				
Chu Kong Tourism Company Limited	Hong Kong	Tour operations and provision of advertising services in Hong Kong	2,000,000 ordinary shares	**100%**
Chu Kong International Airfreight Company Limited	Hong Kong	Freight forwarding agency in Hong Kong	10,000 ordinary shares	**100%**
Ever Sky Transportation Limited	Hong Kong	Wharf cargo handling in Hong Kong	10,000 ordinary shares	**100%**
Chu Kong High-Speed Ferry Management (Macau) Co., Limited	Macau	Management of ships in Macau	MOP25,000	**100%**
Zhaoqing Chu Kong Transportation (Dawang) Co., Ltd.	PRC, limited liability company	Cargo transportation in the PRC	RMB1,800,000	**100%**
Chu Kong Cargo Terminals (Qingyuan) Co., Ltd.	PRC, limited liability company	Wharf cargo handling in the PRC	RMB27,460,000	**72%**[1]

10 SUBSIDIARIES (CONTINUED)

(a) Details of the principal joint ventures and associates as at 31st December 2016 are as follows: (Continued)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held
Chu Kong Cargo Terminals (Gaoming) Co., Ltd.	PRC, limited liability company	Cargo transportation and consolidation in the PRC	RMB43,300,000	**80%**[1]
Chu Kong Cargo Terminals (Kangzhou) Co., Ltd.	PRC, limited liability company	Cargo handling and transportation in the PRC	RMB11,200,000	**80%**[1]
Shenzhen Zhu Chuan International Freight Forwarding Co., Ltd. [@]	PRC, limited liability company	Freight forwarding agency in the PRC	US$1,000,000	**87.25%**[1]
Chu Kong (Guangdong) International Shipping Agency Co., Ltd.	PRC, limited liability company	Shipping agency in the PRC	RMB3,000,000	**67.5%**[1]
Civet (Zhuhai Bonded Area) Logistics Company Limited	PRC, limited liability company	Cargo handling and transportation in the PRC	HK$120,000,000	**48.16%**[1]

[@] The Group holds 100% voting right in the subsidiary.

[1] These companies are held by non-wholly owned subsidiaries of the Company and the interests held in these companies as disclosed represent effective interests held by the Group.

(b) The holders of the deferred shares of respective subsidiaries are entitled to minimal rights as to dividends and returns of capital, but are not entitled to share the subsidiary's profits, to attend or vote at any general meeting of the subsidiary or to have the rights which are vested in the holding of the ordinary shares. These deferred shares are held by the Company or the holding company of the Company.

(c) The holders of the preferred shares have a non-cumulative preferential right to the profit of the subsidiary at 8% of the nominal amount of the share capital of that subsidiary, but are not entitled to receive notice of or to attend or vote at any meeting of members or directors. The preferred shares are held by the holding company of the Company.

11 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	2016 HK$'000	2015 HK$'000
Investments in joint ventures	**398,530**	465,161
Investments in associates	**100,006**	124,636

(a) Details of the principal joint ventures and associates as at 31st December 2016 are as follows:

Name	Place of incorporation and operation	Principal activities	Percentage of interest in Ownership, voting power and profit sharing
Directly-held joint ventures			
Shenzhen Yantian Port Chu Kong Logistics Co., Ltd.	PRC	Container transportation and repairs	40%
Chu Kong Logistics (Singapore) Pte. Ltd.	Singapore	Shipping agency and freight forwarding agency	60%
Zhong Shan Port Goods Transportation United Co., Ltd.	PRC	Wharf cargo handling, godown storage and river trade cargo transportation	25%
Chu Kong Culture Media Company Limited	British Virgin Islands	Provision of advertisement in Hong Kong	60%

11 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(a) Details of the principal joint ventures and associates as at 31st December 2016 are as follows: (Continued)

Name	Place of incorporation and operation	Principal activities	Percentage of interest in Ownership, voting power and profit sharing
Indirectly-held joint ventures			
Chu Kong Cargo Terminals (Beicun) Co., Ltd.	PRC	Wharf cargo handling and godown storage	40%[1]
Foshan New Port Ltd.	PRC	Cargo transportation and consolidation	30%[1]
Foshan Nankong Terminal Co., Ltd. ##	PRC	Cargo transportation and consolidation	42.5%[1]
Guangdong Zhu Chuan Navigation Co., Ltd.	PRC	Cargo transportation and vessel leasing	49%
Heshan County Hekong Associated Forwarding Co., Ltd.	PRC	Wharf cargo handling, godown storage and river trade cargo transportation	40%[1]
Heshan Port Construction & Development General Company #	PRC	Investment holding	40%[1]
Heshan Port Declaration Company #	PRC	Custom declaration services	40%[1]
Sanshui Sangang Containers Wharf Co., Ltd.	PRC	Cargo transportation and consolidation	24%[1]

11 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(a) Details of the principal joint ventures and associates as at 31st December 2016 are as follows: (Continued)

Name	Place of incorporation and operation	Principal activities	Percentage of interest in Ownership, voting power and profit sharing
Hong Kong International Airport Ferry Terminal Service Limited	Hong Kong	Ferry linkage services between the Hong Kong International Airport and Pearl River Delta	60%
Zhongshan-Hong Kong Passenger Shipping Co-op Co., Ltd. ("ZHPS")	PRC	Passenger transportation	40%
Connect Media Company Limited	Hong Kong	Provision of advertisement in Hong Kong	60%
Chu Kong Logistics (Malaysia) Sdn Bhd.	Malaysia	Shipping agency and freight forwarding agency	42%
Indirectly-held associates			
Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd. ("SGPT")	PRC	Passenger transportation	40%
Guangdong Sanbu Passenger and Freight Transportation Co., Ltd.	PRC	Wharf cargo handling, godown storage and river trade cargo transportation	32%[1]
Zhaoqing City Declaration Co., Ltd. #	PRC	Custom declaration services	40%

\# The English names of these companies are the translation of the Chinese names for identification purpose only.

\## 22.5% of this joint venture is directly held by the Company.

1 These joint ventures are held by a non-wholly owned subsidiary of the Company. The percentage of interest in ownership, voting power and profit sharing represent the effective interest held by the Group.

11 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(b) Summarised financial information for material joint ventures and associates

Set out below are the summarised financial information for 100% equity interest in the joint ventures and associates of the Group for the year ended 31st December 2016, which, in the opinion of the directors, are material to the Group.

The below summarised financial information of the joint ventures and the associates are prepared using the same accounting policies of the Group, after fair value adjustments from acquisitions and before intercompany elimination.

Summarised balance sheet as at 31st December 2016 and 2015 and summarised statement of comprehensive income for the year ended 31st December 2016 and 2015

	ZHPS		SGPT	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Current assets	**234,306**	326,387	**114,614**	174,731
Current liabilities	**(60,372)**	(102,689)	**(28,897)**	(31,102)
Non-current assets	**134,813**	185,693	**47,332**	54,140
Non-current liabilities	**(7,420)**	(8,398)	**–**	–
Revenue	**242,937**	234,126	**119,664**	119,355
Profit after income tax	**100,542**	91,044	**34,114**	37,867

Reconciliation of summarised financial information

	ZHPS		SGPT	
	2016 HK$'000	2015 HK$'000	**2016 HK$'000**	2015 HK$'000
Opening net assets 1st January	**400,993**	331,978	**197,770**	201,096
Profit for the year	**100,542**	91,044	**34,114**	37,867
Dividend declared	**(177,215)**	–	**(34,241)**	(29,203)
Capital refund	**–**	–	**(53,993)**	–
Currency translation differences	**(22,993)**	(22,029)	**(10,601)**	(11,990)
Closing net assets as at 31st December	**301,327**	400,993	**133,049**	197,770
Interest in joint ventures and associates	**40.0%**	40.0%	**40.0%**	40.0%
Share of net assets	**120,531**	160,397	**53,220**	79,108
Carrying value	**120,531**	160,397	**53,220**	79,108

11 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(b) Summarised financial information for material joint ventures and associates (Continued)

Reconciliation of summarised financial information (Continued)

There were no contingent liabilities relating to the Group's interests in the joint ventures and associates and no significant contingent liabilities of the joint ventures and associates themselves as at 31st December 2016 and 2015.

(c) The aggregate amount of the Group's share of results of its joint ventures and associates which are individually immaterial are as follows:

	2016 **HK$'000**	2015 HK$'000 (Restated)
Profit for the year	**38,785**	30,640
Other comprehensive loss	**(18,609)**	(17,580)
Total comprehensive income	**20,176**	13,060

12 DEPOSITS AND PREPAYMENTS

	2016 **HK$'000**	2015 HK$'000 (Restated)
Deposits for purchase of property, plant and equipment	**9,106**	19,484
Performance guarantee deposit	**–**	3,612
	9,106	23,096

13 DEFERRED INCOME TAX

Deferred income tax assets and liabilities are calculated in full on temporary differences under the liability method using the tax rates enacted or substantively enacted at the balance sheet date.

The analysis of deferred tax assets and deferred tax liabilities is as follows:

	2016 **HK$'000**	2015 HK$'000 (Restated)
Deferred income tax assets:		
To be recovered after more than 12 months	**(6,817)**	(1,095)
To be recovered within 12 months	**(1,984)**	(269)
	(8,801)	(1,364)
Deferred income tax liabilities:		
To be settled after more than 12 months	**80,556**	79,795
To be settled within 12 months	**2,528**	3,261
	83,084	83,056
Net deferred income tax liabilities	**74,283**	81,692

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

	2016 **HK$'000**	2015 HK$'000 (Restated)
At 1st January	**81,692**	76,555
(Credited)/charged to income statement (note 29)	**(2,092)**	6,944
Transfer to current income tax payables	**(5,317)**	(1,807)
At 31st December	**74,283**	81,692

13 DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax assets	Tax losses HK$'000	Decelerated tax depreciation HK$'000	Total HK$'000
At 1st January 2015	(337)	(1,650)	(1,987)
Charged to income statement	325	298	623
At 31st December 2015	(12)	(1,352)	(1,364)
(Credited)/charged to income statement	(8,431)	994	(7,437)
At 31st December 2016	(8,443)	(358)	(8,801)

Deferred income tax liabilities	Capital gain tax HK$'000	Accelerated tax depreciation HK$'000	Undistributed profits of PRC entities HK$'000	Total HK$'000
At 1st January 2015 (Restated)	11,950	47,079	19,513	78,542
(Credited)/charged to income statement	–	(781)	7,102	6,321
Transfer to current income tax payables	–	–	(1,807)	(1,807)
At 31st December 2015 (Restated)	11,950	46,298	24,808	83,056
(Credited)/charged to income statement	–	(957)	6,302	5,345
Transfer to current income tax payables	–	–	(5,317)	(5,317)
At 31st December 2016	11,950	45,341	25,793	83,084

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. As at 31st December 2016, the Group has unrecognised tax losses of HK$168,509,000 (2015: HK$176,327,000) to carry forward. These tax losses have no expiry dates except for tax losses of HK$131,958,000 (2015: HK$140,173,000) of the Group which will expire in the period from 2016 to 2020 (2015: 2015 to 2019).

14 INVENTORIES

	2016 HK$'000	2015 HK$'000 (Restated)
Diesel	**4,424**	445
Engine lubricant	**269**	307
	4,693	752

The cost of inventories recognised as expense and included in 'cost of services rendered' amounted to HK$393,594,000 (2015: HK$531,789,000).

15 TRADE AND OTHER RECEIVABLES AND LOANS TO JOINT VENTURES

	2016 HK$'000	2015 HK$'000 (Restated)
Trade receivables:		
– third parties	**280,432**	270,503
– joint ventures and an associate	**14,456**	28,005
– fellow subsidiaries	**15,727**	8,460
– other related companies	**24,791**	11,504
Trade receivables, net (note (a))	**335,406**	318,472
Other receivables:		
– third parties	**96,687**	89,470
– immediate holding company (note (b))	**18,261**	101,951
– fellow subsidiaries (note (b))	**556**	4,038
– joint ventures and associates (note (b))	**95,856**	199,608
– other related companies (note (b))	**659**	289
	212,019	395,356
Total trade and other receivables	**547,425**	713,828
Loans to joint ventures (note (c))	**16,675**	17,805

15 TRADE AND OTHER RECEIVABLES AND LOANS TO JOINT VENTURES (CONTINUED)

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

	2016 **HK$'000**	2015 HK$'000
Within 3 months	**310,811**	283,426
4 to 6 months	**23,397**	29,468
7 to 12 months	**1,308**	5,607
Over 12 months	**4,974**	6,418
	340,490	324,919
Less: provision for impairment	**(5,084)**	(6,447)
	335,406	318,472

Trade receivables that are less than three months past due are not considered impaired. As of 31st December 2016, trade receivables of HK$24,595,000 (2015: HK$35,046,000) were past due but not impaired. Fully performing receivables and balances that are past due but not impaired relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of past due but not impaired trade receivables is as follows:

	2016 **HK$'000**	2015 HK$'000 (Restated)
Up to 3 months	**23,397**	29,468
4 to 6 months	**976**	4,898
Over 6 months	**222**	680
	24,595	35,046

15 TRADE AND OTHER RECEIVABLES AND LOANS TO JOINT VENTURES (CONTINUED)

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

As of 31st December 2016, trade receivables of HK$5,084,000 (2015: HK$6,447,000) were impaired and have been fully provided for. The individually impaired receivables mainly relate to independent customers, which are in unexpected difficult economic situations or have defaulted on payments. The ageing of these receivables is as follows:

	2016 **HK$'000**	2015 HK$'000 (Restated)
7 to 12 months	**331**	709
Over 12 months	**4,753**	5,738
	5,084	6,447

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

	2016 **HK$'000**	2015 HK$'000 (Restated)
At 1st January	**6,447**	9,396
Reversal for impairment (note 25)	**(1,363)**	(2,353)
Bad debt written-off	**–**	(596)
At 31st December	**5,084**	6,447

The creation and release of provision for impaired receivables have been included in "other losses – net" in the consolidated income statement (note 25). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security.

The trade receivables due from related parties are unsecured, interest-free and have similar terms of repayment as third party receivables.

15 TRADE AND OTHER RECEIVABLES AND LOANS TO JOINT VENTURES (CONTINUED)

(b) Other receivables due from related parties are interest-free, unsecured and are repayable on demand.

(c) Loans to joint ventures of the Group are repayable on demand or within twelve months from balance sheet date, and are mainly denominated in Renminbi.

	2016 HK$'000	2015 HK$'000
Unsecured loans		
– interest-free	**10,396**	11,101
– at floating rate (note)	**6,279**	6,704
	16,675	17,805

Note:

The loans bear interest at the base lending rate announced by the People's Bank of China ("PBOC") (2015: base lending rate announced by the PBOC).

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

	2016 HK$'000	2015 HK$'000 (Restated)
Hong Kong dollar	**380,246**	407,843
Renminbi	**138,183**	274,592
United States dollar	**17,390**	17,360
Macau pataca	**11,606**	14,033
	547,425	713,828

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

16 CASH AND CASH EQUIVALENTS

	2016 HK$'000	2015 HK$'000 (Restated)
Cash at bank and on hand	**668,015**	525,979
Short-term bank deposits	**149,654**	386,815
	817,669	912,794

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

	2016 HK$'000	2015 HK$'000 (Restated)
Hong Kong dollar	**245,708**	484,992
Renminbi	**518,079**	364,004
United States dollar	**38,274**	47,778
Macau pataca	**15,608**	16,016
Euro	**–**	4
	817,669	912,794

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

17 SHARE CAPITAL

Ordinary shares, issued and fully paid

	Number of shares ('000)	Share Capital HK$'000
At 1st January 2015	900,000	877,762
Placement of shares (note (a))	180,000	455,409
At 31st December 2015 and 31st December 2016	1,080,000	1,333,171

17 SHARE CAPITAL (CONTINUED)

Ordinary shares, issued and fully paid (Continued)

Notes:

(a) During the year ended 31st December 2015, 180,000,000 new shares were issued and placed to institutional investors at a subscription price of HK$2.50 plus HK$0.06 per share representing the proposed final dividend for the year ended 31st December 2015 per share. The gross proceeds received by the Company were HK$460,800,000 and the net proceeds amounting to HK$455,409,000 were credited to the share capital account.

18 SHARE-BASED PAYMENTS

Share options are granted to directors and to selected employees. The exercise price of the granted options is equal to the closing price of the shares as stated in the daily quotation sheets of the Stock Exchange on the date of the grant. Options are conditional on the employee completing two to four years' service (the vesting period) and subject to the group achieving its target growth in return on equity, rate of capital accumulation and operating profit margin. The options are exercisable within five years from the vesting date, the options have a contractual option term of nine years. The group has no legal or constructive obligation to repurchase or settle the options in cash.

Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2016		2015	
	Average exercise price in HK$ per share option	**Number of share options ('000)**	Average exercise price in HK$ per share option	Number of share options ('000)
At 1 January	**2.33**	**9,392**	–	–
Granted	**–**	**–**	2.33	9,392
Forfeited	**2.33**	**(1,138)**	–	–
Exercised	**–**	**–**	–	–
Expired	**–**	**–**	–	–
At 31 December	**2.33**	**8,254**	2.33	9,392

18 SHARE-BASED PAYMENTS (CONTINUED)

Share options outstanding at the end of the year have the following expiry date and exercise prices:

Expiry date	Exercise price in HK$ per share option	Number of share options ('000) 2016	2015
2022	2.33	**2,751**	3,131
2023	2.33	**2,751**	3,131
2024	2.33	**2,752**	3,130
		8,254	9,392

The weighted average fair value of options granted during the year determined using the Binomial Option Pricing Model was HK$0.67 per option. The total expense recognized in the income statement for share options granted to directors and employees was HK$2,050,000 (2015: HK$78,000).

19 RESERVES

	Exchange reserve HK$'000	Revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Share Option reserve HK$'000	Merger reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2016, as previously reported	100,421	23,009	167,717	76,332	78	(619,441)	1,625,295	1,373,411
Adoption of merger accounting	–	–	–	24	–	249	179,377	179,650
At 1st January 2016, as restated	100,421	23,009	167,717	76,356	78	(619,192)	1,804,672	1,553,061
Profit for the year	–	–	–	–	–	–	321,771	321,771
Currency translation differences								
– subsidiaries	(95,741)	–	–	–	–	–	–	(95,741)
– joint ventures and associates	(32,046)	–	–	–	–	–	–	(32,046)
Transfer of reserves	–	–	–	9,400	–	–	(9,400)	–
Consideration in connection with the purchase of Sun Kong Petroleum and Macau Cotai (note (d))	–	–	–	–	–	(252,233)	–	(252,233)
Employee share option scheme								
– Value of employee services	–	–	–	–	2,050	–	–	2,050
Dividend paid by Sun Kong Petroleum to CKSE (note (d))	–	–	–	–	–	–	(85,000)	(85,000)
2015 final dividend	–	–	–	–	–	–	(54,000)	(54,000)
2016 interim dividend	–	–	–	–	–	–	(32,400)	(32,400)
At 31st December 2016	(27,366)	23,009	167,717	85,756	2,128	(871,425)	1,945,643	1,325,462
Representing:								
2016 final dividend proposed								64,800
Reserves								1,260,662
								1,325,462

19 RESERVES (CONTINUED)

	Exchange reserve HK$'000	Revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Share Option reserve HK$'000	Merger reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2015, as previously reported	226,699	23,009	167,717	65,834	–	(619,441)	1,496,246	1,360,064
Adoption of merger accounting	–	–	–	24	–	249	150,791	151,064
At 1st January 2015, as restated	226,699	23,009	167,717	65,858	–	(619,192)	1,647,037	1,511,128
Profit for the year	–	–	–	–	–	–	265,004	265,004
Currency translation differences								
– subsidiaries	(95,090)	–	–	–	–	–	–	(95,090)
– joint ventures and associates	(31,188)	–	–	–	–	–	–	(31,188)
Transfer of reserves	–	–	–	10,498	–	–	(10,498)	–
Gain on partial disposal of a subsidiary, net of tax	–	–	–	–	–	–	25,985	25,985
Empoyee share option scheme								
– Value of employee services	–	–	–	–	78	–	–	78
Dividend paid by Sun Kong Petroleum to CKSE (note (d))	–	–	–	–	–	–	(4,056)	(4,056)
2014 final dividend	–	–	–	–	–	–	(64,800)	(64,800)
2015 interim dividend	–	–	–	–	–	–	(43,200)	(43,200)
2015 interim special dividend	–	–	–	–	–	–	(10,800)	(10,800)
At 31st December 2015 (Restated)	100,421	23,009	167,717	76,356	78	(619,192)	1,804,672	1,553,061
Representing:								
2015 final dividend proposed								54,000
Reserves								1,499,061
								1,553,061

(a) Capital reserve

The capital reserve mainly represents a capital contribution made by CKSE, the immediate holding company, during a group reorganisation in 2010. In the reorganisation, CKSE transferred to the Group one subsidiary at a consideration of HK$1 and two joint ventures at nil consideration. Accordingly, the fair values of the net assets of the subsidiary and joint ventures transferred to the Group were accounted for as capital contributions.

19 RESERVES (CONTINUED)

(b) Statutory reserve

In accordance with PRC regulations, subsidiaries, joint ventures and associates in the PRC are required to transfer part of their profit after income tax to the enterprise expansion and reserve funds. The quantum of the transfers are subject to the approval of the board of directors of these subsidiaries, joint ventures and associates in accordance with their respective articles of association. The funds are required to be retained in the financial statements of the respective subsidiaries, joint ventures and associates for specific purposes.

(c) Merger reserve

The Group entered into business combination under common control in previous years. Upon the completion of the acquisition, a merger reserve, being the difference between the consideration made by the Company and the share capital of the combining entity as at completion date, was recognised.

(d) Business acquisition from immediate holding company

After the completion of the Acquisition, the Company became the holding company of Sun Kong Petroleum and Macau Cotai, now comprising the Group. The total consideration of HK$252,233,000 was accounted for as a deemed distribution to immediate holding company and deducted from merger reserve. The adoption of merger accounting for the Acquisitions resulted in an increase in the Group's net profit for the year by HK$36,037,000 and decrease in net asset value as at 31st December 2016 by HK$157,583,000 (2015: increase by HK$32,642,000 and HK$179,650,000), respectively. Prior to the completion of the Acquisition, Sun Kong Petroleum declared dividends to CKSE amounted to HK$4,056,000 and HK$85,000,000, the amounts were settled by cash and through current account with CKSE respectively.

20 ASSET HELD FOR SALE

During the year ended 31st December 2015, the investment in associate, Celelight Company Limited, was approved for disposal. The transaction was completed in January 2017.

21 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	2016 HK$'000	2015 HK$'000 (Restated)
Trade payables (notes (a) and (c)):		
– third parties	**292,682**	282,261
– immediate holding company	**23,771**	17,732
– fellow subsidiaries	**1,549**	6,113
– joint ventures and associates	**11,563**	10,648
– other related companies	**10,870**	21,084
	340,435	337,838
Accruals and other payables:		
– third parties	**181,821**	164,127
– immediate holding company (note (c))	**2,112**	3,072
– fellow subsidiaries (note (c))	**5,855**	2,626
– joint ventures and associates (note (c))	**70,126**	117,306
– other related companies (note (c))	**347**	164
– a non-controlling interest of a subsidiary (note (c))	**–**	7,700
	260,261	294,995
Less: non-current portion	**–**	(346)
	260,261	294,649
	600,696	632,487

21 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES (CONTINUED)

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

	2016 HK$'000	2015 HK$'000 (Restated)
Within 3 months	**338,266**	333,634
4 to 6 months	**339**	1,145
7 to 12 months	**146**	638
Over 12 months	**1,684**	2,421
	340,435	337,838

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

	2016 HK$'000	2015 HK$'000 (Restated)
Hong Kong dollar	**490,243**	438,454
Renminbi	**107,374**	187,992
Macau pataca	**3,079**	6,387
	600,696	632,833

(c) The trade payables, accruals and other payables due to related parties are unsecured and interest-free. Trading balances have similar terms of settlement as those of third party payables whereas other balances are repayable on demand.

(d) The carrying amounts of trade payables, accruals and other payables approximate their fair values.

22 LOANS FROM ASSOCIATES, LOAN FROM IMMEDIATE HOLDING COMPANY, AMOUNTS DUE TO THE NON-CONTROLLING INTERESTS OF SUBSIDIARIES AND AMOUNT DUE TO A RELATED PARTY

(a) Breakdown of loans from associates

	2016 **HK$'000**	2015 HK$'000
Current		
– interest-free (note (i))	**984**	1,050
– at floating rates (note (ii))	**22,359**	23,872
	23,343	24,922

Notes:

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

(ii) The loan is provided by an associate to the Group which is denominated in Renminbi, unsecured, interest bearing at the base deposit rate announced by the People's Bank of China ("PBOC") (2015: base deposit rate announced by the PBOC) and repayable on demand.

(b) The loan from immediate holding company as at 31st December 2015 was denominated in Hong Kong dollars, unsecured, repayable in 2017 and interest bearing at 6% per annum. The amount was early repaid in 2016.

22 LOANS FROM ASSOCIATES, LOAN FROM IMMEDIATE HOLDING COMPANY, AMOUNTS DUE TO THE NON-CONTROLLING INTERESTS OF SUBSIDIARIES AND AMOUNT DUE TO A RELATED PARTY (CONTINUED)

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

	2016 **HK$'000**	2015 HK$'000
Non-current		
– at fixed interest rate (note (i))	**–**	28,500
– at floating rates (note (ii))	**–**	9,513
	–	38,013
Current		
– at fixed interest rate (note (i))	**–**	4,250
– at floating rates (note (ii))	**20,089**	–
– interest-free (note (iii))	**68,450**	71,450
	88,539	75,700
	88,539	113,713

Notes:

(i) The amounts of HK$32,750,000 as at 31st December 2015 were interest-bearing at 4% per annum, unsecured and denominated in Hong Kong dollars. Pursuant to board resolution, the amounts were transferred to non-controlling interests in 2016 as a capital injection to a subsidiary of the Company.

(ii) The amounts are denominated in Renminbi, unsecured and interest-bearing at the base lending rate announced by the PBOC (2015: base lending rate announced by the PBOC). The amount of HK$11,179,000 included is repayable in 2017.

(iii) The amounts of HK$68,450,000 are denominated in Hong Kong dollars, unsecured and repayable in 2017 (2015: repayable in 2016).

(d) The amount due to a related party, the ultimate beneficial shareholder of a non-controlling interest, is denominated in Renminbi, unsecured, repayable on demand, interest-bearing at the base lending rate announced by the PBOC (2015: base lending rate announced by the PBOC) and repayable in 2017 (2015: repayable in 2016).

23 BORROWINGS

	2016 HK$'000	2015 HK$'000
Unsecured, short term bank loans	**100,000**	75,000
Long term bank loans:		
– secured	**76,873**	57,690
– unsecured	**100,000**	104,000
	276,873	236,690

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

	2016 HK$'000	2015 HK$'000
Repayable within one year	**111,179**	109,968
Repayable within one to two years	**11,179**	11,936
Repayable within two to five years	**39,128**	38,792
Repayable more than five years	**15,387**	994
	176,873	161,690
Current portion included in current liabilities	**(111,179)**	(109,968)
	65,694	51,722

The secured bank loan is secured by certain land use rights of the Group (note 8), denominated in Renminbi and interest bearing at the base lending rate announced by the PBOC. The unsecured bank loans are denominated in Hong Kong dollars and bear interest at rates range from 1.2% to 1.75% (2015: 1.58% to 2.22%) per annum.

24 OTHER INCOME

	2016 HK$'000	2015 HK$'000 (Restated)
Management fee income from CKSE (note 38(a)(ii))	**30,000**	30,000
Property rental income	**1,473**	1,221
Subsidies income	**7,561**	8,485
Others	**1,893**	1,455
	40,927	41,161

25 OTHER GAINS/(LOSSES) – NET

	2016 HK$'000	2015 HK$'000 (Restated)
Exchange losses, net	**(15,365)**	(11,644)
Loss on write-off of property, plant and equipment	**(647)**	(199)
Gain on disposals of property, plant and equipment (note)	**53,978**	932
Reversal for impairment of trade receivables, net (note 15)	**1,363**	2,353
	39,329	(8,558)

Note:

The gain on disposal for the year ended 31st December 2016 mainly represented disposal gain of the Surrendered Land in relation to the Land Transactions. Details of the Land Transactions are set out in note 4(ii).

26 COSTS AND EXPENSES BY NATURE

	2016 HK$'000	2015 HK$'000 (Restated)
Amortisation of land use rights	**11,816**	12,458
Auditor's remuneration		
– audit services	**3,035**	3,379
– non-audit services	**770**	1,044
Costs of passenger transportation, cargo transportation and cargo handling and storage (including fuel cost)	**916,276**	902,122
Costs of oil trading (including cost of inventories)	**393,594**	531,789
Costs of passenger and maintenance service	**3,586**	5,176
Depreciation of property, plant and equipment	**95,978**	96,775
Depreciation of investment properties	**57**	57
Depreciation of intangible assets	**72**	–
Operating lease rental expenses		
– vessels and barges	**132,003**	120,664
– buildings	**30,097**	35,550
– properties that generated rental income	**5,000**	6,794
Staff costs (including directors' emoluments) (note 32)	**405,280**	388,873
Others	**185,985**	196,026
Total cost of services rendered and general and administrative expenses	**2,183,549**	2,300,707

27 FINANCE INCOME AND COST

	2016 HK$'000	2015 HK$'000 (Restated)
Finance income		
Interest income on short-term bank deposits and bank balances	**11,583**	8,105
Interest income on loan to a joint venture	**292**	349
	11,875	8,454
Finance cost		
Interest expense on bank borrowings	**(6,914)**	(7,670)
Interest expense on loan from an associate	**(590)**	(534)
Interest expense on amount due to a related party	**(604)**	(737)
Interest expense on amount due to non-controlling interests	**(1,609)**	(1,838)
Interest expense on loan from immediate holding company	**(225)**	(368)
Less: amounts capitalised on qualifying assets	**2,429**	295
	(7,513)	(10,852)

The capitalisation rate applied to funds borrowed is 1.5% (2015: 2.0%) per annum.

28 SHARE OF PROFITS LESS LOSSES OF JOINT VENTURES AND ASSOCIATES

	2016 HK$'000	2015 HK$'000 (Restated)
Share of profits less losses before income tax of		
– joint ventures	**98,607**	97,960
– associates	**23,752**	27,107
	122,359	125,067
Share of income tax of		
– joint ventures	**(23,884)**	(23,635)
– associates	**(5,827)**	(7,282)
	(29,711)	(30,917)
	92,648	94,150

29 INCOME TAX EXPENSE

	2016 HK$'000	2015 HK$'000 (Restated)
Current income tax		
– Hong Kong profits tax	**22,199**	22,007
– PRC corporate income tax	**24,809**	27,102
– Macau profits tax	**5,028**	4,225
– (Over)/under provision in prior years	**(777)**	314
Deferred income tax expense (Note 13)	**(2,092)**	6,944
	49,167	60,592

Hong Kong profits tax has been provided at the rate of 16.5% (2015: 16.5%) on the estimated assessable profit for the year. PRC corporate income tax has been calculated on the estimated assessable profit for the year at the income tax rate of the PRC entities of 25% (2015: 25%). Macau profits tax has been provided at the applicable tax rate (2015: applicable tax rate) on the estimated assessable profit for the year.

Share of income tax of joint ventures and associates for the year has been included in the consolidated income statement as share of profits less losses of joint ventures and associates (Note 28).

The income tax on the Group's profit before share of profits less losses of joint ventures and associates, and income tax expense differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2016 HK$'000	2015 HK$'000 (Restated)
Profit before share of profits less losses of joint ventures and associates, and income tax expense	**282,959**	236,925
Calculated at a tax rate of 16.5% (2015: 16.5%)	**46,688**	39,092
Effect of different tax rates applicable to the subsidiaries in the PRC and Macau	**2,869**	4,463
Income not subject to income tax	**(116,200)**	(101,783)
Expenses not deductible for income tax purposes	**102,686**	105,198
Tax losses not recognised	**10,013**	10,309
(Over)/under provision in prior years	**(777)**	282
Utilisation of previously unrecognised tax loss	**(2,414)**	(2,569)
	42,865	54,992
Withholding income tax on undistributed profits of PRC enterprises	**6,302**	5,600
Income tax expense	**49,167**	60,592

30 DIVIDENDS

	2016 HK$'000	2015 HK$'000
Interim, declared, of HK3 cents (2015: HK4 cents) per ordinary share	**32,400**	43,200
Interim special, declared, of nil (2015: HK1 cent) per ordinary share	**–**	10,800
Final, proposed, of HK6 cents (2015: HK5 cents) per ordinary share	**64,800**	54,000
	97,200	108,000

The dividends paid during the years ended 31st December 2016 and 2015 were HK$86,400,000 (HK8 cents per share) and HK$118,800,000 (HK11 cents per share) respectively.

On 30th March 2017, the board of directors proposed a 2016 final dividend of HK6 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements.

31 EARNINGS PER SHARE

Basic

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.

	2016	2015 (Restated)
Profit attributable to equity holders of the Company (HK$'000)	**321,771**	265,004
Weighted average number of ordinary shares in issue ('000)	**1,080,000**	1,009,672
Basic earnings per share (HK cents)	**29.79**	26.25

31 EARNINGS PER SHARE (CONTINUED)

Diluted

The potential ordinary shares in respect of the Company's share options were anti-dilutive for the year ended 31st December 2016. The basic earnings per share for the year ended 31st December 2016 was equal to the diluted earnings per share.

Diluted earnings per share for the years ended 31st December 2016 and 2015 were calculated by adjusting the profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the company included share options. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

32 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2016 **HK$'000**	2015 HK$'000 (Restated)
Salaries and allowances	**379,840**	368,051
Share options granted to directors and employees	**2,050**	78
Retirement benefit costs – defined contribution plans (note)	**23,390**	20,744
	405,280	388,873

Note:

The Group operates defined contribution schemes which are available to all employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries or a fixed sum and are charged to the consolidated income statement as incurred. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group has no further payment obligations once the contributions have been paid.

Pursuant to the regulations of the relevant authorities in the PRC, the subsidiaries of the Group in this country participate in respective government retirement benefit schemes (the "Schemes") whereby the subsidiaries are required to contribute to the Schemes to fund the retirement benefits of eligible employees. Contributions made to the Schemes are calculated based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC. The relevant authorities of the PRC are responsible for the entire retirement benefit obligations payable to the retired employees. The only obligation of the Group with respect to the Schemes is to pay the ongoing required contributions under the Schemes.

33 FIVE HIGHEST-PAID INDIVIDUALS' EMOLUMENTS

The five individuals whose emoluments were the highest in the Group for the year ended 31st December 2016 include three (2015: three) directors whose emoluments are reflected in the analysis shown in note 40. The emoluments payable to the remaining two (2015: two) highest paid individuals during the year are as follows:

	2016	2015
	HK$'000	HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**723**	811
Bonuses	**1,406**	972
Retirement benefit costs – defined contribution plans	**18**	12
Share options granted	**97**	3
	2,244	1,798

The emoluments of the two (2015: two) highest paid individuals fell within the following bands:

	Number of individuals	
	2016	2015
Emolument bands		
HK$500,000 – HK$1,000,000	**1**	2
HK$1,000,001 – HK$1,500,000	**1**	–

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

34 NOTE TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of operating profit to cash generated from operations

	2016 HK$'000	2015 HK$'000
Operating profit	**278,598**	239,323
Amortisation of land use rights	**11,816**	12,458
Amortisation of intangible asset	**72**	–
Depreciation of property, plant and equipment and investment properties	**96,035**	96,832
Gain on disposals of property, plant and equipment, net	**(53,331)**	(733)
Reversal for impairment of trade receivables, net	**(1,363)**	(2,353)
Share-based payments	**2,050**	78
Government grants credited to income	**(2,552)**	(2,552)
Operating profit before working capital changes	**331,325**	343,053
(Increase)/decrease in inventories	**(3,941)**	69
Increase in trade and other receivables	**(12,625)**	(97,249)
Decrease in trade payables, accruals and other payables	**(31,028)**	(8,320)
Cash generated from operations	**283,731**	237,553

35 COMMITMENTS

(a) Capital commitments

	2016 HK$'000	2015 HK$'000
Contracted but not provided for		
– Property, plant and equipment	**50,762**	59,925

35 COMMITMENTS (CONTINUED)

(b) Commitments under operating leases

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

	2016 HK$'000	2015 HK$'000
Land and buildings:		
Not later than one year	**17,912**	17,021
Later than one year and not later than five years	**35,502**	4,921
Over five years	**57**	96
	53,471	22,038
Vessels and barges:		
Not later than one year	**17,447**	17,321
Later than one year and not later than five years	**–**	346
	17,447	17,667
	70,918	39,705

36 FUTURE OPERATING LEASE ARRANGEMENTS

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

	2016 HK$'000	2015 HK$'000
Land and buildings:		
Not later than one year	**25,837**	22,542
Later than one year and not later than five years	**26,750**	15,207
	52,587	37,749
Vessel and barges:		
Not later than one year	**1,143**	1,480
	53,730	39,229

37 DISPOSAL OF INTEREST IN A SUBSIDIARY WITHOUT LOSS OF CONTROL

In October 2015, the Company disposed of 20% of interest in Civet (Zhuhai Bonded Area) Logistics Company Limited ("Civet"), originally held 75% of shareholding, at a consideration of RMB38,640,000 (approximately to HK$46,820,000). The disposal proceeds (after tax) was fully received from the purchaser in December 2015. The carrying amount of the Civet on the date of disposal was HK$60,240,000. The Group recognised a net gain on disposal of HK$32,481,000 (after tax) directly in equity and an increase in non-controlling interests of HK$12,048,000 upon the disposal.

38 RELATED PARTY TRANSACTIONS

The directors of the Group regard CKSE as the immediate holding company, which owns 65% (2015: 60%) of the Company's ordinary shares. The parent company of the Group is Guangdong Province Navigation Group Company Limited ("GNG"), a state-owned enterprise established in the PRC. GNG itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC.

In accordance with HKAS 24 (Revised), government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include GNG and its subsidiaries (other than the Group), other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and GNG as well as their close family members.

For the years 2016 and 2015, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government, mainly include most of its bank deposits and the corresponding interest income and part of sales and purchases of goods and services. The price and other terms of such transactions are set out in the underlying agreements, based on market prices or as mutually agreed.

Apart from the above-mentioned transactions with the government-related entities and the related party information shown elsewhere in the financial statements, the following is a summary of the significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year.

In addition to those disclosed elsewhere in the financial statements, the following transactions were carried out with immediate holding company, fellow subsidiaries, joint ventures, associates and related companies:

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties

	Note	2016 HK$'000	2015 HK$'000 (Restated)
Revenues:			
Shipping agency, river trade cargo direct shipment and transshipment income	(i)		
– fellow subsidiaries		**221**	229
– joint ventures and associates		**2,750**	1,896
– other related companies		**260**	315
Passenger transportation agency fees	(i)		
– fellow subsidiaries		**2,146**	2,061
– joint ventures and associates		**11,679**	11,777
– other related companies		**15,000**	15,598
Ferry terminal operation service fees	(i)		
– fellow subsidiaries		**4,189**	5,024
– joint ventures and associates		**25,415**	25,440
– other related companies		**33,150**	34,209
Management service fees			
– immediate holding company	(ii)	**30,000**	30,000
– fellow subsidiaries	(iii)	**1,110**	720
– joint ventures	(iii)	**2,718**	3,043
– a related company	(iii)	**264**	264
Vessel rental income	(i)		
– other related companies		**2,678**	3,394
Interest income	(iv)		
– a joint venture		**292**	349
Fuel supply income	(i)		
– fellow subsidiaries		**35,841**	34,887
– joint ventures and associates		**50,659**	59,641
– other related companies		**134,633**	168,222
Marine bunkering service	(i)		
– fellow subsidiaries		**944**	1,116
– an associate		**175**	155
– related companies		**3,667**	3,826
Consulting and software service	(iii)		
– an associate		**1,347**	–

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

	Note	2016 HK$'000	2015 HK$'000 (Restated)
Expenses:			
Shipping agency, river trade cargo direct shipment and transshipment expenses	(i)		
– joint ventures and associates		**9,409**	8,470
– a related company		**–**	6,461
Wharf cargo handling, cargo transportation and godown storage expenses	(i)		
– joint ventures and associates		**49,964**	59,397
– other related companies		**14,501**	23,245
Agency fee expenses	(i)		
– fellow subsidiaries		**197**	309
– joint ventures and associates		**1,042**	988
– other related companies		**705**	604
Ferry terminal operation services fee	(i)		
– a fellow subsidiary		**7,138**	7,292
Luggage handling fee	(v)		
– a related company		**5,644**	5,950
Fuel charges	(i)		
– a related company		**3,596**	–
Vessel rental expenses	(i)		
– a fellow subsidiary		**2,950**	–
– a joint venture		**31,455**	31,185
Warehouse rental expenses	(vi)		
– immediate holding company		**5,000**	5,000
Office rental expenses	(i)		
– immediate holding company		**7,777**	7,517
Staff quarter rental expenses	(i)		
– immediate holding company		**2,793**	2,602

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

	Note	2016 HK$'000	2015 HK$'000 (Restated)
Expenses (Continued):			
Loan interest expenses			
– immediate holding company	(vii)	**225**	368
– an associate	(viii)	**590**	534
– non-controlling interests	(ix)	**1,609**	1,838
– a related party	(x)	**604**	737
Management fee expenses	(xi)		
– immediate holding company		**7,200**	7,200
Staff secondment expenses	(i)		
– a joint venture		**–**	1,864
Property management fee expenses	(i)		
– immediate holding company		**1,125**	2,250
– a fellow subsidiary		**234**	358

Notes:

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

(ii) Management service fees were charged to CKSE for provision of services to a number of subsidiaries and joint ventures of CKSE in Hong Kong and the PRC. According to the management agreement, the management fee is calculated annually at (i) HK$20,000,000 per year or (ii) 3.25% of the total assets value of these companies as at 30th June of each year, whichever is higher, but the amount shall not exceed HK$30,000,000. The contract period is from 1st July 2014 to 30th June 2017.

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

(iv) Interests were charged to joint ventures in respect of loans at the base lending rate announced by the PBOC (2015: base lending rate announced by the PBOC), pursuant to the agreements entered into between the Group and the joint ventures.

(v) Luggage handling fee was charged from HK$1.94 to HK$3.3 (2015: HK$1.94 to HK$3.3) per item of luggage at China Ferry Terminal, Tsim Sha Tsui by an associate of the immediate holding company as set out in the respective agreement governing these transactions.

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

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

Notes: (Continued)

(vii) Interest was charged by CKSE at 6% per annum (2015: 6% per annum).

(viii) Loan interest was charged by an associate at the base deposit rate announced by the PBOC (2015: the base deposit rate announced by the PBOC) pursuant to the agreement entered into between the Group and the associate.

(ix) Interest was charged by the non-controlling interests in respect of loans bearing interest rates at 4% per annum or at the base lending rate announced by PBOC (2015: 4% per annum).

(x) Interest was charged by the related party at the base lending rate announced by the PBOC (2015: base lending rate announced by the PBOC).

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

(b) Key management compensation

	2016 **HK$'000**	2015 HK$'000
Salaries and allowances	**7,060**	6,759
Directors' fees	**720**	720
Share options granted	**356**	11
Retirement benefit scheme contributions	**98**	84
Housing benefit	**1,008**	1,043
	9,242	8,617

(c) Loans to joint ventures

	2016 **HK$'000**	2015 HK$'000
At 1st January	**17,805**	18,908
Exchange differences	**(1,130)**	(1,103)
At 31st December	**16,675**	17,805

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31st December 2016 HK$'000	2015 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**79,974**	82,226
Investment properties		**38,089**	38,544
Land use rights		**34,035**	34,937
Investments in subsidiaries		**1,574,605**	1,326,607
Investments in joint ventures		**89,430**	95,122
		1,816,133	1,577,436
Current assets			
Trade and other receivables		**882,427**	753,031
Loans to joint ventures		**–**	4,386
Cash and cash equivalents		**133,895**	422,255
		1,016,322	1,179,672
Total assets		**2,832,455**	2,757,108
EQUITY			
Share capital		**1,333,171**	1,333,171
Reserves	(a)	**999,568**	915,066
Total equity		**2,332,739**	2,248,237
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**4,213**	4,213

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Balance sheet of the Company (Continued)

	Note	As at 31st December 2016 HK$'000	2015 HK$'000
Current liabilities			
Trade payables, accruals and other payables		**273,145**	301,786
Loan from an associate		**22,358**	23,872
Short term borrowings		**100,000**	75,000
Current portion of long term borrowings		**100,000**	104,000
		495,503	504,658
Total liabilities		**499,716**	508,871
Total equity and liabilities		**2,832,455**	2,757,108

The balance sheet of the Company was approved by the Board of Directors on 30th March 2017 and was signed on its behalf.

Xiong Gebing
Director

Cheng Jie
Director

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Balance sheet of the Company (Continued)

Note (a) Reserve movement of the Company

	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2016	78	914,988	915,066
Profit for the year	–	168,852	168,852
Employee share option scheme:			
– Value of employee services	2,050	–	2,050
2015 final dividend	–	(54,000)	(54,000)
2016 interim dividend	–	(32,400)	(32,400)
At 31st December 2016	2,128	997,440	999,568
Representing:			
2016 final dividend proposed			64,800
Reserves			934,768
			999,568

	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2015	–	869,219	869,219
Profit for the year	–	164,569	164,569
Employee share option scheme:			
– Value of employee services	78	–	78
2014 final dividend	–	(64,800)	(64,800)
2015 interim and special dividend	–	(54,000)	(54,000)
At 31st December 2015	78	914,988	915,066
Representing:			
2015 final dividend proposed			54,000
Reserves			861,066
			915,066

40 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES)

(A) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31st December 2016:

Name	Fees	Salary (Note (a))	Discretionary Bonuses (Note (b))	Allowances and benefits in kind (Note (c))	Employers contributions to retirement benefit scheme	Other emoluments paid or receivable in respect of directors other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Chairman/managing director							
Mr. Xiong Gebing	–	331	1,007	442	18	–	1,798
Executive directors							
Mr. Zeng He	–	283	935	331	18	–	1,567
Mr. Cheng Jie	–	281	975	391	18	–	1,665
Non-executive director							
Mr. Zhang Lei	–	–	–	48	–	–	48
Independent non-executive directors							
Mr. Chan Kay-cheung	320	–	–	–	–	–	320
Ms. Yau Lai Man	200	–	–	–	–	–	200
Mr. Chow Bing Sing	200	–	–	–	–	–	200
Total	720	895	2,917	1,212	54	–	5,798

40 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (CONTINUED)

(A) Directors' and chief executive's emoluments (Continued)

For the year ended 31st December 2015:

Name	Fees	Salary	Discretionary Bonuses	Allowances and benefits in kind	Employer's contributions to retirement benefit scheme	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
		(Note (a))	(Note (b))	(Note (c))			
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Chairman/managing director							
Mr. Xiong Gebing	–	331	1,202	350	18	–	1,901
Executive directors							
Mr. Liu Weiqing	–	–	–	–	–	–	–
Mr. Zeng He	–	304	1,086	350	18	–	1,758
Mr. Cheng Jie	–	304	1,080	350	18	–	1,752
Mr. Hu Jiahong	–	–	–	–	–	–	–
Non-executive director							
Mr. Zhang Lei	–	–	–	2	–	–	2
Independent non-executive directors							
Mr. Chan Kay-cheung	320	–	–	–	–	–	320
Ms. Yau Lai Man	200	–	–	–	–	–	200
Mr. Chow Bing Sing	200	–	–	–	–	–	200
Total	720	939	3,368	1,052	54	–	6,133

Notes:

(a) Salary paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the company or its subsidiary undertakings.

(b) Discretionary bonuses are determined on the group achieving its target performance indicators.

(c) Includes share options and housing benefit

40 BENEFITS AND INTERESTS OF DIRECTORS (DISCLOSURES REQUIRED BY SECTION 383 OF THE HONG KONG COMPANIES ORDINANCE (CAP. 622), COMPANIES (DISCLOSURE OF INFORMATION ABOUT BENEFITS OF DIRECTORS) REGULATION (CAP. 622G) AND HK LISTING RULES) (CONTINUED)

(A) Directors' and chief executive's emoluments (Continued)

Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiary undertaking		Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking		Total	Total
2016	2015	**2016**	2015	**2016**	2015
HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
5,798	6,133	**–**	–	**5,798**	6,133

Note

(i) Emoluments above include share options and housing benefit

(B) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the years ended 31st December 2016 and 2015.

(C) Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended 31st December 2016 and 2015.

(D) Consideration provided to third parties for making available directors' services

During the years ended 31st December 2016 and 2015, no consideration was paid by the Company to third parties for making available directors' services.

(E) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by and entities connected with such directors

During the years ended 31st December 2016 and 2015, there were no loans, quasi-loans and other dealing arrangements in favour of directors of the Company or its holding companies, bodies corporate controlled by and entities connected with such directors.

(F) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

41 BUSINESS COMBINATIONS UNDER COMMON CONTROL

The details of the relevant statements of adjustments for the common control combinations of the Sun Kong Petroleum and Macau Cotai on the Group's results for the year ended 31st December 2015 and consolidated balance sheet as at 31st December 2015 are as follows:

	The Group before the acquisition of Sun Kong Petroleum and Macau Cotai	Sun Kong Petroleum and Macau Cotai	Notes	Adjustments	Total
	HK$'000	HK$'000		HK$'000	HK$'000
Year ended 31st December 2015					
Revenue	1,922,280	632,792	(i)	(47,645)	2,507,427
Profit before income tax	292,701	38,374		–	331,075
Income tax expense	(54,860)	(5,732)		–	(60,592)
Profit for the year	237,841	32,642		–	270,483
As at 31st December 2015					
ASSETS					
Property, plant and equipment	1,438,349	17,097		–	1,455,446
Other non-current assets	1,143,012	3,612		–	1,146,624
Current assets	1,441,931	209,861	(iii)	(6,613)	1,645,179
Assets held for sale	–	1,367		–	1,367
Total assets	4,023,292	231,937		(6,613)	4,248,616
EQUITY					
Share capital	1,333,171	249	(ii)	(249)	1,333,171
Reserves	1,373,411	179,401	(ii)	249	1,553,061
	2,706,582	179,650		–	2,886,232
Non-controlling interests	217,979	–		–	217,979
Total equity	2,924,561	179,650		–	3,104,211

41 BUSINESS COMBINATIONS UNDER COMMON CONTROL (CONTINUED)

	The Group before the acquisition of Sun Kong Petroleum and Macau Cotai	Sun Kong Petroleum and Macau Cotai	Notes	Adjustments	Total
	HK$'000	HK$'000		HK$'000	HK$'000
LIABILITIES					
Non-current liabilities	178,903	9,391		–	188,294
Current liabilities	919,828	42,896	(iii)	(6,613)	956,111
Total liabilities	1,098,731	52,287		(6,613)	1,144,405
Total equity and liabilities	4,023,292	231,937		(6,613)	4,248,616

Notes:

(i) Adjustments to eliminate the inter-group transactions for the year ended 31st December 2015.

(ii) Adjustments to eliminate the share capital of the Acquired Group against reserves.

(iii) Adjustments to eliminate the inter-group balances as at 31st December 2015.

No other significant adjustments were made to the net assets and net profit of any entities or businesses as a result of the common control combinations to achieve consistency of accounting policies.

42 COMPARATIVE FIGURES

The Group has applied merger accounting to account for the Acquisition of the Sun Kong Petroleum and Macau Cotai during the year, on the basis that the business combinations had occurred from the beginning of the earliest financial years presented.

The adoption of merger accounting stated above has resulted in changes to the presentation of certain items and comparative figures have been restated accordingly.

Five-Year Financial Summary

RESULTS

	2016 HK$'000	2015 HK$'000 (restated)	2014 HK$'000	2013 HK$'000	2012 HK$'000
Revenue	**2,381,891**	2,507,427	1,828,912	1,619,279	1,514,647
Operating profit	**278,598**	239,323	208,892	184,564	143,611
Finance income	**11,875**	8,454	4,667	4,428	4,463
Finance cost	**(7,513)**	(10,852)	(9,793)	(11,975)	(11,317)
Net finance income/(cost)	**4,362**	(2,398)	(5,126)	(7,547)	(6,854)
Share of profits less losses					
– joint ventures	**74,723**	74,325	67,765	64,361	45,144
– associates	**17,925**	19,825	16,781	14,663	5,724
Profit before income tax	**375,608**	331,075	288,312	256,041	187,625
Income tax expense	**(49,167)**	(60,592)	(58,377)	(55,458)	(42,374)
Profit for the year	**326,441**	270,483	229,935	200,583	145,251
Attributable to:					
Equity holders of the Company	**321,771**	265,004	221,268	190,918	135,825
Non-controlling interests	**4,670**	5,479	8,667	9,665	9,426
	326,441	270,483	229,935	200,583	145,251
Basic earnings per share (HK cents)	**29.79**	26.25	24.59	21.21	15.01

ASSETS AND LIABILITIES

	2016 HK$'000	2015 HK$'000 (restated)	2014 HK$'000	2013 HK$'000	2012 HK$'000
Non-current assets	**2,637,723**	2,602,070	2,689,371	2,424,061	2,260,156
Current assets	**1,386,462**	1,645,179	1,044,586	1,093,286	942,263
Assets held for sale	**–**	1,367	–	–	–
Total assets	**4,024,185**	4,248,616	3,733,957	3,517,347	3,202,419
Non-current liabilities	**153,883**	188,294	248,371	254,292	231,584
Current liabilities	**956,213**	956,111	1,038,713	996,667	880,370
Total liabilities	**1,110,096**	1,144,405	1,287,084	1,250,959	1,111,954
Total equity	**2,914,089**	3,104,211	2,446,873	2,266,388	2,090,465

Notes:

(a) The financial information for the years ended 31st December 2015 and 2016 were extracted from the 2016 financial statements.

(b) The financial information for the years ended 31st December 2012, 2013 and 2014 were extracted from the 2015 Annual Report.

CHU KONG SHIPPING ENTERPRISES (GROUP) COMPANY LIMITED

24th Floor, Chu Kong Shipping Tower
143 Connaught Road Central
Hong Kong

Tel: (852) 2581 3799
Fax: (852) 2851 0389

www.cksd.com