CHU KONG SHIPPING ENTERPRISES (GROUP) COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code : 00560

Annual Report 2013

EXPAND OUR BUSINESS

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JOINTLY CREATE FORTUNE

Chu Kong Shipping Enterprises (Group) Company Limited ("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".

Financial Highlights

JOINTLY ENJOY ACHIEVEMENTS

		2013	2012	Change
Results				
Revenue	*HK$ Million*	**1,619.3**	1,514.6	6.9%
Operating profit	*HK$ Million*	**184.6**	143.6	28.6%
Profit attributable to the equity holders of the Company	*HK$ Million*	**190.9**	135.8	40.6%
Operating profit margin	*(%)*	**11.4**	9.5	20.0%
Financial Position				
Total assets	*HK$ Million*	**3,517.3**	3,202.4	9.8%
Total liabilities	*HK$ Million*	**1,251.0**	1,112.0	12.5%
Total equity	*HK$ Million*	**2,266.4**	2,090.5	8.4%
Cash and cash equivalents	*HK$ Million*	**601.0**	584.7	2.8%
Current ratio		**1.1**	1.1	–
Debt ratio	*(%)*	**35.6**	34.7	2.6%

Corporate Information

Non-executive Director

Mr. Liu Weiqing (Chairman)
Mr. Hu Jiahong
Mr. Zhang Lei

Independent Non-executive Director

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

Executive Committee

Mr. Liu Weiqing
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
Bank of Communications

Share Registrar

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

Executive Director

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

Company Secretary

Ms. Cheung Mei Ki Maggie

Nomination Committee

Mr. Liu Weiqing
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
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Fax: (852) 2851 0389
Website: www.cksd.com

Business Location

We Believe in **Our Missions**

Chairman's STATEMENT

We expand our capacity **to enhance the ability to drive growth**

CHAIRMAN'S STATEMENT

Mr. Liu Weiqing
Chairman

I am pleased to announce that for the year ended 31st December 2013, Chu Kong Shipping Enterprises (Group) Company Limited (the "Company") and its subsidiaries (the "Group") recorded a consolidated revenue amounting to HK$1,619,279,000, up by 6.9% against last year; profit attributable to equity holders of the Company was HK$190,918,000, increased by 40.6% against last year.

In 2013, the Group actively responded to the market environment of the global economy downturn, closely embracing the work tasks of "quality, efficiency, innovation and continuation", strengthened management, expanded and be innovative, further excavated its business, enlarged income sources and reduced expenditures, and thus achieved good results in business development, revenue growth and profit increase as well as safety.

For terminal logistics, by leveraging on its network advantages of owning various wholly-owned or shareholding category-2 ports in the Pearl River Delta, the Group strived to transform traditional terminal logistics into modern logistic business. Firstly, we deployed more resources to develop its comprehensive logistic business by launching high value-added warehousing and distribution business at Tuen Mun Godown Wharf for improving economic benefits. Secondly, we promoted the construction of overseas marketing network, established a branch in Malaysia through Chu Kong Logistics (Singapore) Pte. Limited to further perfect the marketing network in Southeast Asia. Thirdly, we kept up with the domestic trade development trend, increased investments in domestic liner and organised a special task force for air cargo transportation and bulk cargo so as to increase the efforts

in undertaking air cargoes and bulk cargoes. Fourthly, we accelerated the construction of terminals, increased capacity of terminals, and completed the reconstruction of Qingyuan Terminal and resumed its operation; completed the construction of the main infrastructure of Huangpu Terminal in Zhongshan and put it into operation. We promoted the upgrading and reconstruction of Gaoming Terminal, Sanbu Terminal, Zhaoqing New Terminal and Zhuhai Civet Terminal, and thus laying a foundation for the rapid development of terminal business in future.

The above measures had achieved remarkable results with a smooth development of terminal logistic segment during the year, and growth in both terminal throughput and cargo transportation volume was recorded. Of which Gaoming Terminal continued to maintain a high growth trend, and achieved another record high, a yearly container throughout of 320,000 TEU, representing a year-on-year increase of 27%. The yearly container throughout of Sanbu Terminal achieved an increase of over 44%.

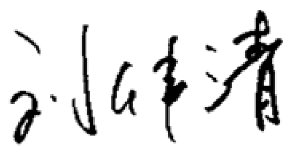
For high-speed waterway passenger transportation in Guangdong, Hong Kong and Macau, the Group grasped the opportunities in the cooperation of Guangdong, Hong Kong and Macau and Individual Visit Scheme (IVS), took various effective measures to ensure a sustainable development in passenger transportation volume. Firstly, by closely keeping up with the market demand, adjusted timely the marketing strategy and waterway routes to increase the passenger transportation volume and its efficiency. Secondly, by different channels like television promotion and road shows, increased the marketing and external promotion activities to effectively enhance the popularity of CKS. Thirdly, by perfecting the marketing network, it developed relative travel agencies in the United States, South Korea and Australia as our regional agency to commence overseas B2B sales, and entered into new or renewing agency agreements with more than 10 travel agencies in Mainland China and Hong Kong to further increase the regional market share. Fourthly, by full leveraging on the role of Chu Kong Tourism's sales platform to facilitate the development of travel agency business. Fifthly, by means of enhancing value-added service and improving service standard, further increased the attraction of airport routes between Mainland and Hong Kong so that the passenger transportation volume is increasing continuously with the yearly passenger transportation volume of Skypier at Hong Kong International Airport reaching 2,669,000. During the year, Hong Kong International Airport Ferry Terminal Services Limited secured the tender of the operation renewal of Skypier at Hong Kong International Airport, laying a good foundation for the continuous operation of airport routes of the Group.

For capital operation, with maximising shareholders' benefits as the principle, the Company actively explored different financing methods. On 13th June 2013, the Company successfully issued 180,000,000 warrants. In capital market, the Company was also awarded the China Securities Golden Bauhinia Award and was honoured to be "The Listing Companies with the Most Growth Potential in 2013", further enhanced the recognition of its influence and competitiveness as a listing company.

The Group continued to improve its corporate governance standard in accordance with the latest requirements of the Hong Kong Listing Rules, and formulated and implemented the "Inside Information Management Procedures" and the "Whistle-blowing Policy" at group level to improve its corporate governance transparency for strengthening the market confidence towards the Company.

In 2014, the global economy will recovered slowly and China economy will continue to maintain a steady growth. In facing the new situation, the Group will work together and endeavour to explore new development under the spirit of "doing it and making it" in accordance with the vision of "Transformation and Upgrading, Reformation and Innovating". Firstly, with the direction of developing comprehensive logistics, we will speed up the transformation and upgrading, especially grasping the development opportunities in Nansha, Hong Kong and Macau, and increase the proportion of investment in the above areas. We will vigorously propel the development strategy of "going out" to continue expanding the logistic business in Southeast Asia. Secondly, we will actively explore new passenger transportation routes, mainly increase the investment in airport routes in Shenzhen, Hong Kong and Macau, while with high-speed waterway passenger transportation, we will actively develop the business in tourism and advertisement. Thirdly, by establishing the e-commerce platform for passenger and cargo transportation system, we will develop new systems for ferry ticket sales by mobile phone and bonded warehouse management. Fourthly, we will strive to grasp the opportunities generated from the reform of stated-own enterprises with assets restructuring in Mainland to speed up the development pace of the Company in merger and acquisition.

I would like to hereby represent the board of directors to express its sincere appreciation to all shareholders, partners and stakeholders for their continued support to the Group over the years, and its compliment to all staff for their dedication to the Group's development!



Liu Weiqing
Chairman

Hong Kong, 27th March 2014

Management
DISCUSSION AND ANALYSIS

We strive for corporate synergy

REVIEW OF OPERATIONS

For the year ended 31st December 2013, the Group recorded a consolidated revenue of HK$1,619,279,000, up by 6.9% as compared with last year. Profit attributable to the equity holders of the Company was HK$190,918,000, up by 40.6% as compared with last year.

In 2013, the recovery drive of global port container throughput lacked sufficient momentum, of which the growth of port throughput in China and Southeast Asia showed signs of weakness. The container throughput in Europe was at a "zero growth" stage, and North America faced a substantial disparity in port volume increase and decrease due to the impact of alliance shipping routes adjustments. However, as import and export trades both dropped, the overall growth of port throughput had slowed down. According to the Global Ports Development Report (2013) published by Shanghai International Shipping Institute, the global port container throughput in 2013 went up by only 3% year-on-year to 641,000,000 TEU, recorded a drop for consecutive three years in its growth. And in 2013, the container throughput of sizeable ports in China only increased by 6.8%, representing once again a drop of 1.1 percentage points as compared with last year, with its growth narrowing down for consecutive three years. Of which, the weak growth in foreign trade throughput was the main encumbrance factor, and the annual growth rate of 3.9% was far below than the increase of 13.9% in domestic trade.

The number of visitors from Mainland China to Hong Kong continued to increase. According to the 2014/2015 Hong Kong's Government Budget, the number of visitor arrivals to Hong Kong in 2013 was over 50 million, representing a year-on-year increase of 11.7%. Such increase was slowed down as compared with the 16% in 2012. Of which, visitors from Mainland China accounted for approximately 75%, with its overall spending increased 14.8% to HK$340 billion.

The Group is an enterprise providing comprehensive terminal logistics and passenger transportation services to the regions in Guangdong, Hong Kong and Macau. Despite the slow recovery of global economy and port container throughput, by benefiting from the economic development momentum between Guangdong, Hong Kong and Macau, as well as the Group's active facilitation of its professional operation, expansion of its passenger transportation and cargo businesses, and also adjustment on its structure and strengthening its cost control, the Group was able to achieve a growth in its business with an increase in profit.

Regarding freight business, the Group continued to promote professionalised operation and brought into full play the function of "Consolidated CKTL" platform, and at the same time strengthened the segmental marketing management, with cargo transportation volume achieving its growth for four successive years, and container transportation volume and break bulk cargoes transportation volume recording an increase of 3.1% and 24.5% respectively. By benefiting from the substantial increase in infrastructure materials demand in Hong Kong, break bulk cargoes transportation volume increased significantly. As driven by the recovery in the European and U.S. markets, wharf handling and warehousing and storage businesses recorded a higher growth, especially in the export-oriented regions like Foshan where significant increase in container transportation volume was seen. During the year, container handling volume increased by 2.9% and volume of break bulk cargoes remained the same as last year and volume of container hauling and trucking increased by 3.4% on a year-on-year basis.

Regarding passenger transportation business, a continuous growth was recorded. Through actively exploring the airport and Hong Kong-Macau routes, it becomes a strong driver for the growth in passenger transportation business, of which airport routes saw a substantial growth. During the year, the total number of passengers for agency services was 6,494,000, representing a year-on-year increase of 4.5%. The number of passengers for terminal services was 7,346,000, up by 6.2% as compared with last year. It was believed that the prosperity of the Individual Visit Scheme (IVS) led to a further growth in the passenger transportation business.

The freight business contributed a profit of HK$97,428,000 to the Group, representing an increase of 27.3% as compared with last year. The passenger transportation business contributed a profit of HK$116,441,000 to the Group, representing an increase of 56.2% as compared with last year.

1. Freight Business

During the year, as the regional economy and volume of import and export trade among the Pearl River Delta region had recovered, by improving its operation efficiency, the Group remained a stable growth in both its container business and break bulk cargoes transportation businesses.

I. Business Operation Indicators

Performance statistics of our major business operations are as follows:

	For the year ended 31st December		
Indicators	**2013**	2012	Change
Cargo transportation volume			
Container transportation volume (TEU)	**1,163,338**	1,128,247	3.1%
Break bulk cargoes transportation volume (revenue tons)	**346,120**	278,127	24.5%
Cargo handling volume			
Container handling volume (TEU)	**1,150,839**	1,118,549	2.9%
Volume of break bulk cargoes handled (revenue tons)	**1,484,629**	1,472,354	0.8%
Volume of container hauling and trucking on land (TEU)	**205,006**	198,179	3.4%

II. Subsidiaries

During the year, Chu Kong Transhipment & Logistics Company Limited ("CKTL") substantially maintained a steady business development. CKTL enhanced marketing, established professional marketing team, vigorously expanded key customer business and enhanced the interaction with shipping companies, thereby continuously expanded the market. Despite being affected by national policies in which renewable resource cargoes decreased to some extent, however, while door-to-door cargo and Hong Kong trade goods had maintained a growth, it drove the container transportation volume with a stable growth. Owing to the commencement of infrastructure projects in Hong Kong, large break bulk cargoes transportation volume increased significantly. CKTL actively explored overseas freight forwarder networks and is now establishing a freight forwarder company in Port Klang, Malaysia. CKTL also actively explored integrated logistics services business, especially modern warehousing business, to expand new businesses with bases in Tuen Mun and Nansha etc., and extended its industry chains, achieved its breakthrough in upgrading.

Chu Kong Cargo Terminals (Gaoming) Co., Ltd. in Foshan continued to record a growth in its business and the profit attributable to the Group increased significantly, by 32.0% as compared with last year. By benefiting from the rapid growth in export foreign-trade containers, the terminal achieved an annual 320,000 TEU of container handling volume, representing a year-on-year increase of 26.6%, making another record high, among which, factory-trade goods increased by 48.6%. The terminal continued to improve its communication and coordination with shippers, international liner companies, cargo agencies and barge companies in which it had enhanced the market competitiveness of the company.

There was a slowdown in the growth in Zhaoqing region, which was mainly due to the negative impact on containers at terminals imposed by the change of the related policies of China. During the year, the four major terminals in Zhaoqing region achieved a container handling volume of 364,000 TEU, representing a year-on-year decrease of 7.6%. Apart from Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd. ("Gaoyao Port"), the container handling volume in other three terminals dropped. As Gaoyao Port had enhanced the cooperation with customers and shipping companies, it achieved a container handling volume of 52,000 TEU, representing a year-on-year increase of 7.9%. As affected by the change of policies on renewable resources, Zhaoqing Chu Kong Logistics (Sihui) Co., Ltd. recorded a year-on-year decrease on container cargo volume. For Chu Kong Cargo Terminals (Kangzhou) Co., Ltd. ("Kangzhou Port") and Zhaoqing New Port Co., Ltd. ("Zhaoqing New Port") which are mainly involved in domestic trade, the container handling volume dropped due to the shrinking domestic trade business and the strengthening in control and management on road transportation in Mainland. However, by improving the facilities of the terminals, renewal of plants and machineries and strengthen the business development within the region, the break bulk cargo handling volume of Kanzhou Port and foreign trade cargo handling volume of Zhaoqing New Port recorded an increase.

The Zhuhai region continued to be affected by the policy of substantial subsidies on its share participating terminals implemented by the local government, which led to a drop in overall cargo volume in the terminals of the region. During the year, the two terminals in the region completed 175,000 TEU for container handling volume in aggregate, representing a year-on-year decrease of 16.7%, with a narrowing down decline as compared with those in the middle of the year. However, for CKS Container Terminal (Zhuhai Doumen) Co., Ltd., as it had enhanced the service standard at terminals, maintaining efficient customs clearance procedures, spent more efforts in retaining existing customers and securing new customers, it achieved a container handling volume of 75,000 TEU, representing a year-on-year increase of 7.6%, thus reversed the dropping trend for container volume in the middle of the year and the profit attributable to the Group increased significantly, 138.3% as compared with last year.

Chu Kong Cargo Terminals (Qingyuan) Co., Ltd. ("Qingyuan Port") officially resumed its foreign trade business on 21st August, and achieved a container handling volume of 5,000 TEU during the year. Currently, the foreign trade clearance operation of the terminal has basically been completed and it also actively expands the customer base and optimises freight schedule. As being the only catagory-2 ports in the Qingyuan region, there was great development potential for Qingyuan Port.

Zhongshan City Huangpu Port Cargo and Terminal Co., Ltd. had been put into trail operation by the end of the year, it starts to introduce domestic trade shipping companies, and will strengthen its marketing on customers and cargo agencies in future so that the terminal will be enable to put into official operation as soon as possible.

The phase three renewal of the license agreement of Chu Kong Air-Sea Union Transportation Company Limited had been completed smoothly. The container handling volume of the company during the year was 21,000 TEU, which was basically par as compared with last year. The break bulk cargoes handling volume was 98,000 revenue tons, representing a year-on-year increase of 6.4%.

III. Investment in Joint Ventures and Associates

By benefiting from picking up of foreign trade business in the Pearl River Delta region, the operating businesses of joint ventures and associates of the Group remained stable. As the factory-trade goods further increased at terminals in Jiangmen region, which included Guangdong Sanbu Passenger and Freight Transportation Co., Ltd. ("Sanbu Port") and Heshan County Hekong Associated Forwarding Co., Ltd. ("Heshan Port") so a total container handling volume of 138,000 TEU, representing a year-on-year increase of 27.0% was recorded. Among which, it was mainly Sanbu Port that achieved a substantial year-on-year increase for container handling volume, recorded 94,000 TEU, representing a significant year-on-year increase of 44.3% and contributed a year-on-year significant increased profit of 289.6%. The businesses of Heshan Port remained stable, and achieved a slight year-on-year increase of 1.4%. There are four terminals in 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. By benefiting from the increase of foreign trade businesses in Foshan region, the four terminals in the region recorded an increase in container handling volume and achieved a container handling volume of 538,000 TEU in aggregate, representing a year-on-year increase of 4.6%. Zhong Shan Port Goods Transportation United Co., Ltd. achieved a container handling volume of 396,000 TEU, representing a slight decrease of 1.3%.

2. Passenger Transportation Business

As tourism in Guangdong, Hong Kong and Macau developed prosperously, the passenger transportation business of the Group continued to see a stable growth. During the year, the number of passengers for agency services of Chu Kong Passenger Transport Company Limited ("CKPT") was 6,494,000, representing a year-on-year increase of 4.5%, with the urban routes recorded a stable growth and Jiangmen and Zhuhai routes witnessed higher growth. The number of passengers carried by airport routes continued to grow and reached 1,935,000, of which the airport routes in Zhongshan achieved a significant growth, recorded 110,000, a year-on-year increase of 41.8%. The number of passengers for terminal services was 7,346,000, representing a year-on-year increase of 6.2%. The passenger transportation business contributed a total profit of HK$116,441,000 to the Group, a year-on-year increase of 56.2%.

By grasping the opportunity of the renewal agreement on Skypier, CKPT continued to put more resources on marketing and promotion so as to keep on upgrading its service standard at airport terminal, such as the introduction of the pre-boarding procedures and direct baggage transfer, and actively conducted research on multi-operation model and optimised overseas sales network. CKPT also actively expanded new routes and reopened the route from Fangchenggang City in Guangxi to Ha Long Bay in Vietnam. CKPT and a direct-purchase company in Hong Kong launched the "Ganghuigou"(港匯購) project, which leverages on the customers platform to conduct consignment-purchase business on board, appropriately extended the passenger transportation industry chain and targeted at retaining return-trip customers with the consignment-purchase business and thus increased new growth points in profits. Currently, several ship owners have participated in the "Ganghuigou" project.

I. Business Operation Indicators

Performance statistics of the major business operations are as follows:

	For the year ended 31st December Number of Passengers (in thousands)		
Indicators	**2013**	2012	Change
Number of passengers for agency services	**6,494**	6,213	4.5%
Number of passengers for terminal services	**7,346**	6,915	6.2%

II. Investment in Joint Ventures and Associates of CKPT

During the year, the number of passengers for terminal services of Skypier (operated by Hong Kong International Airport Ferry Terminal Services Limited ("HKIAFT")) continued to grow, the profits contributed by Zhongshan-Hong Kong Passenger Shipping Co-op Co., Ltd. ("ZSPS") and Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd. ("SGPT") increased desirably. HKIAFT has successfully renewed the phase III contract of Skypier, laying a solid foundation for the growth of the passenger transportation business. CKPT paid great efforts in facilitating airport routes in Zhongshan and saw extremely good outcome. ZSPS successfully introduced the pre-boarding procedures services in the second quarter and provided local tourists with one-stop air-sea union transport services and recorded a growth of 41.8% in the number of passenger of airport routes during the year. SGPT optimised the flights arrangements based on the local travelers travelling characteristics. Despite the decrease of flights, the number of passengers still saw a slight increase, which not only reduced the operating costs, but also increased revenues.

Connect Media Company Limited under the Group had integrated the waterway passenger transportation advertisement resources and spent more efforts in business promotion. Currently, it has reached cooperation agreements on advertisement business with several ship owners, achieving substantial progress.

3. Other Businesses

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

FINANCIAL REVIEW

Review Of Financial Results

The Group recorded a profit attributable to equity holders of the Company of HK$190,918,000 in 2013, representing an increase of HK$55,093,000 or 40.6%, as compared with last year, details of which are as follows:

	2013 HK$'000	2012 HK$'000	Change
Net operating profit*	**111,894**	84,957	31.7%
Share of profits less losses of joint ventures and associates	**79,024**	50,868	55.4%
Profit attributable to equity holders of the Company	**190,918**	135,825	40.6%

* Net operating profit represents operating profit after finance income, 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 less losses of joint ventures and associates for 2013 increased by HK$28,156,000 or 55.4% from last year to HK$79,024,000. Among these, profit after taxation attributable to freight business was HK$34,356,000 and profit after taxation attributable to passenger transportation business was HK$44,668,000.

DIVIDENDS

To align with our mission to jointly enjoy achievements with our shareholders, the Group has maintained a consistent dividend payout policy. With reference to the current cash and cash equivalents, the percentage of total dividends over the profit attributable to equity holders of the Company ("Dividend Coverage") was increased in 2013 as compared with prior year. The Group's Dividend Coverage in the past five years was as follows:

	Dividends per share HK$	Total dividends HK$'000	Profit Attributable to equity holder of the Company HK$'000	Dividend Coverage
2009	0.035	31,500	116,025	27.15%
2010	0.060	54,000	160,086	33.73%
2011	0.035	31,500	146,819	21.45%
2012	0.045	40,500	135,825	29.82%
2013*	0.075	67,500	190,918	35.36%

* Dividends per share for 2013 included a proposed final dividend of HK$0.055 per share.

EMPLOYEES

As at 31st December 2013, the Group employed 446 employees in Hong Kong and remunerated its employees according to the duty of their positions and market conditions.

LIQUIDITY AND FINANCIAL RESOURCES

The Group keeps close track of its working capital and financial resources in an effort to maintain a solid financial position. As at 31st December 2013, the Group secured a total credit limit of HK$605,000,000 and RMB50,000,000 (equivalent to approximately HK$63,597,000) granted by bona fide banks.

As at 31st December 2013, the current ratio of the Group, represented by current assets divided by current liabilities, was 1.1 (2012: 1.1) and the debt ratio, representing total liabilities divided by total assets, was 35.6% (2012: 34.7 %).

As at 31st December 2013, the Group's cash and cash equivalents amount to HK$600,969,000 (2012: HK$584,723,000), which represents 17.1% (2012: 18.3%) of the total assets.

As at 31st December 2013, the gearing ratio of the Group, represented by bank borrowings divided by total equity and bank borrowings, was 16.4% (2012: 15.6%).

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

BANK LOAN AND PLEDGE OF ASSETS

	As at 31st December	
Bank Loan	**2013**	**2012**
Banks located in Hong Kong (Note 1)		
– Hong Kong Dollar	**380,000,000**	300,000,000
– Renminbi	**–**	10,000,000 (equivalent to approximately HK$12,427,000)
Banks located in China (Note 2)		
– Renminbi	**50,000,000 (equivalent to approximately HK$63,597,000)**	59,700,000 (equivalent to approximately HK$74,244,000)

Notes:

1. The bank loan in Hong Kong was bearing floating interest rate and unsecured.

2. The bank loan in China was bearing floating interest rate and secured by certain land use rights and property, plant and equipment of Zhaoqing New Port.

EXCHANGE RISK

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

CURRENCY STRUCTURE

As at 31st December 2013, cash and cash equivalents held by the Group, of which 48.1% were denominated in Hong Kong dollar ("HKD"),40.8% in Renminbi ("RMB"), 10.0% in United States dollar ("USD"), 1.1% in Macau pataca and a small amount Euro, are deposited with several banks of good reputation are as follows:

	Amount HK$'000	**Percentage** %
HKD	288,998	48.1
RMB	245,397	40.8
USD	60,294	10.0
Macau pataca	6,276	1.1
EURO	4	0.0
	600,969	100.0

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.

CAPITAL COMMITMENTS

Details of capital commitments of the Group and the Company are set out in note 33(a) to the financial statements.

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

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 central management of the Company.

Given the characteristics of the core business of the Group, emphasis of routine financial control is placed on the management of working capital, particularly the timely receipts of trade receivables. As at 31st December 2013, net trade receivables of the Group amounted to HK$180,975,000, representing a decrease of 2.1% as compared with last year, 93.2% of trade receivables was aged within 3 months. The exposure to bad debts was controlled at a comfortable level.

CORPORATE STRATEGIES AND PROSPECTS

It is the Company's operating strategy to concentrate on the betterment and stronger development of two major segments of Guangdong-Hong Kong terminal logistics and Guangdong-Hong Kong-Macao water-way high-speed passenger transportation. In future, the Company will continue to strive for building up regional core terminals in response to market demand, enhance appropriately the investment and development of storage logistics, and strengthen the development of passenger transportation related to tourist industry, proceed to the strategy in the extension of the passenger business, and strive for exploring new ferry routes outside Guangdong-Hong Kong-Macau.

According to the information of WTO, global trading environment had improved in 2013, and is expected to be slightly better in 2014, in which developed economies would be further improved. China is launching a series of measures successively to stabilise growth, adjust the structure and facilitate reform, including, among others, strengthening infrastructure construction, facilitating information and service consumption, supporting the development of logistics and new energy industries. Being the market leader of the terminal logistics and water-way high-speed passenger transportation in Guangdong, Hong Kong and Macau, the Group will actively maintain a stable and sustainable development by enhancing its professional operation. The board and management are optimistic about the future long-term development of the Group, and will endeavor to take on the challenges and opportunities arising in the coming years.

Report
OF THE DIRECTORS

We target on better
corporate governance

BACK ROW FROM LEFT TO RIGHT:
Mr. Cheng Jie (Executive Director), Mr. Hu Jiahong (Non-executive Director), Mr. Zeng He (Executive Director), Mr. Zhang Lei (Non-executive Director)

FRONT ROW FROM LEFT TO RIGHT:
Ms. Yau Lai Man (Independent Non-executive Director), Mr. Chan Kay-cheung (Independent Non-executive Director), Mr. Liu Weiqing (Chairman), Mr. Xiong Gebing (Managing Director), Mr. Chow Bing Sing (Independent Non-executive Director)

The directors are pleased to present their report and the audited financial statements of the Group for the year ended 31st December 2013.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL ANALYSIS OF OPERATIONS

The Company's principal business is investment holding, mainly focusing on two major fields of terminal and shipping logistics and the water-way high-speed passenger transportation. 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 perfect supply chain of terminal and shipping logistics; while another major business of the Group, the water-way high-speed passenger transportation that is based on Guangdong, Macau and Hong Kong, has developed into the largest operations agent of ferry transportation. The principal activities of its subsidiaries, joint ventures and associates are set out in the notes 10 and 11 to financial statements.

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.

RESULTS AND APPROPRIATIONS

The Group's results for the year ended 31st December 2013 are set out on page 53 of the annual report. The interim dividend declared during the year was HK2 cents per ordinary share, totalling HK$18,000,000 and was already paid on 31st October 2013. The directors have proposed a final dividend of HK5.5 cents per ordinary share for the year, totalling HK$49,500,000 to shareholders whose names appeared on the register of members on 4th June 2014.

FINANCIAL SUMMARY

A summary of the financial information of the Group for the last five financial years is set out on page 131 to 132 of the annual report. This summary does not form part of the audited financial statements

PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTIES

Details of movement in the property, plant and equipment and investment properties of the Group and the Company are set out in notes 6 and 7 to the financial statements respectively.

SHARE CAPITAL

Details of the share capital of the Company during the year are set out in note 16 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 17 to the financial statements.

DISTRIBUTABLE RESERVES

As at 31st December 2013, the Company's reserves available for distribution, calculated in accordance with the provisions of Hong Kong Companies Ordinance, amounted to HK$826,595,000 of which HK$49,500,000 has been proposed as final dividend for the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year, the Group's sales to the five largest customers and purchases from the five largest suppliers accounted for less than 30% of the Group's revenue and purchases for the year respectively.

DIRECTORS

The directors of the Company were as follows:

Non-executive Directors:

Mr. Liu Weiqing (Chairman)
Mr. Hu Jiahong (appointed on 1st March 2014)
Mr. Zhang Lei
Mr. Yu Qihuo (resigned on 1st March 2014)

Executive Directors:

Mr. Xiong Gebing (Managing Director)
Mr. Zeng He (appointed on 1st March 2014)
Mr. Cheng Jie (appointed on 1st March 2014)
Mr. Huang Shuping (resigned on 1st March 2014)
Mr. Huang Liezhang (resigned on 3rd May 2013)

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. Chow Bing Sing and Mr. Zhang Lei shall retire by rotation and, being eligible, Mr. Chow Bing Sing and Mr. Zhang Lei shall offer themselves for re-election at the forthcoming annual general meeting.

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 34 to 37 of this annual report.

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

At 31st December 2013, the Company has not been notified of any interests and short positions of the directors and executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO.

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

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

DIRECTORS' INTERESTS IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, any other holding companies and its subsidiaries was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted during the year.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES OF THE COMPANY

As at 31st December 2013, as recorded in the register required to be kept under Section 336 of the SFO, the following shareholders have 5% or more of the Company's share capital:

Ordinary shares of the Company		**Number of Shares**
(i)	Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE")	648,218,000
(ii)	Guangdong Province Navigation Group Company Limited ("GNG")	648,218,000

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

Save as disclosed above, as at 31st December 2013 the Company has not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register to be kept under Section 336 of the SFO.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year, no director of the Company has any interest in other competing businesses.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is available to and within the knowledge of the directors of the Company, it is confirmed that there is sufficient of 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:

1. Master Ferry Technical Support Agency Services Agreement

On 6th November 2012, 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 in respect of the provision of the ferry technical support agency services to the ferries operated and owned by the parties in which any member of the GNG Group is acting as agent and/or sub-agent (the "Relevant Ferries") from time to time.

The term of the Master Ferry Technical Support Agency Services Agreement is three years from 1st January 2013 to 31st December 2015 at the service fee for the provision of the ferry technical support agency services which were agreed from time to time after arm's length negotiation between the parties involved by taking reference to the prevailing market rate. The annual caps of the Master Ferry Technical Support Agency Services Agreement for the years ended 31st December 2013, 2014 and 2015 are HK$7,000,000, HK$7,300,000 and HK$7,700,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2013 was HK$6,656,000.

2. Master Ferry Terminal Luggage Facilities And Handling Services Agreement

On 6th November 2012, 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 to any member of the Group. The provision of the ferry terminal luggage facilities includes 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 claim their luggage at the relevant terminals. The provision of luggage handling services include 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 2013 to 31st December 2015 at the service fee for the provision of the ferry terminal luggage facilities and handling services which comprise (a) the passenger levy (which is based on the number of passengers departing from and arriving in 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 involved by taking reference to the prevailing rate chargeable against other ferry service carriers 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 2013, 2014 and 2015 are HK$8,500,000, HK$9,200,000 and HK$9,900,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2013 was HK$7,317,000.

3. Master Fuel Charge Agreement

On 6th November 2012, the Company, on behalf of the Group, as a purchaser entered into a 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 diesel and lubricants 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 2013 to 31st December 2015 at the price of the diesel and lubricants which was based on arm's length negotiation between the parties involved with reference to the international oil price. The annual caps of the Master Fuel Charge Agreement for the years ended 31st December 2013, 2014 and 2015 are HK$110,000,000, HK$150,000,000 and HK$190,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2013 was HK$73,117,000.

4. Master IT Services Agreement

On 6th November 2012, the Company, on behalf of the Group, as a service recipient entered into a 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 consultancy services; server custodian services; maintenance services; and PTMS services to any member of the Group.

The term of the Master IT Services Agreement is three years from 1st January 2013 to 31st December 2015 at the fee for the provision of the IT services based on the usage amount for the IT Services, and were agreed from time to time after arm's length negotiation between the parties involved by taking reference to the prevailing market price. The annual caps of the Master IT Services Agreement for the years ended 31st December 2013, 2014 and 2015 are HK$8,700,000, HK$9,100,000 and HK$9,500,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2013 was HK$7,200,000.

5. Master Passenger Transportation Agency Services Agreement

On 6th November 2012, the Company, on behalf of the Group, as a service provider entered into a 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 their exclusive agent/sub-agent in connection with their waterway passenger transport business in Hong Kong to from time to time provide the passenger transportation agency services to (a) the ferries operated and owned by the GNG Group; and/or (b) the Relevant Ferries.

The term of the Master Passenger Transportation Agency Services Agreement is three years from 1st January 2013 to 31st December 2015 at the passenger transportation agency fee which were agreed from time to time after arm's length negotiation between the parties involved by taking reference to the prevailing market rate. The annual caps of the Master Passenger Transportation Agency Services Agreement for the years ended 31st December 2013, 2014 and 2015 are HK$12,500,000, HK$13,500,000 and HK$14,500,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2013 was HK$10,145,000.

6. Master Rental Agreement

On 6th November 2012, the Company, on behalf of the Group, as a lessee entered into a rental agreement (the "Master Rental Agreement") with GNG, the parent company of the Company, on behalf of the GNG Group, as a lessor in respect of leasing premises to the Group to be used as warehouses, offices, car parks and staff quarters.

The term of the Master Rental Agreement is three years from 1st January 2013 to 31st December 2015 at the rent in respect of the leasing of the premises which was based on arm's length negotiation between the parties involved with reference to the prevailing market rental. The annual caps of the Master Rental Agreement for the years ended 31st December 2013, 2014 and 2015 are HK$21,300,000, HK$21,600,000 and HK$22,100,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2013 was HK$13,799,000.

7. Master Sub-baggage Handling Services Agreement

On 6th November 2012, 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 the provision of baggage handling services direct to all ferry service carriers who stop their ferries at the relevant terminals for passengers departing from and arriving in Hong Kong at the relevant terminals to the GNG Group.

The term of the Master Sub-baggage Handling Services Agreement is three years from 1st January 2013 to 31st December 2015 at the baggage handling charges which were agreed from time to time after arm's length negotiation between the parties involved by taking reference to the amount of the handling charges received by the GNG Group from all ferry service carriers. The annual caps of the Master Sub-baggage Handling Services Agreement for the years ended 31st December 2013, 2014 and 2015 are HK$11,000,000, HK$12,000,000 and HK$13,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2013 was HK$10,407,000.

8. Master Transportation Agreement

On 6th November 2012, the Company, on behalf of the Group, as a service recipient entered into a 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 to the Group.

The term of the Master Transportation Agreement is three years from 1st January 2013 to 31st December 2015 at the services fees 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 involved. The annual caps of the Master Transportation Agreement for the years ended 31st December 2013, 2014 and 2015 are HK$63,000,000, HK$68,000,000 and HK$76,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2013 was HK$62,827,000.

9. Master Vessels Leasing Agreement

On 6th November 2012, the Company, on behalf of the Group, as a lessor entered into a vessels leasing agreement (the "Master Vessels Leasing Agreement") with GNG, the parent company of the Company, on behalf of the GNG Group, as a lessee in respect of leasing cargo vessels to the GNG Group.

The term of the Master Vessels Leasing Agreement is three years from 1st January 2013 to 31st December 2015 at the rent in respect of the leasing of cargo vessels which was based on the carrying capacity and the number of years of usage of each cargo vessel, the number of cargo vessels and related expenses for operating the cargo vessels. The rental was based on arm's length negotiation between the parties involved with reference to the prevailing market rental of cargo vessels and the cost of related expenses for operating the cargo vessels but other than fuel charge. The annual caps of the Master Vessels Leasing Agreement for the years ended 31st December 2013, 2014 and 2015 are HK$2,900,000, HK$3,000,000 and HK$3,100,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2013 was HK$2,431,000.

10. Master Vessels Rental Agreement

On 6th November 2012, the Company, on behalf of the Group, as a lessee entered into a 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 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.

The term of the Master Vessels Rental Agreement is three years from 1st January 2013 to 31st December 2015 at the rent in respect of the leasing of cargo vessels which was determined with reference to the prevailing market rental of cargo vessels and the cost of related expenses for operating the cargo vessels but other than 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 fee were based on arm's length negotiation between the parties involved. The annual caps of the Master Vessels Rental Agreement for the years ended 31st December 2013, 2014 and 2015 are HK$31,000,000, HK$34,000,000 and HK$37,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2013 was HK$27,642,000.

11. Management Agreement

On 20th June 2011, 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 2011 to 30th June 2014, 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 2011, 2012, 2013 and 2014 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 2013 was HK$26,733,000.

The above items (1) to (2), (4) to (7) and (9) to (11) were the continuing connected transactions subject to the reporting and announcement requirements and exempt from the independent shareholders' approval requirement while items (3) and (8) were the continuing connected transactions subject to the reporting, announcement requirement and the independent shareholders' approval requirements which were approved by the independent shareholders at the Extraordinary General Meeting held on 18th December 2012.

The aforesaid continuing connected transactions have been reviewed by independent non-executive directors of the Company. The independent non-executive directors confirmed that these connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favorable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable in the interests of the shareholders of the Company as a whole; and (d) without exceeding the relevant cap amount disclosed in the previous announcements.

The board of directors 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.38 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the "Listing Rules"). A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

The Group had no other material acquisition or disposal of any subsidiaries, joint ventures and associates for the year ended 31st December 2013.

CONTINGENT LIABILITIES

As at 31st December 2013, the Group had no material contingent liabilities.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Group were entered into or existed during the year.

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

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

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

In the opinion of the directors, the Company 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 38 to 48 of this annual report.

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 as set out in Appendix 10 to the Listing Rules. The directors have complied with such code of conduct during the accounting period covered by this annual report.

WARRANTS

The placing of warrants was completed on 13th June 2013, and 180,000,000 warrants were issued to not less than six placees pursuant to the terms of the placing agreement. Please refer to the announcement dated 13th June 2013 for details of the placing of unlisted warrants. As at 31st December 2013, no placees had exercised the warrants.

EXECUTIVE COMMITTEE

The Company has established an executive committee to approve and enter into transactions on behalf of the board in respect of any investment project or other day-to-day business operations within an authorised limit. Members of the committee shall be chairman of the board or/and executive directors of the Company 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 providing supervision over the Group's financial reporting process, internal controls and corporate governance. The committee comprises three independent non-executive directors of the Company. 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 Listing Rules to formulate the remuneration policy of the Company and determine the remunerations for the executive directors and senior management. The committee comprises three independent non-executive directors and one executive director of the Company. The committee meets at least twice a year and has written terms of reference.

NOMINATION COMMITTEE

The Company had established a nomination committee in compliance with the Listing Rules for proposing nomination of directors and senior management to the board. Members of the committee shall be directors of the Company 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

The consolidated financial statements of the Company for the year have been audited by PricewaterhouseCoopers which will retire and eligible, offer themselves for re-appointment at the forthcoming AGM.

BY ORDER OF THE BOARD

Xiong Gebing
Managing Director

Hong Kong, 27th March 2014

Directors and Senior Management

NON-EXECUTIVE DIRECTORS

Mr. Liu Weiqing, aged 56, was appointed as chairman of the board and non-executive director of the Company on 20th June 2011 and is responsible for strategic planning and decision making of the Group. Mr. Liu graduated from Guangdong Communication Polytechnic in 1977, obtained a Master Degree in Engineering from The Changsha University of Science and Technology in 2003 and has worked in transportation sectors for more than 37 years. Mr. Liu was the deputy secretary of Guangdong Province Highway Transportation Authority from 1993 to 1995, the chairman and general manager of Kee Kwan Motor Road Co., Ltd. from 1996 to 2000, director and deputy general manager of Guangdong Communication Group Co., Ltd. from 2000 to 2006, director and general manager of GNG from 2006 to 2008. Mr. Liu was appointed as chairman and legal representative of GNG in January 2008 and the director of CKSE in February 2008.

Mr. Hu Jiahong, aged 59, graduated from the Beijing University of Economics, majoring in modern economy management, an assistant economist. He was appointed as non-executive director of the Company on 1st March 2014 and participates in strategic planning and decision making of the Group. Mr. Hu was the deputy general manager of the Company from June 2012 to February 2014. He worked successively in Guangdong and Hong Kong shipping companies for more than 30 years and acted as a teacher in Guangdong Province Shipping School in 1983; chief officer of organisation division of Guangdong Navigation Administration Bureau and manager of the integrated department of Guangdong Province Navigation Company in 1988; head of Shilong Harbour Bureau, Guangdong Province in 1995; deputy general manager of the development department of CKSE in 1997; deputy general manager of the Company in 1998; general manager of the development department of CKSE in 2000; general manager of Guangdong Zhujiang Navigation Co., Ltd. in 2006. He is currently the chairman of Guangdong Zhujiang Shipping Co., Ltd., director of CKSE and Guangzhou Yinggang Real Estate Co., Ltd.

Mr. Zhang Lei, aged 49, 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 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. Mr. Zhang has been appointed as director of CKSE, chairman of Yuet Hing Marine Supplies Co., Ltd and Chu Kong Group Shipyard Co. Ltd since February 2011. Mr. Zhang has over 28 years of experience in marine industry management.

Mr. Yu Qihuo, aged 61, 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. Yu resigned on 1st March 2014. Mr. Yu has worked in the shipping sector since 1971, and was appointed as manager of the Built Factory of Guangdong Boyun Co. from March 1998 to March 1999, held senior management position with the same company from March 1999 to March 2000 and was appointed as the general manager of the management department of GNG from March 2000 to March 2009. He was also the deputy managing director of CKSE. Mr. Yu graduated from Guangdong Institute of Public Administration and has over 43 years of experience in navigation logistics, human resources and administration management.

EXECUTIVE DIRECTORS

Mr. Xiong Gebing, aged 48, 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 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. Currently, Mr. Xiong is also director of CKSE and the chairman of CKPT, Chu Kong Shipping (Guangdong) Logistics Company Limited ("Chu Kong Guangdong Logistics"), HKIAFT and Guangzhou Yinggang Real Estate Co., Ltd.. Mr. Xiong has 25 years of experience in vessel engineering and trading.

Mr. Zeng He, aged 48, graduated successively from the Guangdong Communication Polytechnic, majoring in coastal navigation and Dalian Maritime University, majoring in economy management. He has joined the navigation business sector since 1987, with 27 years related working experience. Mr. Zeng was appointed as executive director of the Company on 1st March 2014 and as deputy general manager, as well as the safety representative, 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 ZSPS and Doumen-Hong Kong Passenger Transportation Integrated Co., Ltd. and the chairman of Macau Branch Office of CKPT, Yuet Tung Shipping Co., Ltd., 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.

Mr. Cheng Jie, aged 44, was appointed as executive director and deputy general manager of the Company on 1st March 2014, responsible for investment, capital operation and information engineering. Mr. Cheng graduated successively from Shanghai Maritime University (formerly Shanghai Maritime College) with a bachelor degree of international economic 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 22 years 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. Huang Shuping, aged 49 was appointed as executive director of the Company on 1st November 2006 and was appointed as deputy general manager of the Company on 20th June 2011, responsible for investment, development and capital operation. Mr. Huang has resigned on 1st March 2014. Mr. Huang was the deputy managing director of CKSE, director of Guangzhou Nansha International Logistics Park Development Co., Ltd, the chairman of Zhongshan City Huangpu Port Cargo and Container Terminal Co., Ltd., and currently he is also the chairman of Chu Kong Culture Media Company Limited, Connect Media Company Limited, Chu Kong Shipping (Guangdong) Investment Limited and Guangzhou Nansha Chu Kong Terminal Company Limited, vice chairman of Guangzhou-Foshan Expressway Ltd., and director of Chu Kong Maritime Consultant Company Limited. He has over 29 years of experience in transportation sectors. Mr. Huang graduated from Nanjing College of Navigation Engineering, majoring in port sea routes. He also acquired a postgraduate certificate in economics from Guangdong Academy of Social Sciences. Mr. Huang also holds qualification certificates of marine works engineer and financial economist.

Mr. Huang Liezhang, aged 47, was appointed as managing director of the Company on 20th June 2011 and resigned on 3rd May 2013. Mr. Huang graduated from Jimei University in July 1988 and obtained a Master Degree in Management from Asia International Open University (Macau) in August 2004. He is also a certified economist in the PRC. Mr. Huang has worked in shipping sector since 1988 and was appointed as deputy managing director and general manager of Guangdong Pearl River Tanker Transportation Co. Ltd. from June 1999 to July 2005, the chairman of the Company from August 2005 to May 2006 and executive managing director of CKSE from July 2005 to June 2011. Mr. Huang has more than 26 years of experience in navigation and terminal logistics management and administration management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Kay-cheung, FHKIB. Aged 67, 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 Process Review Committee for the oversight of Hong Kong Monetary Authority, a member of the Clearing and Settlement Systems Appeals Tribunal, 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 50, was appointed as independent non-executive director 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 also 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 23 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 of Hong Kong Limited (the "Stock Exchange").

Mr. Chow Bing Sing, aged 64, was appointed as independent non-executive director of the Company on 1st June 2010. 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 52, 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 Guangdong Logistics since June 2012, responsible for 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 CKTL, Chu Kong Logistics (Singapore) Pte. Ltd. and Chu Kong (Guangdong) International Freight Forwarding Co., Ltd., vice chairman of Guangzhou Panyu Lianhuashan Pangang Transportation Co., Ltd., Foshan New Port Ltd. and Foshan Shunde Container Terminal Co., Ltd. and director of Guangzhou Nansha International Logistics Park Development Co., Ltd.

Mr. Ke Guigen, aged 50, has been appointed as financial controller of the Company since June 2011, responsible for financial management and control of the Group. 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 27 years of experience in accounting, financial management and audit.

Ms. Cheung Mei Ki, Maggie, aged 47, 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, responsible for overseeing the Group's internal control, 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 28 years' experience in accounting, financial management and corporate governance.

The Company strives for maintaining a high standard of corporate governance practices and procedures to safeguard the interests of its shareholders and strives to improve and enhance the corporate governance level by establishing an internal control system and enhancing accountability and transparency.

CORPORATE GOVERNANCE PRACTICE

The directors of the Company have adopted various policies to ensure compliance with the code provisions of the Corporate Governance Code (the "Code") under Appendix 14 of the Listing Rules. The directors considers that the Company has complied with all applicable Code for the year ended 31st December 2013 except with the deviation as disclosed in this report.

In future, the Company will also adopt more Recommended Best Practices 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 standard set out in the Model Code in relation to such transactions for the year ended 31st December 2013.

The Company has also formulated written guidelines regarding the securities transactions of the employees of the Company that may expose to price-sensitive 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 2013.

THE BOARD OF DIRECTORS

The board is responsible for establishing of 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 operation and financial matters relating to the Company.

Composition of the Board of Directors:

As at 31st December 2013, the board of the Company consists of eight members, namely two executive directors, three non-executive directors and three independent non-executive directors. The Company forms its board of directors based on the characteristics and uniqueness of its operations to ensure that each director possesses the required experience and managerial expertise. The personal biographies of the directors are set out in pages 34 to 37 of the annual report. The directors understand that they should fulfill their duties diligently in the best interest of the Company and its shareholders.

The Company has signed appointment letter 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 daily operations, business strategies and the Group's business management to the executive directors and executives, and delegated certain specific responsibilities to the committees of 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 board members.

Responsibilities of the chairman and managing director:

The chairman and managing director of the Company are not performed by the same individual 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 of directors. The chairman should ensure that the board works effectively and discharges its responsibilities, building the management of the Company, organising to formulate 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 of directors, expediting development of high-end integrated logistics business, driving the passenger transportation business and strengthening internal management.

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 present.

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 encourage them to 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 has served as such independent non-executive director for over nine years, but the Company believes that Mr. Chan can independently express opinions on matters of the Company and therefore his independence is confirmed. According to the provision of the Code A.4.3, if an independent non-executive director serves more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders. Mr. Chan had retired by rotation during the year, and re-appointed by a separate resolution approved by shareholders at the annual general meeting held on 16th May 2013.

The Company has received from each of the current independent non-executive directors a 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.

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 ended 31st December 2013, 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 from time to time.

Board of Directors 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 of 2013.

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, the matter will not be transacted by written resolutions. 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.

Insurance Arrangement for Directors

In order to facilitate the exercise of power by the directors, the Company has already arranged suitable insurance in respect of the legal action threatened against the directors to indemnify them from the liabilities that may arise in the decision-making process of the Company.

Attendance at meetings and time commitment of Directors:

During 2013, the attendance of the board members at general meetings, the meetings of the board and its respective committees was as follows:

	Attendance/number of meetings held					
	General Meeting	Board	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Liu Weiqing (Chairman of the Board)	1/1	4/4	12/12	N/A	N/A	2/2
Mr. Xiong Gebing (Managing Director)	1/1	4/4	12/12	N/A	1/2	N/A
Mr. Huang Shuping (Executive director)	1/1	4/4	12/12	N/A	N/A	N/A
Mr. Yu Qihuo (Non-executive director)	1/1	4/4	N/A	N/A	N/A	N/A
Mr. Zhang Lei (Non-executive director)	1/1	4/4	N/A	N/A	N/A	N/A
Mr. Chan Kay-cheung (Independent non-executive director)	1/1	4/4	N/A	2/2	2/2	2/2
Ms. Yau Lai Man (Independent non-executive director)	1/1	4/4	N/A	2/2	2/2	2/2
Mr. Chow Bing Sing (Independent non-executive director)	1/1	4/4	N/A	2/2	2/2	2/2
Mr. Huang Liezhang (Executive director, resigned on 3rd May 2013)	N/A	2/4	4/4	N/A	1/2	N/A

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.

Sub-committees of the Board:

In order to assist the directors to perform their responsibilities, the board of directors has set up an executive committee, an audit committee, a remuneration committee and a nomination committee, the chairman 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 of the directors. The related terms of reference of the each committee has been published on the websites of the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The duties of the four committees are as follows:

Executive committee:

The Executive Committee was established in 2009 to approve and enter into transactions on behalf of the board in respect of any investment project within an authorised limit or other day-to-day business operations. The committee consists of the chairman and/or executive directors of the Company.

The Executive Committee comprises:

Mr. Liu Weiqing (Chairman of the committee)
Mr. Xiong Gebing
Mr. Huang Shuping
Mr. Huang Liezhang (resigned on 3rd May 2013)

Audit Committee:

The Audit Committee was established in 2001 to review the Company's financial reporting, internal control, 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 or banking, and are therefore capable of providing expert opinions on the financial operations of the Company.

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 2013 with an 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 management's response;
- Appointment of external auditor for providing non-audit services to the Company;
- Audit fee proposal for 2013;
- Internal audit function of the Company including internal audit policy, internal audit plan and internal audit reports, covering internal control and risk management; and
- Connected transactions of the Company.

In order to further enhance the independence in the reporting made by the external independent auditors, during some of the time for the above meetings, it was only attended by independent non-executive directors and the independent auditor.

The board has delegated the corporate governance functions, their terms of reference are according to the provision of the Code D.3.1, to the Audit Committee 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 ended 31st December 2013 and disclosure in this Corporate Governance Report.

Remuneration committee:

The Remuneration Committee was established in 2005 and is chaired by an independent non-executive director. The Remuneration Committee met twice in 2013 and the average attendance rate is 100%. Currently, the Remuneration Committee comprises three independent non-executive directors and one 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) (appointed on 3rd May 2013)
Mr. Huang Liezhang (resigned on 3rd May 2013)

Functions of the Remuneration Committee can make refer to the terms of reference of Remuneration Committee that has been published on the websites of the Company and the Stock Exchange.

Remuneration of Executive Directors:

The remuneration of the executive directors of the Company mainly includes basic salary, bonus and directors' emoluments. The Company considers various factors in determining the remuneration such as market conditions, comparable companies and time of the executive directors spent on the affairs of the Company.

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. Members of the committee shall be directors of the Company and the number of which shall not be less than three, with a majority of independent non-executive directors.

The Nomination Committee comprises:

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

Functions of the Nomination Committee can make refer to the terms of reference of Nomination Committee that has been published on the websites of the Company and the Stock Exchange.

The Nomination Committee has considered the Board Diversity Policy when nominating the directors and believed that composition of the board is diversified.

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 submit 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 director 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 Articles 81 and 82 of the Company's Articles of Association, Mr. Chow Bing Sing and Mr. Zhang Lei will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election. In accordance with Article 77 of the Company's Articles of Association, Mr. Hu Jiahong , Mr. Zeng He and Mr. Cheng Jie who were appointed on 1st March 2014 will retire at the forthcoming annual general meeting and, being eligible, offers themselves for re-election. The Nomination Committee recommended to the board that Mr. Chow Bing Sing, Mr. Zhang Lei, Mr. Zeng He, Mr. Hu Jiahong and Mr. Cheng Jie 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 requirement to ensure compliance and enhance their awareness of good corporate governance practices. During the year, the Company organised seminar that are hold by professionals for directors and executives to explain the new amendments to the Listing Rules, and arrange tours to the terminals of the Company located in China so as to deepen their understanding in the business and development of the Group.

The 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 a record of training to the Company. 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 Material	**Attending seminars/ Briefing sessions**	**Reading Material**	**Attending seminars/ Briefing sessions**
Mr. Liu Weiqing (Chairman of the board)	✓	✓	✓	✓
Mr. Xiong Gebing (Managing director)	✓	✓	✓	✓
Mr. Huang Liezhang (Executive director, resigned on 3rd May 2013)	✓	✓		
Mr. Huang Shuping (Executive director)	✓	✓	✓	✓
Mr. Yu Qihuo (Non-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 for the year ended 31st December 2013.

Remuneration of senior management:

Number of senior management according to the level of remuneration:

Level of remuneration	Numbers of Senior Management	
HK$'000	**2013**	2012
0 – 600	**1**	6
601 – 1,200	**3**	7

INTERNAL CONTROL

The board of directors is responsible for the effective internal control system of the Company and reviewing the functions of the control system through the Audit Committee. The board authorised the senior management to implement the said internal control system. The Company appointed experienced professionals with Hong Kong certified accountant qualification to act as general manager in assurance of the Company, who is responsible for overseeing the Group in connection with its internal control and financial reporting procedures. The Company has set up a task group and held meetings regularly to review the effectiveness of the relevant financial, operational and compliance controls as well as risk management procedures and to make further improvement.

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

- Completed the internal audit of CKS Container Terminal (Zhuhai Doumen) Co., Ltd.;
- Implemented the budgetary and reimbursement system in order to enhance the management on cost and expenses;
- Set up and implemented procedures for inside information and whistle blowing policy so as to continuously improve corporate governance; and
- Provided training on internal control to passenger transportation segment in order to strengthen the management on ticketing sales.

REMUNERATION OF AUDITOR

For the financial year ended 31st December 2013, the Company paid the auditor of the Company the following fees for audit and non-audit services.

	2013 HK$'000	2012 HK$'000
Audit Services	**3,052**	2,938
Non-audit Services	**1,048**	942
	4,100	3,880

COMMUNICATION WITH SHAREHOLDERS

During the year, the board has established a shareholders' communication policy and the procedures for shareholders to propose a person 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 an extraordinary general meeting ("EGM"); (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 an EGM

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 ("EGM Requisitionists") can deposit a written request to convene an EGM at the registered office of the Company ("Registered Office"), which is presently situated at 22th Floor, Chu Kong Shipping Tower, 143 Connaught Road Central, Hong Kong for the attention of the Company Secretary.

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

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

The EGM Requisitionists, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM if the board had not arrange to duly convene an EGM with 28 days upon a written notice was given in relation to the EGM within 21 days of the deposit of the EGM Requisitionists' request, the board does not proceed duly to convene an EGM provided that any EGM so convened is held within three months from the date of the original EGM Requisitionists' request. Any reasonable expenses incurred by the EGM Requisitionists by reason of the board's failure to duly convene an EGM shall be repaid to the EGM 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 an EGM" above to convene an EGM 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

General meeting is important occasions 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 of utmost importance. The Company discloses relevant information timely under the guidelines of the Listing Rules. In 2013, the Company frequently met with fund managers and investment bank analysts and responded swiftly to the queries of the small and medium investors. The Company discloses its operational data on its website on a monthly basis to provide reference for the investors.

There were no amendments to the Articles of Association in 2013.

Independent Auditor's Report

羅兵咸永道

TO THE SHAREHOLDERS OF CHU KONG SHIPPING ENTERPRISES (GROUP) COMPANY LIMITED
(incorporated in Hong Kong with limited liability)

We have audited the consolidated financial statements of Chu Kong Shipping Enterprises (Group) Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 50 to 130, which comprise the consolidated and company balance sheets as at 31st December 2013, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants 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.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 141 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.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

OPINION

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31st December 2013, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the Hong Kong Companies Ordinance.

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 27th March 2014

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

Consolidated Balance Sheet

As at 31st December 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,368,875**	1,250,067
Investment properties	7	**4,943**	5,000
Land use rights	8	**455,597**	382,347
Intangible assets – goodwill	9	**40,229**	39,333
Joint ventures and associates	11	**552,185**	531,701
Deposits and prepayments	12	**–**	48,871
Deferred income tax assets	13	**2,232**	2,837
		2,424,061	2,260,156
Current assets			
Trade and other receivables	14	**469,494**	328,265
Loans to joint ventures	14	**22,823**	29,275
Cash and cash equivalents	15	**600,969**	584,723
		1,093,286	942,263
Total assets		**3,517,347**	3,202,419
EQUITY			
Share capital	16	**90,000**	90,000
Share premium	16	**787,762**	787,762
Reserves	17	**1,160,978**	1,002,590
Final dividend proposed	17	**49,500**	40,500
		2,088,240	1,920,852
Non-controlling interests		**178,148**	169,613
Total equity		**2,266,388**	2,090,465

CONSOLIDATED BALANCE SHEET

As at 31st December 2013

	Note	2013 HK$'000	2012 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	13	**73,415**	69,775
Long term borrowings	20	**180,877**	161,809
		254,292	231,584
Current liabilities			
Trade and other payables	18	**611,464**	544,428
Loans from associates	19	**26,558**	25,967
Amounts due to the non-controlling interests of subsidiaries	19	**52,006**	51,839
Amount due to a related party	19	**15,296**	14,956
Income tax payables		**28,623**	18,318
Short term borrowings	20	**100,000**	212,427
Current portion of long term borrowings	20	**162,720**	12,435
		996,667	880,370
Total liabilities		**1,250,959**	1,111,954
Total equity and liabilities		**3,517,347**	3,202,419
Net current assets		**96,619**	61,893
Total assets less current liabilities		**2,520,680**	2,322,049

The notes on pages 57 to 130 are an integral part of these consolidated financial statements.

The financial statements on pages 50 to 130 were approved by the board of directors on 27th March 2014 and were signed on its behalf.

Director

Director

Balance Sheet

As at 31st December 2013

	Note	2013 HK$'000	2012 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**86,852**	88,332
Investment properties	7	**34,681**	35,083
Land use rights	8	**36,741**	24,852
Subsidiaries	10	**1,326,607**	1,326,607
Joint ventures	11	**95,122**	89,430
		1,580,003	1,564,304
Current assets			
Trade and other receivables	14	**659,416**	603,480
Loans to joint ventures	14	**8,337**	13,430
Cash and cash equivalents	15	**151,948**	61,638
		819,701	678,548
Total assets		**2,399,704**	2,242,852
EQUITY			
Share capital	16	**90,000**	90,000
Share premium	16	**787,762**	787,762
Reserves	17	**777,095**	794,194
Final dividend proposed	17	**49,500**	40,500
Total equity		**1,704,357**	1,712,456
LIABILITIES			
Non-current liabilities			
Long term borrowings	20	**130,000**	100,000
Deferred income tax liabilities	13	**4,213**	4,213
		134,213	104,213
Current liabilities			
Trade and other payables	18	**285,866**	188,884
Loan from an associate	19	**25,268**	24,872
Short term borrowings	20	**100,000**	212,427
Current portion of long term borrowings	20	**150,000**	–
		561,134	426,183
Total liabilities		**695,347**	530,396
Total equity and liabilities		**2,399,704**	2,242,852
Net current assets		**258,567**	252,365
Total assets less current liabilities		**1,838,570**	1,816,669

The notes on pages 57 to 130 are an integral part of these financial statements.

The financial statements on pages 50 to 130 were approved by the board of directors on 27th March 2014 and were signed on its behalf.

Director

Director

Consolidated Income Statement

For the year ended 31st December 2013

	Note	2013 HK$'000	2012 HK$'000
Revenue	5	**1,619,279**	1,514,647
Cost of services rendered	23	**(1,213,115)**	(1,164,235)
Gross profit		**406,164**	350,412
Other income	21	**48,296**	42,078
Other gains – net	22	**12,299**	1,952
General and administrative expenses	23	**(282,195)**	(250,831)
Operating profit		**184,564**	143,611
Finance income	24	**4,428**	4,463
Finance cost	24	**(11,975)**	(11,317)
Share of profits less losses of joint ventures and associates	25	**79,024**	50,868
Profit before income tax		**256,041**	187,625
Income tax expense	26	**(55,458)**	(42,374)
Profit for the year		**200,583**	145,251
Attributable to:			
Equity holders of the Company		**190,918**	135,825
Non-controlling interests		**9,665**	9,426
		200,583	145,251
Dividends	28	**67,500**	40,500
Earnings per share (HK cents)			
Basic	29	**21.21**	15.01
Diluted	29	**20.95**	15.01

The notes on pages 57 to 130 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2013

	Note	**2013** **HK$'000**	2012 HK$'000
Profit for the year		**200,583**	145,251
Other comprehensive income			
Items that may be reclassified to profit or loss			
Currency translation differences			
– Subsidiaries		**23,417**	10,484
– Joint ventures an associates		**12,342**	4,675
Other comprehensive income for the year		**35,759**	15,159
Total comprehensive income for the year		**236,342**	160,410
Attributable to:			
Equity holders of the Company		**224,138**	150,174
Non-controlling interests		**12,204**	10,236
		236,342	160,410

The notes on pages 57 to 130 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2013

	Attributable to owners of the Company					
	Share capital HK$'000	**Share premium** HK$'000	**Reserves** HK$'000 (Note 17)	**Total** HK$'000	**Non-controlling interests** HK$'000	**Total equity** HK$'000
At 1st January 2013	90,000	787,762	1,043,090	1,920,852	169,613	2,090,465
Comprehensive income						
Profit for the year	–	–	190,918	190,918	9,665	200,583
Other comprehensive income						
Currency translation differences	–	–	33,220	33,220	2,539	35,759
Total comprehensive income for the year	–	–	224,138	224,138	12,204	236,342
Transactions with owners						
Issue of warrants	–	–	1,750	1,750	–	1,750
2012 final dividend	–	–	(40,500)	(40,500)	–	(40,500)
2013 interim dividend	–	–	(18,000)	(18,000)	–	(18,000)
Dividend paid to non-controlling interests	–	–	–	–	(3,669)	(3,669)
Total transactions with owners	–	–	(56,750)	(56,750)	(3,669)	(60,419)
At 31st December 2013	90,000	787,762	1,210,478	2,088,240	178,148	2,266,388
At 1st January 2012	90,000	787,762	919,696	1,797,458	178,640	1,976,098
Comprehensive income						
Profit for the year	–	–	135,825	135,825	9,426	145,251
Other comprehensive income						
Currency translation differences	–	–	14,349	14,349	810	15,159
Total comprehensive income for the year	–	–	150,174	150,174	10,236	160,410
Transactions with owners						
Changes in ownership interest in a subsidiary that do not result in change in control	–	–	(4,280)	(4,280)	(22,505)	(26,785)
Capital injection by a non-controlling interest of a subsidiary	–	–	–	–	3,242	3,242
2011 final dividend	–	–	(22,500)	(22,500)	–	(22,500)
Total transactions with owners	–	–	(26,780)	(26,780)	(19,263)	(46,043)
At 31st December 2012	90,000	787,762	1,043,090	1,920,852	169,613	2,090,465

The notes on pages 57 to 130 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31st December 2013

	Note	2013 HK$'000	2012 HK$'000
Cash flows from operating activities			
Cash generated from operations	32	**253,876**	357,027
Hong Kong profits tax paid		**(15,569)**	(9,264)
Mainland China corporate income tax paid		**(25,501)**	(24,005)
Net cash generated from operating activities		**212,806**	323,758
Cash flows from investing activities			
Payments for additional interest of a subsidiary		**–**	(15,879)
Payments for the Assets Swap (Note)		**–**	(45,754)
Capital injection to joint ventures		**–**	(17,692)
Settlement of amount due from the parent company		**–**	28,371
Purchase of property, plant and equipment		**(187,630)**	(96,997)
Purchase of land use rights		**(32,112)**	(12,148)
Proceeds from disposal of property, plant and equipment		**9,044**	1,500
Proceed from disposal of land use right		**492**	–
Proceed from the PRC government for compensation from exchange of land		**5,411**	–
Loans advanced to joint ventures	35(c)	**–**	(2,467)
Repayments of loans from joint ventures	35(c)	**7,099**	3,679
Dividends received from joint ventures		**4,294**	9,086
Interest received		**4,428**	4,463
Net cash used in investing activities		**(188,974)**	(143,838)
Cash flows from financing activities			
Dividends paid		**(62,169)**	(22,500)
Interest paid		**(11,975)**	(11,317)
Repayment of loans		**(324,573)**	(12,301)
Drawdown of loans		**381,119**	113,418
Proceeds from issue of warrants	17	**1,750**	–
Capital injection by the non-controlling interests of a subsidiary		**–**	3,242
Net cash (used in)/generated from financing activities		**(15,848)**	70,542
Net increase in cash and cash equivalents		**7,984**	250,462
Cash and cash equivalents at the beginning of the year		**584,723**	331,156
Effect of exchange rate changes		**8,262**	3,105
Cash and cash equivalents at the end of the year	15	**600,969**	584,723

Note:

The Company entered into sale and purchase agreements with Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE") on 31st May 2011. Pursuant to the agreements, the Company agreed to dispose its 100% equity interest in Chu Kong Infrastructure Investment Limited to CKSE for the acquisitions of 100% equity interest in CKS Container Terminal (Zhuhai Doumen) Co., Ltd. and 25% equity interest in Zhong Shan Port Goods Transportation United Co., Ltd ("Assets Swap").

The notes on pages 57 to 130 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; and cargo transportation, warehousing and storage business.

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 27th March 2014.

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) The financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(ii) Adoption of new and amended HKFRSs

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2012, except that the Group has adopted the following new and amended standards issued by the HKICPA which are relevant to the Group's operations and mandatory for the financial year beginning 1st January 2013.

HKFRS 7 (Amendment)	Disclosures – Offsetting Financial Assets and Financial Liabilities
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
Amendments to HKFRS 10, HKFRS 11 and HKFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance
HKFRS 13	Fair Value Measurements
HKAS 1 (Amendment)	Presentation of Items of Other Comprehensive Income
HKAS 19 (2011)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Investments in Associates and Joint Ventures
HKFRSs Amendments	Annual improvements to HKFRSs 2011

The impacts of adopting the above new and amended standards on the consolidated financial statements of the Group have been in the following areas.

HKAS 1 (Amendment) – Presentation of Items of Other Comprehensive Income
The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' on the basis of whether they are potentially reclassifiable to profit or loss subsequently (reclassification adjustments).

HKFRS 12 – Disclosure of Interests in Other Entities
The new standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles. New disclosures for the subsidiaries, joint ventures and associates which are significant to the Group are made under Notes 10 and 11 respectively.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(iii) 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 2013, have not been early adopted by the Group:

		Effective for accounting periods beginning on or after
HKFRS 9	Financial Instruments	1st January 2015
HKAS 32 (Amendment)	Financial Instruments: Presentation	1st January 2014
HKAS 36 (Amendment)	Impairment of Assets – Recoverable amount disclosures for non-financial assets	1st January 2014
HKAS 39 (Amendment)	Financial Instruments: Recognition and Measurement	1st January 2014
Amendments to HKAS 19	Employee Benefits	1st July 2014
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment Entities	1st January 2014
HK (IFRIC) Interpretation 21	Levies	1st January 2014
HKFRSs Amendments	Annual Improvement to HKFRSs 2012 and 2013	1st July 2014

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) Merger accounting for common control combinations

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.

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.

(c) Consolidation

The financial statements include the financial statements of the Company and all its subsidiaries made up to 31st December.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Consolidation (Continued)

The Group uses the acquisition method of accounting to account for business combinations. 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 through profit or loss.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value 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 or significant influence, any retained interest in the entity is remeasured to its fair value, 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.

(e) Joint arrangements

The Group has applied HKFRS 11 to all joint arrangements as of 1st January 2013. 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 policies adopted by the Group.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) 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 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)

(g) Goodwill

Goodwill arises on the acquisition of subsidiaries, associates and joint ventures and represents the excess of the consideration transferred over the Group's interest in net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of the non-controlling interest in the acquiree.

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 is monitored at the operating segment level.

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 to sell. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(h) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) 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 a separate component of equity.

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 jointly 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)

(i) 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.

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.

(ii) Other property, plant and equipment

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 of 37 – 889 years or remaining useful life
Leasehold improvements	5 – 8 years
Plant and machinery	4 – 8 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)

(i) 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, in the income statement.

(j) 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 of 50 to 889 years.

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.

(k) 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)

(l) 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.

(m) 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.

(n) Financial assets

(i) Classification

The Group classifies its financial assets in the following categories: loans and receivables, available for sale and held to maturity financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables
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 and associates (Note 14) and cash and cash equivalents (Note 15).

(b) Held-to-maturity financial assets
Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than twelve months from the end of the reporting period, which are classified as current assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Financial assets (Continued)

(i) Classification (Continued)

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within twelve months of the end of the reporting period.

(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. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables and held to maturity financial assets are subsequently carried at amortised cost using the effective interest method.

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the securities and other changes in the carrying amount of the securities. The translation differences on monetary securities are recognised in the income statement; translation differences on non-monetary securities are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary securities classified as available-for-sale are recognised in other comprehensive income.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payment is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) 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 to sell 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.

(p) 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, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the Group would not otherwise consider;

- It becomes probable that the borrower will enter into bankruptcy or other financial reorganisation;

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- The disappearance of an active market for that financial asset because of financial difficulties; or

- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio;

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

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. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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 (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the income statement.

(q) 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.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) 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.

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 is provided on 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) 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.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Revenue/income recognition (Continued)

(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.

(v) 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.

(w) 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.

(x) 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(y) 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.

(z) 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.

(aa) 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 board of directors of the Company that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ab) 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.

Borrowing costs that are directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be ready for its intended use or sale are capitalised as part of the cost of that asset. All other borrowing costs are charged to the income statement in the financial period in which they are incurred.

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.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(i) Foreign exchange risk (Continued)

At 31st December 2013, 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 and the Company would have been HK$9,370,000 and HK$2,059,000 (2012: HK$2,095,000 and HK$1,692,000) 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, 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 2013, 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 and the Company would have been HK$221,000 and HK$164,000 (2012: HK$306,000 and HK$44,000) 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.

As 31st December 2013, 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 and the Company would have been HK$2,466,000 and HK$3,262,000 (2012: HK$2,092,000 and HK$1,642,000) lower or higher respectively mainly as a result of higher or lower finance cost from floating rate bank borrowings.

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk factors (Continued)

(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 2013					
Bank borrowings	272,627	41,949	145,991	–	460,567
Amounts due to the non-controlling interests of subsidiaries	52,176	–	–	–	52,176
Amount due to a related party	16,290	–	–	–	16,290
Loans from associates	27,488	–	–	–	27,488
Trade and other payables	611,464	–	–	–	611,464
At 31st December 2012					
Bank borrowings	234,762	21,588	155,708	–	412,058
Amounts due to the non-controlling interests of subsidiaries	52,005	–	–	–	52,005
Amount due to a related party	15,928	–	–	–	15,928
Loans from associates	26,876	–	–	–	26,746
Trade and other payables	544,428	–	–	–	544,428
Company					
At 31st December 2013					
Bank borrowings	256,187	26,338	105,352	–	387,877
Loan from an associate	26,152	–	–	–	26,152
Trade and other payables	285,866	–	–	–	285,866
At 31st December 2012					
Bank borrowings	214,005	–	106,988	–	320,993
Loan from an associate	25,743	–	–	–	25,743
Trade and other payables	238,884	–	–	–	238,884

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

(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.

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 of goodwill

The Group tests annually whether goodwill has suffered any impairment. The recoverable amounts of CGUs have been determined based on value-in-use calculations. These calculations require the use of significant estimates (Note 9).

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(ii) Income taxes

The Group is mainly subject to income taxes in Hong Kong and the PRC. Significant judgement is required in determining the provision for income taxes in Hong Kong 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.

(iii) 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.

(iv) 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.

(v) Impairment of property, plant and equipment and land use rights

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 to sell 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 whether these cash flow projections are discounted using an appropriate rate. Changing the assumptions selected by management in assessing impairment, including the discount rates or the growth rate assumptions in the cash flow projections, could affect the net present value used in the impairment test and as a result affect the Group's financial position and results of the operations.

5 REVENUE AND SEGMENT INFORMATION

Revenue consists of sales from cargo transportation, cargo handling and storage, and passenger transportation.

	2013 HK$'000	2012 HK$'000
Cargo transportation	**1,050,423**	998,255
Cargo handling and storage	**376,473**	358,227
Passenger transportation	**192,383**	158,165
	1,619,279	1,514,647

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

The board of directors of the Company considers the business from service perspectives and assesses the performance of the Group and its joint ventures and associates which are organised into four 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 handling, cargo consolidation and godown storage

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

(iv) Investment holding and other businesses

The board of directors of the Company assesses the performance of the operating segments based on their segment profit before income tax expense, which is measured in a manner consistent with that in the 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 board of 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$'000	Investment holding and other businesses HK$'000	Total HK$'000
Year ended 31st December 2013					
Total revenue	1,055,122	467,190	192,383	–	1,714,695
Inter-segment revenue	(4,699)	(90,717)	–	–	(95,416)
Revenue (from external customers)	1,050,423	376,473	192,383	–	1,619,279
Segment profit/(loss)before income tax expense	13,789	118,722	129,185	(5,655)	256,041
Income tax expense	(3,112)	(31,971)	(12,744)	(7,631)	(55,458)
Segment profit/(loss) after income tax expense	10,677	86,751	116,441	(13,286)	200,583
Segment profit/(loss) before income tax expense includes:					
Share of profits less losses of joint ventures and associates	1,259	34,188	44,668	(1,091)	79,024
Finance income	680	2,800	77	871	4,428
Finance cost	–	(5,694)	–	(6,281)	(11,975)
Depreciation and amortisation	(8,924)	(78,923)	(167)	(1,834)	(89,848)
Year ended 31st December 2012					
Total revenue	1,002,188	438,180	158,165	–	1,598,533
Inter-segment revenue	(3,933)	(79,953)	–	–	(83,886)
Revenue (from external customers)	998,255	358,227	158,165	–	1,514,647
Segment profit/(loss) before income tax expense	1,139	103,206	84,314	(1,034)	187,625
Income tax expense	(3,811)	(24,017)	(9,752)	(4,794)	(42,374)
Segment profit/(loss) after income tax expense	(2,672)	79,189	74,562	(5,828)	145,251
Segment profit/(loss) before income tax expense includes:					
Share of profits less losses of joint ventures and associates	(2,357)	27,809	26,615	(1,199)	50,868
Finance income	644	2,110	26	1,683	4,463
Finance cost	–	(5,548)	–	(5,769)	(11,317)
Depreciation and amortisation	(11,592)	(67,496)	(170)	(1,203)	(80,461)

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Cargo transportation HK$'000	Cargo handling and storage HK$'000	Passenger transportation HK$'000	Investment holding and other businesses HK$'000	Inter segment elimination HK$'000	Total HK$'000
As at 31st December 2013						
Total segment assets	510,293	2,043,966	633,301	1,392,047	(1,062,260)	3,517,347
Total segment assets include:						
Joint ventures and associates	23,491	240,146	253,721	34,827	–	552,185
Addition to non-current assets (excluding deferred income tax assets)	653	260,047	–	7,918	–	268,618
Total segment liabilities	(385,477)	(572,992)	(162,950)	(1,191,800)	1,062,260	(1,250,959)
As at 31st December 2012						
Total segment assets	497,315	1,878,839	595,623	979,865	(749,223)	3,202,419
Total segment assets include:						
Joint ventures and associates	22,113	229,813	244,639	35,136	–	531,701
Addition to non-current assets (excluding deferred income tax assets)	4,895	103,273	12,015	6,654	–	126,837
Total segment liabilities	(334,059)	(560,630)	(168,129)	(798,359)	749,223	(1,111,954)

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:

	2013 HK$'000	2012 HK$'000
Non-current assets excluding joint ventures and associates and deferred income tax assets		
Hong Kong	**465,368**	361,542
Mainland China	**1,404,276**	1,364,076
	1,869,644	1,725,618
Joint ventures and associates		
Hong Kong	**54,538**	44,868
Singapore	**3,452**	2,822
Mainland China	**494,195**	484,011
	552,185	531,701
Deferred income tax assets	**2,232**	2,837
	2,424,061	2,260,156

6 PROPERTY, PLANT AND EQUIPMENT

Group

	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 2013	1,106,629	99,883	26,437	297,422	45,477	75,743	17,483	24,338	1,693,412
Exchange differences	18,675	1,567	212	8,567	784	943	3	-	30,751
Additions	20,492	126,356	302	23,320	9,879	7,270	11	-	187,630
Transfer	135,130	(161,324)	-	26,194	-	-	-	-	-
Disposals/write-off	(246)	-	(2,050)	(13,246)	(274)	(10,940)	-	-	(26,756)
At 31st December 2013	1,280,680	66,482	24,901	342,257	55,866	73,016	17,497	24,338	1,885,037
Accumulated depreciation									
At 1st January 2013	202,072	-	20,460	117,996	26,705	40,247	15,826	20,039	443,345
Exchange differences	3,038	-	117	3,219	408	510	2	-	7,294
Charge for the year	36,852	-	1,539	25,657	6,950	7,317	466	572	79,353
Disposals/write-off	(36)	-	(1,764)	(6,895)	(253)	(4,882)	-	-	(13,830)
At 31st December 2013	241,926	-	20,352	139,977	33,810	43,192	16,294	20,611	516,162
Net book value									
At 31st December 2013	1,038,754	66,482	4,549	202,280	22,056	29,824	1,203	3,727	1,368,875
Cost									
At 1st January 2012	1,070,313	55,195	25,542	285,012	42,921	76,945	17,500	24,338	1,597,766
Exchange differences	5,856	770	86	2,159	240	335	1	-	9,447
Additions	818	84,809	809	2,485	2,082	5,898	96	-	96,997
Transfer	28,048	(40,891)	-	11,290	1,553	-	-	-	-
Reclassification from investment properties (Note 7)	5,338	-	-	-	-	-	-	-	5,338
Disposals/write-off	(3,744)	-	-	(3,524)	(1,319)	(7,435)	(114)	-	(16,136)
At 31st December 2012	1,106,629	99,883	26,437	297,422	45,477	75,743	17,483	24,338	1,693,412
Accumulated depreciation									
At 1st January 2012	169,117	-	18,697	96,093	22,214	39,380	14,973	19,466	379,940
Exchange differences	929	-	45	772	104	163	1	-	2,014
Charge for the year	32,452	-	1,718	23,848	5,375	7,871	966	573	72,803
Disposals/write-off	(882)	-	-	(2,717)	(988)	(7,167)	(114)	-	(11,868)
Reclassification from investment properties (Note 7)	456	-	-	-	-	-	-	-	456
At 31st December 2012	202,072	-	20,460	117,996	26,705	40,247	15,826	20,039	443,345
Net book value									
At 31st December 2012	904,557	99,883	5,977	179,426	18,772	35,496	1,657	4,299	1,250,067

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company

	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	Total HK$'000
Cost							
At 1st January 2013	86,069	3,010	2,306	341	3,733	3,294	98,753
Exchange differences	-	-	-	-	15	42	57
Additions	-	-	-	-	38	601	639
Transfer	-	(3,010)	-	-	3,010	-	-
At 31st December 2013	86,069	-	2,306	341	6,796	3,937	99,449
Accumulated depreciation							
At 1st January 2013	2,803	-	2,306	76	2,171	3,065	10,421
Exchange differences	-	-	-	-	15	34	49
Charge for the year	1,839	-	-	84	93	111	2,127
At 31st December 2013	4,642	-	2,306	160	2,279	3,210	12,597
Net book value							
At 31st December 2013	81,427	-	-	181	4,517	727	86,852
Cost							
At 1st January 2012	6,338	3,855	2,306	-	2,155	3,280	17,934
Exchange differences	-	-	-	-	2	14	16
Additions (Note)	74,393	708	-	341	23	-	75,465
Transfer	-	(1,553)	-	-	1,553	-	-
Reclassification from investment properties (Note 7)	5,338	-	-	-	-	-	5,338
At 31st December 2012	86,069	3,010	2,306	341	3,733	3,294	98,753
Accumulated depreciation							
At 1st January 2012	508	-	2,293	-	2,147	2,974	7,922
Exchange differences	-	-	-	-	2	13	15
Charge for the year	1,839	-	13	76	22	78	2,028
Reclassification from investment properties (Note 7)	456	-	-	-	-	-	456
At 31st December 2012	2,803	-	2,306	76	2,171	3,065	10,421
Net book value							
At 31st December 2012	83,266	3,010	-	265	1,562	229	88,332

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Depreciation of HK$64,547,000 (2012: HK$60,056,000) and HK$14,806,000 (2012: HK$12,747,000) have been included in cost of services rendered and general and administrative expenses respectively.

Property, plant and equipment of the Group with net book value amounting to HK$25,130,000 (2012: HK$26,713,000) have been pledged as security for the bank loans of the Group.

Note:

The Group acquired certain liquidated assets of a cargo terminal in Sihui, Guangdong Province, from the local government in 2009 amounted to HK$74,393,000. The Group was given the right to use these assets and operate the cargo terminal in 2010. However to which group company did the legal titles of these assets belong was undetermined by the court of law in Sihui in prior years and the costs of these assets were recognised as prepayments in the balance sheet of the Company in prior years. In January 2012, the legal titles were awarded to the Company by the court of law and the costs of these assets were transferred from prepayments to property, plant and equipment in the balance sheet of the Company in 2012.

The Group's interests in land represent leasehold land situated in Hong Kong and their net book values are analysed as follows:

	Group		**Company**	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Leases of over 50 years	**23,354**	23,381	**6,470**	6,478
Leases of between 10 to 50 years	**147,074**	151,482	**–**	–
	170,428	174,863	**6,470**	6,478

7 INVESTMENT PROPERTIES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cost				
At 1st January	**5,551**	10,889	**38,951**	44,289
Reclassification to property, plant and equipment (Note)	**–**	(5,338)	**–**	(5,338)
At 31st December	**5,551**	5,551	**38,951**	38,951
Accumulated depreciation				
At 1st January	**551**	950	**3,868**	3,922
Reclassification to property, plant and equipment (Note)	**–**	(456)	**–**	(456)
Charge for the year	**57**	57	**402**	402
At 31st December	**608**	551	**4,270**	3,868
Net book value				
At 31st December	**4,943**	5,000	**34,681**	35,083

The Group's and the Company's interests in investment properties are held on leases of over 50 years in Hong Kong.

The fair values of the Group's and the Company's investment properties were HK$44,762,000 (2012: HK$53,400,000) and HK$303,568,000 (2012: HK$362,200,000) respectively by reference to a professional valuation conducted by an independent valuer on an open market value basis.

The Company's investment properties of carrying amount of HK$29,738,000 (2012: HK$30,083,000) (fair value of HK$258,806,000 (2012: HK$308,800,000)) were leased to its subsidiaries. These investment properties were classified as property, plant and equipment in the consolidated financial statements of the Group.

The net book value of leasehold land included in the carrying amount of investment properties of the Group and the Company is analysed as follows:

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Leases of over 50 years	**2,814**	2,817	**19,698**	19,720

Note:

Certain investment properties of the Group and the Company have become owner-occupied and reclassified to property, plant and equipment during 2012.

8 LAND USE RIGHTS

	Group		Company	
	2013 **HK$'000**	2012 HK$'000	**2013** **HK$'000**	2012 HK$'000
Mainland China				
Leases of between 10 to 50 years	**455,597**	382,347	**38,779**	24,852
At 1st January	**382,347**	375,091	**24,852**	–
Exchange difference	**9,864**	2,709	**–**	–
Additions (Note a)	**80,983**	12,148	**12,604**	25,154
Adjustment (Note b)	**(6,667)**	–	**–**	–
Disposals	**(492)**	–	**–**	–
Amortisation	**(10,438)**	(7,601)	**(715)**	(302)
At 31st December	**455,597**	382,347	**36,741**	24,852

Land use rights of the Group with net book value amounting to HK$61,824,000 (2012: HK$62,310,000) have been pledged as security for the bank loans of the Group.

Note

(a) The Group acquired a land of a cargo terminal in Sihui, Guangdong Province, from the local government in 2009 amounted to HK$13,006,000. The Group was given the right to use the land and operate the cargo terminal in 2010 and therefore it was capitalised by the Group in 2010. However to which group company did the legal titles of the land belong was undetermined by the court of law in Sihui in prior years and its cost was recognised as prepayments in the balance sheet of the Company in prior years. In January 2012, the legal titles were awarded to the Company by the court of law and the cost of the land was transferred from prepayments to land use rights in the balance sheet of the Company in 2012.

As at 31st December 2013, the Company was still in the process of obtaining ownership certificates for these land and buildings. The ownership certificates for the land were obtained in January 2014.

(b) In July 2011, Chu Kong Cargo Terminal (Gaoming) Company Limited ("Gaoming Terminal"), a subsidiary of the Group, was requested by the local government to exchange a piece of land for urbanisation purpose and cash compensation for the exchange was then yet to be agreed by the local government.

In January 2013, Gaoming Terminal and the local government reached the conclusion for the cash compensation of HK$6,667,000 and cost of the land use right was adjusted accordingly.

9 INTANGIBLE ASSETS – GOODWILL

	Group	
	2013	2012
	HK$'000	HK$'000
At 1st January	**39,333**	39,013
Exchange differences	**896**	320
At 31st December	**40,229**	39,333

The goodwill is allocated to the cargo handling and storage segment in the PRC.

The recoverable amount of the goodwill is determined based on a value-in-use calculation. This calculation uses cash flow projections based on actual financial results for the year ended 31st December 2013 which are extrapolated using the key assumptions stated below:

	2013	2012
Growth rates	**2% – 32%**	2% – 36%
Gross margin	**36% – 69%**	40% – 78%
Discount rate	**10%**	10%

Management determines budgeted gross margins and growth rates based on past performance and the expectations for the market development. The discount rate used is before income tax and reflects related specific risks.

10 SUBSIDIARIES

	Company	
	2013	2012
	HK$'000	HK$'000
Unlisted investments, at cost	**1,439,607**	1,439,607
Less: provision for impairment	**(113,000)**	(113,000)
	1,326,607	1,326,607

10 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries as at 31st December 2013 are as follows:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/ paid up capital	Interest held 2013	Interest held 2012
Directly-held subsidiaries					
Chu Kong Agency Company Limited	Hong Kong	Shipping agency and freight forwarding agency in Hong Kong	100 ordinary shares of HK$1 each	100%	100%
			100,000 deferred shares of HK$1 each (Note (b))	100%	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 of HK$1 each	100%	100%
Chu Kong Container Transportation Company Limited	Hong Kong	Container and cargo transportation and towing in Hong Kong	100 ordinary shares of HK$1 each	100%	100%
			10,000 deferred shares of HK$1 each (Note (b))	100%	100%
Chu Kong (Guangdong) International Freight Forwarding Co., Ltd. @	PRC	Shipping agency and freight forwarding agency in the PRC	RMB22,660,000	75%	75%
Chu Kong High-Speed Ferry Company Limited	Hong Kong	Management of ships in Hong Kong	10,000 ordinary shares of HK$1 each	100%	100%
Chu Kong Godown Wharf & Transportation Company Limited	Hong Kong	Godown and wharf operations in Hong Kong	100 ordinary shares of HK$1 each	100%	100%
			1,000,000 deferred shares of HK$1 each (Note (b))	100%	100%
Chu Kong River Trade Terminal Co., Ltd.	British Virgin Islands	Investment holding in the PRC	100 ordinary shares of US$1 each	80%	80%
Chu Kong Transhipment & Logistics Company Limited	Hong Kong	Transshipment and transportation in Hong Kong	100 ordinary shares of HK$1 each	100%	100%
			100,000 deferred shares of HK$1 each (Note (b))	100%	100%
Chu Kong Transportation (H.K.) Limited	Hong Kong	Wharf cargo handling and transportation in Hong Kong	100 ordinary shares of HK$1 each	100%	100%
			100,000 deferred shares of HK$1 each (Note (b))	100%	100%

10 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries as at 31st December 2013 are as follows: (Continued)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/ paid up capital	Interest held 2013	Interest held 2012
Directly-held subsidiaries (Continued)					
Chu Kong Warehouse Properties Co., Ltd.	British Virgin Islands	Property holding in Hong Kong	100 ordinary shares of US$1 each	100%	100%
			9,900 preferred shares of US$1 each (Note (c))	100%	100%
Chu Kong Passenger Transport Company Limited	Hong Kong	Provision of agency services and management of ships in Hong Kong	300,000 ordinary shares of HK$1 each	100%	100%
CKS Container Terminal (Zhuhai Doumen) Co., Ltd.	PRC	Cargo handling and transportation in the PRC	RMB73,000,000	100%	100%
Chu Kong Shipping (Guangdong) Logistics Co., Ltd.	PRC	Provision of logistics services in the PRC	RMB10,000,000	100%	100%
Zhaoqing Chu Kong Cargo Terminals (Dawang) Co., Ltd.	PRC	Cargo transportation and consolidation in the PRC	US$3,620,000	100%	100%
Zhaoqing Chu Kong Logistics (Dawang) Co., Ltd.	PRC	Provision of logistics services in the PRC	US$3,620,000	100%	100%
Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd.	PRC	Provision of logistics services in the PRC	US$6,000,000	100%	100%
Zhongshan City Huangpu Port Cargo and Container Terminal Co., Ltd.	PRC	Cargo handling and transportation in the PRC	RMB50,000,000	80%	80%
Zhaoqing New Port Co., Ltd.	PRC	Cargo handling and transportation in the PRC	RMB101,288,600	100%	100%
Zhaoqing Chu Kong Logistics (Sihui) Co., Ltd.	PRC	Cargo handling and transportation in the PRC	US$4,000,000	100%	100%

10 SUBSIDIARIES (CONTINUED)

(a) Details of the principal subsidiaries as at 31st December 2013 are as follows: (Continued)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/ paid up capital	Interest held 2013	Interest held 2012
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 of HK$1 each	100%	100%
Chu Kong International Airfreight Company Limited	Hong Kong	Freight forwarding agency in Hong Kong	10,000 ordinary shares of HK$1 each	100%	100%
Ever Sky Transportation Limited	Hong Kong	Wharf cargo handling in Hong Kong	10,000 ordinary shares of HK$1 each	100%	100%
Chu Kong High-Speed Ferry Management (Macau) Co., Limited	Macau	Management of ships in Macau	MOP25,000	100%	100%
Zhaoqing Chu Kong Transportation (Dawang) Co., Ltd.	PRC	Cargo transportation in the PRC	RMB1,800,000	100%	100%
Chu Kong Cargo Terminals (Qingyuan) Co., Ltd.	PRC	Wharf cargo handling in the PRC	RMB27,460,000	72%[1]	72%[1]
Chu Kong Cargo Terminals (Gaoming) Co., Ltd.	PRC	Cargo transportation and consolidation in the PRC	RMB43,300,000	80%[1]	80%[1]
Chu Kong Cargo Terminals (Kangzhou) Co., Ltd.	PRC	Cargo handling and transportation in the PRC	RMB11,200,000	80%[1]	80%[1]
Shenzhen Zhu Chuan International Freight Forwarding Co., Ltd. [@]	PRC	Freight forwarding agency in the PRC	US$1,000,000	87.25%[1]	87.25%[1]
Chu Kong (Guangdong) International Shipping Agency Co., Ltd.	PRC	Shipping agency in the PRC	RMB3,000,000	67.5%[1]	67.5%[1]
Civet (Zhuhai Bonded Area) Logistics Company Limited	PRC	Cargo handling and transportation in the PRC	HK$66,000,000	60%[1]	60%[1]
Chu Kong Logistics (Zhaoqing) Declaration Co., Ltd.	PRC	Customs declaration services in the PRC	RMB1,500,000	100%	100%

@ The Group holds 100% voting right in the subsidiary with effect from 1st January 2010.

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.

10 SUBSIDIARIES (CONTINUED)

(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.

(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.

(d) Material non-controlling interests

Set out below is the summarised financial information of a subsidiary, Chu Kong River Trade Terminal Co. Ltd. ("CKRTT") that has non-controlling interests that are material to the Group. The non-controlling interests hold 20% equity interest in CKRTT as at 31st December 2013 and 2012.

Summarised balance sheet as at 31st December 2013 and 2012

	2013 HK$'000	2012 HK$'000
Current		
Assets	**164,971**	143,164
Liabilities	**(375,055)**	(356,217)
Total current net liabilities	**(210,084)**	(213,053)
Non-current		
Assets	**817,608**	757,672
Liabilities	**(38,888)**	(36,221)
Total non-current net assets	**778,720**	721,451
Net assets	**568,636**	508,398

10 SUBSIDIARIES (CONTINUED)

(d) Material non-controlling interests (Continued)

Summarised statement of comprehensive income for the year ended 31st December 2013 and 2012

	2013 HK$'000	2012 HK$'000
Revenue	**170,344**	155,966
Profit before income tax	**89,006**	76,163
Income tax expense	**(23,063)**	(16,837)
Profit for the year	**65,943**	59,326
Other comprehensive income	**12,640**	6,651
Total comprehensive income	**78,583**	65,977
Total comprehensive income allocated to non-controlling interests	**15,717**	13,195
Dividends paid to non-controlling interests	**3,669**	–

Summarised cash flow statement for the year ended 31st December 2013 and 2012

	2013 HK$'000	2012 HK$'000
Cash flows from operating activities		
Cash generated from operations	**110,924**	53,924
Income tax paid	**(18,650)**	(15,948)
Net cash generated from operating activities	**92,274**	37,976
Net cash used in investing activities	**(60,046)**	(39,811)
Net cash used in financing activities	**(4,724)**	(620)
Net increase/(decrease) in cash and cash equivalents	**27,504**	(2,455)
Cash and cash equivalents at the beginning of the year	**13,623**	15,953
Effect of exchange rate changes	**61**	125
Cash and cash equivalents at the end of the year	**41,188**	13,623

The information above is the amounts representing 100% equity interest in CKRTT and before inter-company eliminations.

11 JOINT VENTURES AND ASSOCIATES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Joint ventures				
Unlisted investments, at cost	**–**	–	**95,122**	89,430
Share of net assets	**405,632**	396,657	**–**	–
Goodwill	**29,457**	28,801	**–**	–
	435,089	425,458	**95,122**	89,430
Associates				
Unlisted investments, at cost	**–**	–	**–**	–
Share of net assets	**114,561**	103,764	**–**	–
Goodwill	**2,535**	2,479	**–**	–
	117,096	106,243	**–**	–
Total joint ventures and associates	**552,185**	531,701	**95,122**	89,430

(a) Details of the principal joint ventures and associates as at 31st December 2013 are as follows:

Name	Place of incorporation and operation	Principal activities	Percentage of interest in ownership/ voting power/profit sharing 2013	2012
Directly-held joint ventures				
Shenzhen Yantian Port Chu Kong Logistics Co., Ltd.	PRC	Container transportation and repairs	40%/33%/40%	40%/33%/40%
Chu Kong Logistics (Singapore) Pte. Ltd.	Singapore	Shipping agency and freight forwarding agency	60%	60%
Zhong Shan Port Goods Transportation United Co., Ltd.	PRC	Wharf cargo handling, godown storage and river trade cargo transportation	40%/50%/40%[1]	40%/50%/40%[1]
Chu Kong Culture Media Company Limited	British Virgin Islands	Provision of advertisement in Hong Kong	60%/50%/60%	60%/50%/60%
Guangzhou Nansha Chu Kong Terminal Company Ltd.	PRC	Wharf cargo handling and godown storage	65%/60%/65%	65%/60%/65%

11 JOINT VENTURES AND ASSOCIATES (CONTINUED)

(a) Details of the principal joint ventures and associates as at 31st December 2013 are as follows: (Continued)

Name	Place of incorporation and operation	Principal activities	Percentage of interest in ownership/ voting power/profit sharing 2013	2012
Indirectly-held joint ventures				
Chu Kong Cargo Terminals (Beicun) Co., Ltd.	PRC	Wharf cargo handling and godown storage	40%/50%/40%[1]	40%/50%/40%[1]
Foshan New Port Ltd.	PRC	Cargo transportation and consolidation	30%/40%/30%[1]	30%/40%/30%[1]
Foshan Nankong Terminal Co., Ltd. ##	PRC	Cargo transportation and consolidation	42.5%/50%/42.5%[1]	42.5%/50%/42.5%[1]
Guangdong Zhu Chuan Navigation Co., Ltd.	PRC	Cargo transportation	49%/40%/49%	49%/40%/49%
Heshan County Hekong Associated Forwarding Co., Ltd.	PRC	Wharf cargo handling, godown storage and river trade cargo transportation	40%/50%/40%[1]	40%/50%/40%[1]
Heshan Port Construction & Development General Company #	PRC	Investment holding	40%/50%/40%[1]	40%/50%/40%[1]
Heshan Shipping Company #	PRC	Vessel leasing	40%/50%/40%[1]	40%/50%/40%[1]
Heshan Port Storage & Transportation Company #	PRC	Cargo transportation and godown storage	40%/50%/40%[1]	40%/50%/40%[1]
Heshan Port Loading Co., Ltd. #	PRC	Wharf cargo handling	40%/50%/40%[1]	40%/50%/40%[1]
Heshan Port Declaration Company #	PRC	Custom declaration services	40%/50%/40%[1]	40%/50%/40%[1]
Sanshui Sangang Containers Wharf Co., Ltd.	PRC	Cargo transportation and consolidation	24%/25%/24%[1]	24%/25%/24%[1]

11 JOINT VENTURES AND ASSOCIATES (CONTINUED)

(a) Details of the principal joint ventures and associates as at 31st December 2013 are as follows: (Continued)

Name	Place of incorporation and operation	Principal activities	Percentage of interest in ownership/ voting power/profit sharing 2013	2012
Indirectly-held joint ventures (Continued)				
Hong Kong International Airport Ferry Terminal Service Limited	Hong Kong	Ferry linkage services between the Hong Kong International Airport and Pearl River Delta	60%	60%
Zhongshan-Hong Kong Passenger Shipping Co-op Co., Ltd.	PRC	Passenger transportation	40%/43%/40%	40%/43%/40%
Connect Media Company Limited	Hong Kong	Provision of advertisement in Hong Kong	60%/50%/60%	60%/50%/60%
Indirectly-held associates				
Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd.	PRC	Passenger transportation	40%	40%
Guangdong Sanbu Passenger and Freight Transportation Co., Ltd.	PRC	Passenger transportation	32%/40%/32%[1]	32%/40%/32%[1]
Zhaoqing City Declaration Co., Ltd. #	PRC	Custom declaration services	40%	40%

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

\## 22.5% of this jointly 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 and profit sharing represent the effective interest held by the Group.

For the direct and indirect joint ventures as listed out above, voting power shown above represents the Group's voting power in making general business and financial decisions. All significant matters including approvals of dividend payment, budgets or material acquisitions require consent of all joint venture partners. Hence, the Group classifies these companies as joint ventures.

11 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 2013, which, in the opinion of the directors, are material to the Group. The joint ventures and associates are accounted for using equity method.

Summarised balance sheet as at 31st December 2013 and 2012 and summarised statement of comprehensive income for the year ended 31st December 2013 and 2012

	ZHPS		SGPT		HKIAFT		FSNP	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Current assets	**115,230**	216,236	**178,588**	149,253	**85,577**	65,288	**140,466**	124,884
Current liabilities	**(161,524)**	(86,990)	**(46,372)**	(33,957)	**(7,808)**	(10,888)	**(119,292)**	(120,358)
Non-current assets	**343,128**	178,829	**68,908**	76,055	**562**	512	**62,886**	71,887
Revenue	**223,197**	190,599	**135,133**	124,021	**138,061**	135,206	**52,846**	57,939
Profit after income tax	**66,269**	19,662	**21,231**	11,215	**23,419**	23,906	**44,822**	43,670

Reconciliation of summarised financial information

	ZHPS		SGPT		HKIAFT		FSNP	
	2013	2012	**2013**	2012	**2013**	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
Opening net assets as at 1st January	**308,075**	285,903	**191,351**	189,855	**54,912**	61,006	**76,413**	73,707
Profit for the year	**66,269**	19,662	**21,231**	11,215	**23,419**	23,906	**44,822**	43,670
Dividend declared	**(84,241)**	-	**(16,991)**	(12,519)	**–**	(30,000)	**(39,189)**	(41,586)
Currency translation differences	**6,731**	2,510	**5,533**	2,800	**–**	-	**2,014**	622
Closing net assets as at 31 December	**296,834**	308,075	**201,124**	191,351	**78,331**	54,912	**84,060**	76,413
Interest in joint ventures and associates	**40.0%**	40.0%	**40.0%**	40.0%	**60.0%**	60.0%	**37.5%**	37.5%
Share of net assets	**118,734**	123,230	**80,450**	76,541	**46,999**	32,947	**31,523**	28,655
Goodwill	**–**	-	**–**	-	**–**	-	**10,849**	10,607
Carrying value	**118,734**	123,230	**80,450**	76,541	**46,999**	32,947	**42,372**	39,262

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 2013 and 2012.

11 JOINT VENTURES AND ASSOCIATES (CONTINUED)

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

The above 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.

Note:

ZHPS: Zhongshan-Hong Kong Passenger Shipping Co-op Co., Ltd.

SGPT: Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd.

HKIAFT: Hong Kong International Airport Ferry Terminal Service Limited

FSNP: Foshan New Port Ltd

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

	2013 **HK$'000**	2012 HK$'000
Profit from continuing operation	**13,165**	7,797
Other comprehensive income	**5,226**	1,815
Total comprehensive income	**18,391**	9,612

12 DEPOSITS AND PREPAYMENTS

	Group	
	2013 **HK$'000**	2012 HK$'000
Land deposit (Note)	**–**	48,871

Note:

Land deposit represented deposit paid by the Group for acquiring land use rights in the PRC. The balance was reclassified to land use rights upon completion of the acquisition.

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:

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Deferred income tax assets:				
To be recovered after more than 12 months	**(1,487)**	(2,047)	**–**	–
To be recovered within 12 months	**(745)**	(790)	**–**	–
	(2,232)	(2,837)	**–**	–
Deferred income tax liabilities:				
To be settled after more than 12 months	**71,408**	67,976	**4,213**	4,213
To be settled within 12 months	**2,007**	1,799	**–**	–
	73,415	69,775	**4,213**	4,213
Net deferred income tax liabilities	**71,183**	66,938	**4,213**	4,213

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

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
At 1st January	**66,938**	63,269	**4,213**	4,213
Charged to income statement (Note 26)	**7,706**	5,208	**–**	–
Transfer to current income tax payables	**(3,461)**	(1,539)	**–**	–
At 31st December	**71,183**	66,938	**4,213**	4,213

13 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority.

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Deferred tax assets:				
Gross deferred tax assets	**(2,688)**	(3,232)	**–**	–
Set off deferred tax liabilities within common tax jurisdictions	**456**	395	**–**	–
As at 31st December	**(2,232)**	(2,837)	**–**	–
Deferred tax liabilities:				
Gross deferred tax liabilities	**73,871**	70,170	**4,213**	4,213
Set off deferred tax assets within common tax jurisdictions	**(456)**	(395)	**–**	–
As at 31st December	**73,415**	69,775	**4,213**	4,213

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:

Group

Deferred income tax assets	**Tax losses** HK$'000	**Accelerated tax depreciation** HK$'000	**Total** HK$'000
At 1st January 2012	(2,100)	(2,025)	(4,125)
Charged to income statement	784	109	893
At 31st December 2012	(1,316)	(1,916)	(3,232)
Charged to income statement	464	80	544
At 31st December 2013	(852)	(1,836)	(2,688)

13 DEFERRED INCOME TAX (CONTINUED)

Group (Continued)

Deferred income tax liabilities	Capital gain tax HK$'000	Accelerated tax depreciation HK$'000	Undistributed profits of PRC enterprises HK$'000	Total HK$'000
At 1st January 2012	11,950	48,571	6,873	67,394
(Credited)/charged to income statement	–	(934)	5,249	4,315
Transfer to current income tax payables	–	–	(1,539)	(1,539)
At 31st December 2012	11,950	47,637	10,583	70,170
(Credited)/charged to income statement	–	(789)	7,951	7,162
Transfer to current income tax payables	–	–	(3,461)	(3,461)
At 31st December 2013	11,950	46,848	15,073	73,871

Company

Deferred income tax liabilities	Capital gain tax HK$'000	Accelerated tax depreciation HK$'000	Total HK$'000
At 31st December 2013 and 2012	3,701	512	4,213

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 2013, the Group and the Company have unrecognised tax losses of HK$214,945,389 (2012: HK$166,801,000) and HK$39,772,000 (2012: HK$32,332,000) respectively to carry forward. These tax losses have no expiry dates except for tax losses of HK$172,240,000 (2012: HK$131,063,000) of the Group which will expire in the period from 2014 to 2018 (2012: 2013 to 2017).

14 TRADE AND OTHER RECEIVABLES AND LOANS TO JOINT VENTURES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade receivables (Note (a)):				
– third parties	**179,944**	186,978	**–**	–
– joint ventures and associates	**3,190**	1,018	**–**	–
– other related companies	**1,972**	941	**–**	–
	185,106	188,937	**–**	–
Less: provision for impairment – third parties	**(4,131)**	(4,120)	**–**	–
Trade receivables, net	**180,975**	184,817	**–**	–
Other receivables:				
– third parties	**101,210**	56,137	**4,133**	9,908
– immediate holding company (Note (b))	**20,982**	19,537	**–**	–
– fellow subsidiaries (Note (b))	**2,819**	1,430	**–**	–
– subsidiaries (Note (b))	**–**	–	**647,586**	591,666
– joint ventures and associates (Note (b))	**162,902**	65,276	**7,691**	1,473
– other related companies (Note (b))	**606**	1,068	**6**	433
	288,519	143,448	**659,416**	603,480
Total trade and other receivables	**469,494**	328,265	**659,416**	603,480
Loans to joint ventures (Note (c))	**22,823**	29,275	**8,337**	13,430

(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:

	Group	
	2013	2012
	HK$'000	HK$'000
Within 3 months	**172,549**	183,426
4 to 6 months	**8,163**	1,214
7 to 12 months	**241**	109
Over 12 months	**4,153**	4,188
	185,106	188,937
Less: provision for impairment	**(4,131)**	(4,120)
	180,975	184,817

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

(a) (Continued)

Trade receivables that are less than three months past due are not considered impaired. As of 31st December 2013, trade receivables of HK$8,426,000 (2012: HK$1,391,000) 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:

	2013 HK$'000	2012 HK$'000
Up to 3 months	**8,163**	1,214
4 to 6 months	**197**	104
Over 6 months	**66**	73
	8,426	1,391

As of 31st December 2013, trade receivables of HK$4,131,000 (2012: HK$4,120,000) 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:

	2013 HK$'000	2012 HK$'000
7 to 12 months	**45**	5
Over 12 months	**4,086**	4,115
	4,131	4,120

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

	2013 HK$'000	2012 HK$'000
At 1st January	**4,120**	4,248
Provision for impairment (Note 22)	**39**	215
Bad debt written-off	**(28)**	(343)
At 31st December	**4,131**	4,120

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

(a) (Continued)

The creation and release of provision for impaired receivables have been included in "other gains – net" in the consolidated income statement (Note 22). 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.

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

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

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Unsecured loans				
– interest free	**12,015**	11,565	**4,674**	4,570
– at fixed interest rate (Note (i))	**–**	6,373	**–**	6,373
– at floating rate (Note (ii))	**10,808**	11,337	**3,663**	2,487
	22,823	29,275	**8,337**	13,430

(i) The loans bear interest at 6% per annum (2012: 4.8% to 5.56% per annum).

(ii) The loans bear interest at the floating rate announced by the People's Bank of China.

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

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**193,312**	191,693	**224,434**	213,909
Renminbi	**263,976**	134,517	**158,694**	290,121
United States dollar	**12,206**	2,055	**276,288**	99,450
	469,494	328,265	**659,416**	603,480

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

15 CASH AND CASH EQUIVALENTS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Cash at bank and on hand	**572,272**	545,885	**127,423**	61,638
Short-term bank deposits	**28,697**	38,838	**24,525**	-
	600,969	584,723	**151,948**	61,638

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Hong Kong dollar	**288,998**	266,437	**141,424**	44,981
Renminbi	**245,397**	250,435	**9,988**	12,656
United States dollar	**60,294**	57,884	**536**	4,001
Macau pataca	**6,276**	9,963	**–**	-
Euro	**4**	4	**–**	-
	600,969	584,723	**151,948**	61,638

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

16 SHARE CAPITAL

	Issued ordinary shares HK$'000	Share premium HK$'000	Total HK$'000
At 31 December 2012 and 2013	90,000	787,762	877,762

The total authorised number of ordinary shares is 2,000 million shares (2012: 2,000 million) with a par value of HK$0.1 per share (2012: HK$0.1 per share). All issued shares are fully paid.

17 RESERVES

Group

	Exchange reserve HK$'000	Revaluation Reserve HK$'000	Capital Reserve HK$'000	Statutory reserve HK$'000	Merger reserve HK$'000	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2013	197,661	23,009	167,717	44,143	(619,441)	–	1,230,001	1,043,090
Profit for the year	–	–	–	–	–	–	190,918	190,918
Currency translation differences								
– subsidiaries	21,621	–	–	–	–	–	–	21,621
– joint ventures and associates	11,599	–	–	–	–	–	–	11,599
Transfer of reserves	–	–	–	10,457	–	–	(10,457)	–
Issue of warrants (Note)	–	–	–	–	–	1,750	–	1,750
2012 final dividend	–	–	–	–	–	–	(40,500)	(40,500)
2013 Interim dividend	–	–	–	–	–	–	(18,000)	(18,000)
At 31st December 2013	230,881	23,009	167,717	54,600	(619,441)	1,750	1,351,962	1,210,478
Representing:								
2013 final dividend proposed								49,500
Reserves								1,160,978
								1,210,478

Note:

On 13th June 2013, the Company issued 180,000,000 units of non-listed warrants at a consideration of HK$0.01 each. Total consideration was HK$1,800,000. Transaction cost of HK$50,000 was deducted from the proceeds. Warrant holders were conferred rights to convert each unit of warrant into one unit of ordinary share of the Company at a price of HK$2.20 per unit before the expiry date of 12th June 2014. The net proceeds from the issue of warrants is accounted for as equity by the Company. As at 31st December 2013, no warrants have been exercised.

17 RESERVES (CONTINUED)

Group (Continued)

	Exchange reserve HK$'000	Revaluation Reserve HK$'000	Capital Reserve HK$'000	Statutory reserve HK$'000	Merger reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2012	183,312	23,009	171,997	42,491	(619,441)	1,118,328	919,696
Profit for the year	–	–	–	–	–	135,825	135,825
Currency translation differences							
– subsidiaries	9,921	–	–	–	–	–	9,921
– joint ventures and associates	4,428	–	–	–	–	–	4,428
Transfer of reserves	–	–	–	1,652	–	(1,652)	–
Acquisition of additional interest in a subsidiary	–	–	(4,280)	–	–	–	(4,280)
2011 final dividend	–	–	–	–	–	(22,500)	(22,500)
At 31st December 2012	197,661	23,009	167,717	44,143	(619,441)	1,230,001	1,043,090
Representing:							
2012 final dividend proposed							40,500
Reserves							1,002,590
							1,043,090

(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.

(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.

17 RESERVES (CONTINUED)

Company

	Other reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2013	–	834,694	834,694
Profit for the year	–	48,651	48,651
Issue of warrants	1,750	–	1,750
2012 final dividend	–	(40,500)	(40,500)
2013 interim dividend	–	(18,000)	(18,000)
At 31st December 2013	1,750	824,845	826,595
Representing:			
Reserves			777,095
2013 final dividend proposed			49,500
			826,595

	Retained profits HK$'000
At 1st January 2012	693,982
Profit for the year	163,212
2011 final dividend	(22,500)
At 31st December 2012	834,694
Representing:	
Retained profits	794,194
2012 final dividend proposed	40,500
	834,694

18 TRADE AND OTHER PAYABLES

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Trade payables (Notes (a) and (c)):				
– third parties	**266,011**	229,990	**–**	–
– immediate holding company	**6,903**	1,488	**–**	–
– fellow subsidiaries	**10,856**	10,001	**–**	–
– joint ventures and associates	**37,067**	32,205	**–**	–
– other related companies	**6,174**	3,474	**–**	–
	327,011	277,158	**–**	–
Other payables:				
– third parties	**156,324**	181,640	**10,318**	6,019
– immediate holding company (Note (c))	**16,043**	13,292	**–**	–
– fellow subsidiaries (Note (c))	**632**	5,284	**–**	–
– subsidiaries (Note (c))	**–**	–	**271,675**	180,192
– joint ventures and associates (Note (c))	**107,254**	64,381	**–**	–
– other related companies (Note (c))	**327**	–	**–**	–
– key management (Note (d))	**3,873**	2,673	**3,873**	2,673
	284,453	267,270	**285,866**	188,884
	611,464	544,428	**285,866**	188,884

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

	Group	
	2013	2012
	HK$'000	HK$'000
Within 3 months	**304,130**	264,465
4 to 6 months	**17,604**	2,327
7 to 12 months	**4,484**	850
Over 12 months	**793**	9,516
	327,011	277,158

18 TRADE AND OTHER PAYABLES (CONTINUED)

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

	Group		Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Hong Kong dollar	**456,908**	427,189	**285,866**	188,884
Renminbi	**154,556**	117,239	**–**	–
	611,464	544,428	**285,866**	188,884

(c) The trade 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 amounts represent salaries and bonuses payable to key management which are unsecured, interest-free and repayable within 12 months from balance sheet date.

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

19 LOANS FROM ASSOCIATES, AMOUNTS DUE TO THE NON-CONTROLLING INTERESTS OF SUBSIDIARIES AND AMOUNT DUE TO A RELATED PARTY – GROUP AND COMPANY

(a) Breakdown of loans from associates

	Group		Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Current				
– interest free (Note (i))	**1,119**	1,095	**–**	–
– at fixed interest rate (Note (ii))	**25,439**	24,872	**25,268**	24,872
	26,558	25,967	**25,268**	24,872

(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 Company which is denominated in Renminbi, unsecured, interest bearing at 3.25% per annum (2012: 3.5% per annum) and repayable on demand.

19 LOANS FROM ASSOCIATES, AMOUNTS DUE TO THE NON-CONTROLLING INTERESTS OF SUBSIDIARIES AND AMOUNT DUE TO A RELATED PARTY – GROUP AND COMPANY (CONTINUED)

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Current				
– interest free (Note (i))	**47,764**	47,692	**–**	–
– at fixed interest rate (Note (ii))	**4,242**	4,147	**–**	–
	52,006	51,839	**–**	–

(i) The amounts are denominated in Hong Kong dollars, unsecured and repayable on demand.

(ii) The amounts are denominated in Hong Kong dollar, unsecured, repayable on demand and interest-bearing at 4% (2012: 4%) per annum.

(c) The amount due to a related party bears interest at the floating rate announced by the People's Bank of China, is denominated in Renminbi, unsecured and repayable on demand.

20 BORROWINGS

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Unsecured, short term bank loans	**100,000**	212,427	**100,000**	212,427
Long term bank loans:				
– secured	**63,597**	74,244	**–**	–
– unsecured	**280,000**	100,000	**280,000**	100,000
	443,597	386,671	**380,000**	312,427

20 BORROWINGS (CONTINUED)

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

	Group		Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Repayable within one year	**162,720**	12,435	**150,000**	–
Repayable within one to two years	**38,718**	26,499	**26,000**	–
Repayable within two to five years	**142,159**	135,310	**104,000**	100,000
	343,597	174,244	**280,000**	100,000
Current portion included in current liabilities	**(162,720)**	(12,435)	**(150,000)**	–
	180,877	161,809	**130,000**	100,000

The secured bank loans are secured by certain land use rights and property, plant and equipment of the Group (Notes 6 and 8), denominated in Renminbi and interest bearing at the floating rate announced by the People's Bank of China. The unsecured bank loans are denominated in Hong Kong dollars and bear interest at rates range from 1.68% to 3.9% (2012: 1.78% to 3.9%) per annum.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the end of the reporting period are within one year.

21 OTHER INCOME

	2013 HK$'000	2012 HK$'000
Management fee income from CKSE (Note 35(a)(ii))	**26,733**	27,024
Property rental income	**12,868**	12,324
Subsidies from the PRC government	**6,680**	1,242
Others	**2,015**	1,488
	48,296	42,078

22 OTHER GAINS – NET

	2013 HK$'000	2012 HK$'000
Exchange gains, net	**16,220**	4,935
Loss on write-off of property, plant and equipment	**(4,849)**	(3,040)
Gain on disposals of property, plant and equipment, net	**967**	272
Provision for impairment of trade receivables, net (Note 14)	**(39)**	(215)
	12,299	1,952

23 COSTS AND EXPENSES BY NATURE

	2013 HK$'000	2012 HK$'000
Amortisation of land use rights	**10,438**	7,601
Auditor's remuneration		
– audit services	**3,052**	2,938
– non-audit services	**1,048**	942
Costs of passenger transportation, cargo transportation and cargo handling and storage (including fuel cost)	**772,804**	760,818
Depreciation of property, plant and equipment	**79,353**	72,803
Depreciation of investment properties	**57**	57
Operating lease rental expenses		
– vessels and barges	**116,109**	114,696
– buildings	**21,954**	19,793
Staff costs (including directors' emoluments) (Note 30)	**315,147**	276,048
Others	**175,348**	159,370
Total cost of services rendered and general and administrative expenses	**1,495,310**	1,415,066

24 FINANCE INCOME AND COST

	2013 **HK$'000**	2012 HK$'000
Finance income		
Interest income on short-term bank deposits and bank balances	**3,670**	3,290
Interest income on loans to joint ventures	**758**	1,173
	4,428	4,463
Finance cost		
Interest expense on bank borrowings	**(14,256)**	(12,385)
Interest expense on loan from an associate	**(827)**	(802)
Interest expense on amounts due to the non-controlling interests	**(159)**	(170)
Interest expense on amounts due to a related party	**(911)**	(934)
Less: amounts capitalised on qualifying assets	**4,178**	2,974
	(11,975)	(11,317)

The capitalization rate applied to funds borrowed is 3.6% (2012: 3.0%) per annum.

25 SHARE OF PROFITS LESS LOSSES OF JOINT VENTURES AND ASSOCIATES

	2013 **HK$'000**	2012 HK$'000
Share of profits less losses before income tax	**106,607**	69,219
Share of income tax	**(27,583)**	(18,351)
	79,024	50,868

26 INCOME TAX EXPENSE

	2013 HK$'000	2012 HK$'000
Current income tax		
– Hong Kong profits tax	**17,407**	17,047
– PRC corporate income tax	**27,906**	19,727
– Macau profits tax	**2,432**	–
– Under provision in prior years	**7**	392
Deferred income tax expense (Note 13)	**7,706**	5,208
	55,458	42,374

Hong Kong profits tax has been provided at the rate of 16.5 % (2012: 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% (2012: 25%). Macau profits tax has been provided at the rate of 12 % (2012: 12%) 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 25).

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:

	2013 HK$'000	2012 HK$'000
Profit before share of profits less losses of joint ventures and associates, and income tax expense	**177,017**	136,757
Calculated at a tax rate of 16.5 % (2012: 16.5%)	**29,208**	22,565
Effect of different tax rates applicable to the subsidiaries in the PRC and Macau	**4,091**	2,303
Income not subject to income tax	**(95,520)**	(94,094)
Expenses not deductible for income tax purposes	**96,742**	97,810
Tax losses not recognised	**13,377**	8,931
Under provision in prior years	**7**	392
Utilisation of previously unrecognised tax loss	**(78)**	(782)
	47,827	37,125
Withholding income tax on undistributed profits of PRC enterprises	**7,631**	5,249
Income tax expense	**55,458**	42,374

27 PROFIT ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

Profit attributable to equity holders of the Company includes a profit of HK$48,651,000 (2012: HK$163,212,000) which is dealt with in the financial statements of the Company.

28 DIVIDENDS

	2013 **HK$'000**	2012 HK$'000
Interim, declared, of HK2 cent (2012: HK nil cent) per ordinary share	**18,000**	–
Final, proposed, of HK5.5 cents (2012: HK4.5 cents) per ordinary share	**49,500**	40,500
	67,500	40,500

The dividends paid during the years ended 31st December 2013 and 2012 were HK$58,500,000 (HK6.5 cents per share) and HK$45,000,000 (HK5 cents per share) respectively.

On 27th March 2014, the board of directors proposed a final dividend of HK5.5 cents per ordinary share. This proposed dividend is not reflected as a dividend payable in these financial statements.

29 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.

	2013	2012
Profit attributable to equity holders of the Company (HK$'000)	**190,918**	135,825
Weighted average number of ordinary shares in issue ('000)	**900,000**	900,000
Basic earnings per share (HK cents)	**21.21**	15.01

29 EARNINGS PER SHARE (CONTINUED)

Diluted

Diluted earnings per share is 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 shares.

	2013	2012
Profit attributable to equity holders of the Company (HK$'000)	**190,918**	135,825
Weighted average number of ordinary shares in issue ('000)	**900,000**	900,000
Adjustment for warrants ('000)	**11,454**	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share ('000)	**911,454**	900,000
Diluted earnings per share (HK cents)	**20.95**	15.01

30 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2013 HK$'000	2012 HK$'000
Salaries and allowances	**298,749**	262,163
Retirement benefit costs – defined contribution plans (Note)	**16,398**	13,885
	315,147	276,048

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.

31 DIRECTORS' AND FIVE HIGHEST-PAID INDIVIDUALS' EMOLUMENTS

(a) The remuneration of each director is set out below:

	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Employer's contributions to retirement benefit scheme HK$'000	Total HK$'000
2013					
Mr. Liu Weiqing	**–**	**–**	**–**	**–**	**–**
Mr. Xiong Gebing (Note (b))	**250**	**300**	**853**	**15**	**1,418**
Mr. Huang Liezhang (Note (b))	**84**	**128**	**685**	**6**	**903**
Mr. Huang Shuping	**250**	**281**	**814**	**14**	**1,359**
Mr. Yu Qihuo	**–**	**–**	**–**	**–**	**–**
Mr. Zhang Lei	**–**	**–**	**–**	**–**	**–**
Mr. Chan Kay-cheung	**250**	**–**	**–**	**–**	**250**
Ms. Yau Lai Man	**100**	**–**	**–**	**–**	**100**
Mr. Chow Bing Sing	**100**	**–**	**–**	**–**	**100**
	1,034	**709**	**2,352**	**35**	**4,130**

	Fees HK$'000	Salaries HK$'000	Discretionary bonuses HK$'000	Other benefits HK$'000	Employer's contributions to retirement benefit scheme HK$'000	Total HK$'000
2012						
Mr. Liu Weiqing	–	–	–	–	–	–
Mr. Huang Liezhang	250	306	874	–	14	1,444
Mr. Zhang Daowu	250	–	199	–	2	451
Mr. Hua Honglin	250	140	456	–	7	853
Mr. Yang Bangming	–	188	158	71	–	417
Mr. Huang Shuping	250	281	787	–	13	1,331
Mr. Yu Qihuo	–	–	–	–	–	–
Mr. Zhang Lei	–	–	–	–	–	–
Mr. Chan Kay-cheung	250	–	–	–	–	250
Ms. Yau Lai Man	100	–	–	–	–	100
Mr. Chow Bing Sing	100	–	–	–	–	100
	1,450	915	2,474	71	36	4,946

(b) Mr. Xiong Gebing (2012: Mr. Huang Leizhang) is an Executive Director who is also the Managing Director of the Company.

31 DIRECTORS' AND FIVE HIGHEST-PAID INDIVIDUALS' EMOLUMENTS (CONTINUED)

(c) Five highest paid individuals' emoluments

The five individuals whose emoluments were the highest in the Group for the year ended 31st December 2013 include three (2012: two) directors whose emoluments are shown above. The emoluments to the remaining two (2012: three) highest paid individuals during the year are as follows:

	2013 **HK$'000**	2012 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	**842**	803
Bonuses	**939**	2,101
Retirement benefit costs – defined contribution plans	**15**	40
	1,796	2,944

The emoluments of the two (2012: three) highest paid individuals fell within the following bands:

	Number of individuals	
	2013	2012
Emolument bands		
HK$500,000 – HK$1,000,000	**1**	2
HK$1,000,001 – HK$1,500,000	**1**	1

(d) 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. No share options were granted to the directors and senior management as at 31st December 2013 and 2012.

32 NOTE TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of operating profit to cash generated from operations

	2013 HK$'000	2012 HK$'000
Operating profit	**184,564**	143,611
Amortisation of land use rights	**10,438**	7,601
Depreciation of property, plant and equipment and investment properties	**79,410**	72,860
Exchange gain, net	**(16,220)**	(4,935)
Loss on disposals/write-off of property, plant and equipment, net	**3,882**	2,768
Provision for impairment of trade receivables, net	**39**	215
Operating profit before working capital changes	**262,113**	222,120
(Increase)/decrease in trade and other receivables	**(70,927)**	21,705
Increase in trade and other payables	**62,690**	113,202
Cash generated from operations	**253,876**	357,027

Major non-cash transactions in 2013 represents the transfer of HK$48,871,000 from deposits and prepayments to land use rights upon obtaining the land use right certificate.

33 COMMITMENTS

(a) Capital commitments

	Group		Company	
	2013 HK$'000	2012 HK$'000	2013 HK$'000	2012 HK$'000
Contracted but not provided for				
– Investment in a subsidiary (Note (i))	**–**	–	**8,613**	8,613
– Investment in a joint venture (Note (ii))	**97,653**	94,530	**97,653**	94,530
– Land use rights	**21,712**	46,238	**–**	–
– Property, plant and equipment	**74,055**	166,865	**–**	512
	193,420	307,633	**106,266**	103,655
Authorised but not contracted				
– Property, plant and equipment	**6,400**	–	**–**	–
	199,820	307,633	**106,266**	103,655

33 COMMITMENTS (CONTINUED)

(a) Capital commitments (Continued)

(i) The balance represents the outstanding investment in a subsidiary, Zhongshan City Huangpu Port Cargo and Container Terminal Co., Ltd.

(ii) The balance represents the outstanding investment in a joint venture, Guangzhou Nansha Chu Kong Terminal Company Limited.

The Group's share of capital commitments of the joint ventures and associates not included in the above is as follows:

	2013 HK$'000	2012 HK$'000
Contracted but not provided for	**6,982**	520
Authorised but not contracted	**–**	29,847
	6,982	30,367

(b) Commitments under operating leases

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

	Group		Company	
	2013 HK$'000	2012 HK$'000	**2013 HK$'000**	2012 HK$'000
Land and buildings:				
Not later than one year	**9,933**	9,669	**1,399**	2,426
Later than one year and not later than five years	**7,456**	16,446	**–**	1,399
Over five years	**390**	–		
	17,779	26,115	**1,399**	3,825
Vessels and barges:				
Not later than one year	**19,055**	7,584	**–**	–
Later than one year and not later than five years	**708**	–	**–**	–
	19,763	7,584	**–**	–
	37,542	33,699	**1,399**	3,825

34 FUTURE OPERATING LEASE ARRANGEMENTS

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

	Group		Company	
	2013	2012	**2013**	2012
	HK$'000	HK$'000	**HK$'000**	HK$'000
Land and buildings:				
Not later than one year	**1,157**	7,469	**–**	–
Later than one year and not later than five years	**–**	79	**–**	–
	1,157	7,548	**–**	–
Vessel and barges:				
Not later than one year	**1,442**	1,398	**–**	–
	2,599	8,946	**–**	–

35 RELATED PARTY TRANSACTIONS

The directors of the Group regard CKSE as the immediate holding company, which owns 72.0% (2012: 71.0%) of the Company's ordinary shares. The parent company of the Group is Guangdong Province Navigation Group Company Limited ("GNG") (formerly known as Guangdong Province Navigation Holdings Company Limited), 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 2013 and 2012, 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.

35 RELATED PARTY TRANSACTIONS (CONTINUED)

Significant transactions with immediate holding company, fellow subsidiaries, joint ventures, associates and related companies:

(a) Transactions with related parties

	Note	**2013 HK$'000**	2012 HK$'000
Revenues:			
Shipping agency, river trade cargo direct shipment and transshipment income	(i)		
– fellow subsidiaries		**293**	999
– a joint venture		**261**	244
– a related company		**215**	196
Passenger transportation agency fees	(i)		
– fellow subsidiaries		**1,942**	3,592
– joint ventures and associates		**11,508**	10,674
– other related companies		**2,401**	2,227
Ferry terminal operation service fees	(i)		
– fellow subsidiaries		**5,701**	5,871
– joint ventures and associates		**24,348**	23,888
– other related companies		**12,500**	11,806
Management service fees			
– immediate holding company	(ii)	**26,733**	27,024
– a fellow subsidiary	(iii)	**–**	7,090
– a joint venture	(iii)	**2,807**	2,618
– a related company	(iii)	**–**	264
Vessel rental income	(i)		
– a related company		**2,431**	2,425
Office rental income	(i)		
– a fellow subsidiary		**–**	635
Interest income			
– joint ventures	(iv)	**758**	1,173

35 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

	Note	2013 HK$'000	2012 HK$'000
Expenses:			
Shipping agency, river trade cargo direct shipment and transshipment expenses	(i)		
– joint ventures and associates		**20,590**	22,509
– other related companies		**10,771**	15,108
Wharf cargo handling, cargo transportation and godown storage expenses	(i)		
– joint ventures and associates		**49,970**	43,293
– other related companies		**5,873**	1,527
Agency fee expenses	(i)		
– fellow subsidiaries		**265**	327
– joint ventures and associates		**888**	1,188
– other related companies		**109**	12
Ferry terminal operation services fee			
– a fellow subsidiary	(i)	**6,656**	6,033
Luggage handling fee	(v)		
– a related company		**7,317**	7,035
Fuel charges	(i)		
– a fellow subsidiary		**73,117**	75,543
Vessel rental expenses	(i)		
– joint ventures and associates		**30,227**	25,218
Warehouse rental expenses	(vi)		
– immediate holding company		**5,000**	5,000
Office rental expenses	(i)		
– immediate holding company		**6,639**	6,919
Staff quarter rental expenses	(i)		
– immediate holding company		**2,163**	2,877
Loan interest expenses			
– an associate	(vii)	**827**	802
– non-controlling interests	(viii)	**159**	170
– a related company	(ix)	**911**	934
Management fee expense	(x)		
– immediate holding company		**7,200**	7,200
Advertising expense			
– a joint venture		**25**	–

35 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

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) A management fee was 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 2011 to 30th June 2014.

(iii) Management 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 bearing interest rates at floating rate announced by the People's Bank of China (2012: 4.8% to 5.56% per annum or at the floating rate announced by the People's Bank of China), pursuant to the agreements entered into between the Group and the joint ventures.

(v) Luggage handling fee was charged at HK$3.3 (2012: 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.

(vii) Loan interest was charged by an associate at 3.25% per annum (2012: 3.5% per annum) pursuant to the agreement entered into between the Group and the associate.

(viii) Interest was charged by the non-controlling interests at 4% per annum (2012: 4% per annum).

(ix) Interest was charged by the related party at the floating rate announced by the People's Bank of China.

(x) 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.

35 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

	2013 HK$'000	2012 HK$'000
Salaries and allowances	**4,755**	10,019
Directors' fees	**1,034**	1,450
Retirement benefit scheme contributions	**65**	103
	5,854	11,572

(c) Loans to joint ventures

	2013 HK$'000	2012 HK$'000
At 1st January	**29,275**	30,228
Exchange differences	**647**	259
Loans advanced	**–**	2,467
Loans repayments received	**(7,099)**	(3,679)
At 31st December	**22,823**	29,275

Five-Year Financial Summary

RESULTS

	2013 HK$'000	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Revenue	**1,619,279**	1,514,647	1,384,423	1,172,862	920,344
Operating profit	**184,564**	143,611	155,560	130,152	60,237
Finance income	**4,428**	4,463	4,163	4,982	9,127
Finance cost	**(11,975)**	(11,317)	(7,301)	(5,031)	(1,061)
Net finance (cost)/income	**(7,547)**	(6,854)	(3,138)	(49)	8,066
Share of profits less losses of joint ventures and associates	**79,024**	50,868	43,988	56,726	58,722
Profit before income tax	**256,041**	187,625	196,410	186,829	127,025
Income tax expense	**(55,458)**	(42,374)	(38,724)	(35,789)	(14,507)
Profit for the year	**200,583**	145,251	157,686	151,040	112,518
Attributable to:					
Equity holders of the Company	**190,918**	135,825	146,819	160,086	116,025
Non-controlling interests	**9,665**	9,426	10,867	(9,046)	(3,507)
	200,583	145,251	157,686	151,040	112,518
Basic earnings per share (HK cents)	**21.21**	15.01	16.31	17.79	12.89
Dividends (HK$'000)	**67,500**	40,500	31,500	54,000	31,500
Dividend per share (HK cents)	**7.5**	4.5	3.5	6	3.5

FIVE-YEAR FINANCIAL SUMMARY

ASSETS AND LIABILITIES

	2013 **HK$'000**	2012 HK$'000	2011 HK$'000	2010 HK$'000	2009 HK$'000
Non-current assets	**2,424,061**	2,260,156	2,213,387	2,086,739	1,598,060
Current assets	**1,093,286**	942,263	695,998	613,395	1,045,638
Total assets	**3,517,347**	3,202,419	2,909,385	2,700,134	2,643,698
Non-current liabilities	**254,292**	231,584	140,779	139,747	65,376
Current liabilities	**996,667**	880,370	792,508	641,675	908,565
Total liabilities	**1,250,959**	1,111,954	933,287	781,422	973,941
Total equity	**2,266,388**	2,090,465	1,976,098	1,918,712	1,669,757

Notes:

(a) The financial information for the years ended 31st December 2012 and 2013 were extracted from the 2013 financial statements.

(b) The financial information for the years ended 31st December 2009, 2010 and 2011 were extracted from the 2012 Annual Report.

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