CHU KONG SHIPPING ENTERPRISES (GROUP) COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code : 00560

Committed to Great Bay Area, Set Sail for New Silk Road

ANNUAL REPORT 2017

Contents

Jointly Create Fortune
Jointly Enjoy Achievements

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

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

Financial Highlights

		2017	2016	Change
Results				
Revenue	*HK$Million*	2,428.5	2,381.9	2.0%
Operating profit	*HK$Million*	236.6	278.6	-15.1%
Profit attributable to the equity holders of the Company	*HK$Million*	269.0	321.8	-16.4%
Operating profit margin	*(%)*	9.7	11.7	-17.1%
Financial Position				
Total assets	*HK$Million*	4,464.8	4,024.2	10.9%
Total liabilities	*HK$Million*	1,161.5	1,110.1	4.6%
Total equity	*HK$Million*	3,303.3	2,914.1	13.4%
Structured bank deposits, Cash and cash equivalents	*HK$Million*	1,060.9	817.7	29.7%
Current ratio		2.2	1.4	57.1%
Debt ratio	*(%)*	26.0	27.6	-5.8%

Corporate Information

EXECUTIVE DIRECTOR

Mr. Huang Liezhang *(Chairman)*
Mr. Zeng He
Mr. Cheng Jie

NON-EXECUTIVE DIRECTOR

Mr. Fan Linchun

INDEPENDENT NON-EXECUTIVE DIRECTOR

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

COMPANY SECRETARY

Ms. Cheung Mei Ki Maggie

EXECUTIVE COMMITTEE

Mr. Huang Liezhang
Mr. Zeng He
Mr. Cheng Jie

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

Mr. Huang Liezhang
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. Huang Liezhang

AUDITOR

PricewaterhouseCoopers

PRINCIPAL BANKS

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

REGISTRAR

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183 Queen's Road East
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REGISTERED OFFICE

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Business Location

Embrace New Era to Explore More Opportunities

On behalf of the board of the directors of the Company (the "Board"), I hereby present the annual results of Chu Kong Shipping Enterprises (Group) Company Limited (the "Company") and its subsidiaries (the "Group") for the year ended 31st December 2017 to the shareholders. The Group recorded a consolidated revenue of HK$2,428,487,000 (2016: HK$2,381,891,000), representing an increase of 2.0% as compared with last year. Profit attributable to the shareholders of the Company amounted to HK$268,988,000 (2016: HK$321,771,000), representing a decrease of 16.4% as compared with last year, or nearly the same as last year if the one-off gain in 2016 were excluded.

REVIEW

The year 2017 saw the modest recovery of the global economy and the stable growth of the domestic economy, which drove the continuous growth in the import and export of foreign trade in China throughout the year. The container throughput volume of Hong Kong port was approximately 20.763 million TEU, representing a year-on-year increase of 4.8%, the first increase recorded after 2011. Regarding the tourism market in Hong Kong, the number of visitors to Hong Kong increased by 3.2% in 2017, of which the number of Mainland visitors increased by 3.9%. Despite the stable growth of the economy, the Group was still exposed to a complicated external business environment with intensifying competition and rising oil prices. The Group adhered to the strategy of "Prudent Development", and conscientiously put the Board's decisions into practice. On one hand, the Group strengthened and enhanced the ability to operate its principal business, and exerted greater efforts on market exploration, to shorten the management chain, optimise the process and reduce the cost. On the other hand, the Group promoted the construction of logistics infrastructure and took the lead in deploying new passenger transportation routes for the Guangdong-Hong Kong-Macau Greater Bay Area. In 2017, the Group achieved the results of production and operation as expected, and made progress in the key projects in an orderly manner.

The terminal navigation logistics business of the Group recorded stable growth which are benefited from the following initiatives. Firstly, the Group implemented regional management and resources integration, and achieved outstanding results for the terminals in Zhaoqing region through the "integrated operation" of unified marketing and unified assessment, with a year-on-year increase of 10.2% in the container handling volume. Secondly, Chu Kong Transhipment & Logistics Company Limited, a subsidiary of the Group, promoted the cooperation jointly with the cargo terminals of the Group on marketing and introduced an innovated mode of cooperation between terminals and navigation to increase market share. Thirdly, the Group adjusted its business strategy and increased the investment in marketing to explore cargo sources. Gaoming Port and Zhaoqing New Port actively promoted the "water-to-water" business mode, and successfully acquired cargo sources from Guangxi and other neighboring regions. The Group also enhanced the marketing for domestic air freight and integrated logistics services to drive the growth of warehouse business. Fourthly, the Group promoted the upgrade and modification of the information system for terminals and optimised the intelligent container yards to enhance the operational efficiency of the terminals. In 2017, the container handling volume of the Group amounted to 1.417 million TEU, representing an increase of 1.2% as compared with the same period of last year, and the container transportation volume amounted to 1.524 million TEU, representing an increase of 5.0% as compared with the same period of last year.

Regarding the passenger transportation in Guangdong, Hong Kong and Macau, the Group actively responded to the challenges arising from the opening of the Hong Kong-Zhuhai-Macao Bridge and the Guangzhou-Shenzhen-Hong Kong Express Rail Link, properly implemented the business strategy, made remarkable progress in market exploration and achieved the full coverage of the agency business for the cross-border passenger transportation routes between Guangdong and Hong Kong. The specific measures were as follows: firstly, the Group explored the market in greater depth and improved the quality of existing business. The Group provided comprehensive agency services to Nansha Ferry Terminal and implemented "southwards intermediate port" for the airport routes, which raised the number of passengers for agency services. The CotaiJet project was successfully renewed, which facilitated the acquisition of relevant business cooperation by other subsidiaries of the Group. Secondly, the Group broadened the sales channels and introduced innovated marketing mode and services. The Group achieved the distribution of ferry tickets for various ports through the WeChat-based platform "HEMA-WANG" (河馬遊) of Guangzhou Pintu Internet Co., Ltd. Chu Kong High-Speed Ferry Company Limited completed connection with the sales systems of several travel agencies, and Chu Kong Passenger Transport Company Limited ("CKPT") introduced the "Alipay" service in all the ticket offices in Hong Kong to facilitate the mobile payment demands of the passengers. Thirdly, the Group took the lead in deploying new routes for the Greater Bay Area. The Group launched the route between Zhongshan Port and the terminal of Shenzhen Fuyong Airport to fully leveraged on the advantages in "air-sea transportation". Fourthly, Chu Kong Tourism Company Limited expanded domestic and overseas business and furthered the development of tourism products such as cruise tours. The company launched the first sightseeing route between Tung Chung and the Hong Kong-Zhuhai-Macao Bridge in Hong Kong by giving full play to the platform role of Fortune Ferry, a custody company. Fifthly, the Group improved the quality of its services and promoted the brand image of "CKS". In July, CKPT successfully completed the transportation of the Hong Kong citizens who visited the Liaoning aircraft carrier, which further deepened the citizens' recognition of the "CKS" brand.

During the year, the Group made progress in key projects in an orderly manner. The construction of the Phase I of the new godown wharf in Tuen Mun and the design of the cruises for high-end sightseeing tours in Victoria Harbour were completed; business coverage on both waterway and road transportation was achieved by winning the bid for the shuttle bus project for the Hong Kong-Zhuhai-Macao Bridge as a participant of a consortium; and the development of the passenger transportation projects in Southeast Asia including the Gulf of Thailand was promoted. The Group also assisted its parent company in completing the site selection and part of the preliminary work for the Hong Kong-Macau ferry terminal in Pazhou, Guangzhou; and assisted ship owners to introduce carbon fiber high-speed ferries.

OUTLOOK

In 2018, the Group will firmly seize the new development opportunities arising from the "Belt and Road Initiative" strategy and the Guangdong-Hong Kong-Macau Greater Bay Area, leverage on its overall advantages to build up platforms, optimise business layout and promote the transformation and upgrade of its principal businesses. Firstly, the Group will enhance the cooperation between cargo terminals and industrial parks, strengthen the presence in the core regions of cargo sources and optimise the layout of terminals in the Greater Bay Area in line with the planning of the Guangdong Province government. Secondly, the Group will reshape the three traditional networks of cargo terminals, freight forwarding agencies and barging routes by means of "Internet+" to strengthen the capability of providing integrated logistics services. Thirdly, the Group will continue to promote the regional management model, deepen the resource consolidation at cargo terminals, expand production capacity, develop the new godown wharf in Tuen Mun into an intelligent air transportation platform, and renovate the bonded warehouse in Civet Port. Fourthly, the Group will build up four platforms for passenger transportation, namely a proprietary platform, a local platform, a cooperative platform and an overseas platform, with a view to creating greater glories in respect of waterway passenger transportation. The Group will promote the progress of the passenger transportation project in Pazhou to build a proprietary waterway transportation platform for the Guangdong-Hong Kong-Macau area and the Pearl River Delta. The Group will develop tours for Victoria Harbour, local ferry business and off-island routes to build a local operational platform in Hong Kong. The Group will exert great efforts on the shuttle bus project for the Hong Kong-Zhuhai-Macao Bridge to introduce island tour routes for the Pearl River Delta, and deepen the "Air-Sea Union" business cooperation to build a win-win cooperative platform with the industry. The Group will also take advantage of the company in Singapore as a window to introduce passenger transportation routes into Southeast Asia, so as to build an overseas investment and development platform.

APPRECIATION

Last but not least, on behalf of the Board, I would like to take this opportunity to give my heartfelt thanks to all the shareholders, business partners as well as all the stakeholders for their continuous care and support to the Company, and to express my sincere appreciation to all the staff for their diligent efforts for the development and growth of the Company.

Huang Liezhang
Chairman

Hong Kong, 23rd March 2018

Build Up Platforms to Create A Greater Glory

The directors of the Company (the "Directors") are pleased to present Report of the Directors together with the audited financial statements of the Group for the year ended 31st December 2017.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL OPERATIONS ANALYSIS

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

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.

BUSINESS REVIEW

For the year ended 31st December 2017, the Group recorded a consolidated revenue of HK$2,428,487,000, representing an increase of 2.0% over the same period last year. Profit attributable to the shareholders of the Company amounted to HK$268,988,000, representing a decrease of 16.4% over the same period last year, or nearly the same as last year if the one-off gain in 2016 were excluded.

In 2017, China experienced stable and yet slowing growth in foreign trade, and was still in the stage of structural adjustment, with modest growth in both import and export. According to the statistics of Hong Kong Maritime and Port Board, the container throughput of Hong Kong Port was approximately 20.763 million TEU, representing a year-on-year increase of 4.8%, the first annual increase recorded after 2011. However, decreases were recorded in the volume of containers handled by mid-stream operations, inland river vessels and public cargo working areas. The waterway passenger transport market between Guangdong and Hong Kong recovered in general, with a certain increase in the number of visitors to Hong Kong. The Group pooled the wisdom of all parties, exerted persistent efforts in professionalised operation and captured the opportunities arising from the economic recovery to accomplish its objectives and achieve growth in most of its business indicators.

Regarding the terminal navigation logistics business, the Group continued to promote professionalised operation and give full play to the "Consolidated CKTL" platform, with its business volume remained stable. During the year, the container transportation volume reached 1,524,000 TEU, representing a year-on-year increase of 5.0%, while break bulk cargo transportation volume reached 410,000 tons, representing a year-on-year increase of 42.9%. As for cargo handling business, the container handling volume reached 1,417,000 TEU, representing a year-on-year increase of 1.2%, while the break bulk cargo handling volume reached 1,852,000 tons, representing a year-on-year increase of 17.4%, and the container hauling and trucking volume amounted to 267,000 TEU, representing a year-on-year decrease of 6.6%.

Regarding the passenger transportation business, benefiting from favorable factors such as the recovery of the tourism market and the stability of the social environment in Hong Kong, the Group recorded growth in certain indicators. During the year, the total number of passengers for agency services was 6,303,000, representing a year-on-year increase of 1.4%. The number of passengers for terminal services was 6,293,000, representing a year-on-year decrease of 5.0%.

The terminal navigation logistics business contributed a profit of HK$106,849,000 to the Group, representing a decrease of 36.1% as compared with HK$167,166,000 of the corresponding period last year, or a decrease of 6.6% if the one-off gain in 2016 were excluded. The passenger transportation business contributed a profit of HK$128,324,000 to the Group, nearly the same as compared with HK$128,473,000 of the corresponding period last year. The fuel supply business contributed a profit of HK$14,953,000 to the Group, representing a decrease of 20.6 % as compared with the HK$18,836,000 of the corresponding period last year.

I. TERMINAL NAVIGATION LOGISTICS BUSINESS

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

1. CARGO TRANSPORTATION BUSINESS

Business Operation Indicators

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

	For the year ended 31st December		
Indicators	2017	2016	Change
Container transportation volume (TEU)	1,523,989	1,452,066	5.0%
Break bulk cargoes transportation volume (revenue tons)	409,868	286,859	42.9%
Volume of container hauling and trucking on land (TEU)	266,697	285,411	-6.6%

Subsidiaries

The Group continued to promote professionalised operation of "Consolidated CKTL" and the business of Chu Kong Transhipment & Logistics Company Limited ("CKTL") achieved a breakthrough. The container transportation volume for the year recorded 1,524,000 TEU, representing a year-on-year increase of 5.0%. In spite of the slight decrease in the container transportation business between Guangdong and Hong Kong as compared with that of last year, CKTL still achieved double-digit growth in the volume of domestic liner business by cooperating with major customers such as Chigo Air-Conditioning, DEA General Aviation and BYD. As for the break bulk cargo transportation business, the break bulk cargo transportation volume for the year reached 410,000 tons, representing a significant year-on-year increase of 42.9%, which was mainly due to the significant year-on-year increase in liner cargo volume and bulk cargo volume.

Regarding the freight forwarding business, CKTL actively exploited overseas markets, and achieved breakthroughs in overseas business in 2017. Chu Kong Logistics (Malaysia) Sdn Bhd. recorded a freight forwarding volume of 3,000 TEU during the year, representing a year-on-year increase of 93.8%. Chu Kong Logistics (Singapore) Pte. Ltd. recorded a cumulative freight forwarding volume of 11,000 TEU during the year, representing a year-on-year increase of 2.2%. During the year, Chu Kong Logistics (Singapore) Pte. Ltd. exerted active efforts in expanding its business scope, such as food logistics business, and successfully set footprint in food cold-chain transportation. It also started vehicle logistics business, and successfully won the bid for the FCL and truck-load transportation business of BYD, which contributed to the higher gross profit of Chu Kong Logistics (Singapore) Pte. Ltd.

Regarding the air freight business, CKTL recorded air cargo transportation volume of 3,000 tons during the year, representing a year-on-year increase of 27.6%. The company stepped up its efforts in exploring new clients, cargo sources and high value-added businesses; reviewed and updated the information of the major clients for its routes, optimised the structure of existing routes, improved the quality of its services, and extended services based on clients' needs to enhance customer stickiness.

2. CARGO HANDLING AND STORAGE BUSINESS

Business Operation Indicators

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

	For the year ended 31st December		
Indicators	2017	2016	Change
Container handling volume (TEU)	1,417,099	1,400,124	1.2%
Volume of break bulk cargoes handled (revenue tons)	1,851,732	1,577,880	17.4%

Subsidiaries

The overall performance of the business in Zhuhai region was basically the same as that of last year. The total container handling volume of the two terminals in the region amounted to 252,000 TEU. The container handling volume of Civet Port was 197,000 TEU during the year, representing a slight increase of 2.2% as compared with last year. In 2017, Typhoon "Tiange" struck Zhuhai and made an impact on the terminal business in Zhuhai region, and yet Civet Port was affected to a lesser extent. Civet Port successfully captured the opportunity arising therefrom to attract the clients from neighboring ports and terminals to Civet Port, which had accordingly mitigated the negative impact that would have been caused by the typhoon. In addition, after the completion of the warehouse renovation by Civet Port, part of the warehouse together with the container yards has been expanded to Civet Terminal Supervised Zone as planned, which had been approved by the customs and put into operation at the beginning of the year. In order to meet future development needs, the fire protection upgrade for part of the warehouse was carrying out by Civet Port, and scheduled to be completed in 2018. Doumen Port recorded a container handling volume of 55,000 TEU during the year, representing a year-on-year decrease of 6.7%, which was mainly attributable to the relocation of production lines by major clients. Despite the above, Doumen Port actively explored new clients, reduced the reliance on major clients, and lowered clients' costs to improve the competitiveness of the port.

The overall performance in Zhaoqing region was outstanding. The Group promoted the unified management in the region by virtue of the operational advantages arising from professionalised management and conglomeration, completed the unified construction of marketing teams and business cost accounting, and successfully overcome the unfavorable factors in the external environment by means of increasing the efforts in cargo canvassing, optimising the configuration of the container yard and the structure of cargo sources and accelerating the return of empty containers, thus recording an overall container handling volume of 336,000 TEU in the region, representing a year-on-year increase of 10.2%. The container handling volume of Zhaoqing New Port reached 145,000 TEU, representing a year-on-year increase of 12.9%. Zhaoqing New Port and Zhaoqing Sihui Port complemented each other, expanded cargo sources and enhanced the overall competitiveness through the implementation of integrated marketing strategy. Moreover, Zhaoqing New Port fully leveraged on its position as a hub to actively explore new business model, and took advantage of the convenience offered by the domestic trade terminals in Guangxi and domestic trade business of Zhaoqing New Port to explore the "water-to-water" business model, so as to diversify its business scope. The container handling volume of Zhaoqing Kangzhou Port experienced a year-on-year growth of 51.9%, and its break bulk cargo handling volume experienced a year-on-year growth of 268.9% due to the new gravel shipment business started in the fourth quarter in addition to the stable and growing volume of Middle Density Fiber business. The container handling volume of Zhaoqing Sihui Port was 117,000 TEU, which was basically the same as that of last year. Zhaoqing Sihui Port sought to extend its business reach, cooperated with Zhaoqing Ruijun to engage in cross-border e-commerce (B2C) business to actively explore and officially operated its e-commerce projects, which has generated new drivers for profit growth. Moreover, Zhaoqing Sihui Port cooperated with the transportation fleet of Nanjiang Port to avoid over-load transportation, invented a new model of "one loaded/one empty container" freight transportation, and experienced a stable growth in the sources for ceramics export. The increment of ceramics export for the year was 104.1%, and the number of new freight forwarding and trading clients for ceramics export was over 10, with its customer base growing consistently. The container handling volume of Zhaoqing Gaoyao Port reached 62,000 TEU during the year, representing a year-on-year increase of 19.4%. Due to the impact caused by the overloading prevention for land transportation, most of the freight forwarding companies chose to receive imported containers in Gaoyao Port, which had thus driven the demand of the containers for imported stoneware.

Foshan Gaoming Port recorded a business volume of 417,000 TEU during the year, representing a year-on-year increase of 8.5%. In addition to the remarkable growth in the container business for renewable resources, Gaoming Port also successfully developed two new clients for the "water-to-water" business, which contributed to the growth in the export of factory trade cargo volume. Moreover, Gaoming Port also optimised its operational procedures to take advantage of the limited site area to improve the efficiency of operation and further explore the potential of the terminals for cargo handling, so as to increase the container handling volume of Gaoming Port. Meanwhile, Gaoming Port also improved the structure of cargo sources, benefiting from which, the average unit price of its containers experienced a year-on-year increase and thus its net profit recorded a stable growth.

The container handling volume of Qingyuan Port was 29,000 TEU during the year, representing a year-on-year increase of 0.7%. Despite the decrease in the handling volume of the imported containers for renewable resources caused by the impact of various unfavorable factors such as the policies on customs and environmental protection, Qingyuan Port adjusted its marketing philosophy in active response to external challenges. First of all, Qingyuan Port strived to maintain the relationship with existing customers. Then Qingyuan Port enhanced the operation management of barges and exerted active efforts in promoting the barge transportation services for domestic liners. It also established a terminal-oriented marketing management mechanism to enhance the marketing to and the exploration of major clients, and successfully acquired new important customers of bulk ceramics export.

The overall performance of the terminals in Hong Kong region declined as compared with last year. The container handling volume in the region for the year was 372,000 TEU, representing a year-on-year decrease of 13.5%, which was mainly due to the decrease in the exported containers of renewable resources caused by the policies on customs and environmental protection. Despite the above, CKTL exerted great efforts in seeking for business opportunities and explored new types of cargo transportation services for the export to the renewable resource market in Southeast Asia with a view to mitigating the impact caused by the policies on its business. In response to the new normal, CKTL enhanced its service standard to provide clients with better services, and began to charge seal fees in Shunde region, which brought new source of income to the company. It also smoothly launched open top container business, which had laid a foundation for CKTL to launch special container transportation business in future. Meanwhile, the truck scale project for Tuen Mun Godown Wharfs had been smoothly completed and put into operation, creating a new value-added service for the Tuen Mun Godown Wharfs and estimated to be a new driver for the profit growth of the company in the future. In addition, CKTL also successfully won the bids for the projects of Nam Kwong Logistics and Chaoyi, which marked an important milestone for the transformation of CKTL into a comprehensive logistics supplier.

In 2017, Zhongshan Huangpu Port officially went into operation. During the year, Zhongshan Huangpu Port explored foreign trade business, actively developed major clients as well as large liners and freight forwarding companies, and strengthened the communication with joint inspection authorities to create a favorable clearance environment and commence work for key projects. The total container handling volume of Zhongshan Huangpu Port was 11,000 TEU during the year.

Joint Ventures and Associates

The performance of the operating businesses of the joint ventures and associates of the Group were mixed.

The major terminals in the Jiangmen region included Guangdong Sanbu Passenger and Freight Transportation Co., Ltd. and Heshan County Hekong Associated Forwarding Co., Ltd. During the year, the Jiangmen region recorded an accumulative container handling volume of 218,000 TEU, representing a year-on-year decrease of 15.4%, of which Heshan Port recorded a container handling volume of 74,000 TEU, representing a year-on-year decrease of 39.4%. Sanbu Port recorded a container handling volume of 144,000 TEU during the year, representing a year-on-year increase of 6.4%. Sanbu Port consolidated its presence in market segments, strengthened marketing management, actively explored new markets and new cargo sources, and successfully acquired new cargo sources.

During the year, the four terminals in the Foshan region, namely Foshan New Port Ltd., Foshan Nankong Terminal Co., Ltd., Chu Kong Cargo Terminals (Beicun) Co., Ltd. and Sanshui Sangang Containers Wharf Co., Ltd., achieved a total container handling volume of 475,000 TEU, representing a decrease of 7.1% as compared with last year. During the year, Foshan New Port recorded a container handling volume of 285,000 TEU, representing a year-on-year increase of 3.4%; Foshan Nangang Port recorded a container handling volume of 146,000 TEU, representing a year-on-year increase of 25.6%; Foshan Beicun Port recorded a container handling volume of 20,000 TEU, representing a year-on-year increase of 32.1%; and Sanshui Sangang Port recorded a significant decrease in the container handling volume due to the impact of environmental protection policies on its business.

In respect of the terminal navigation logistics business, the joint ventures and associates contributed a profit of HK$22,147,000 to the Group, representing a year-on-year decrease of 27.1%.

II. PASSENGER TRANSPORTATION BUSINESS

Business Operation Indicators

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

	For the year ended 31st December Number of Passengers (in thousands)		
Indicators	2017	2016	Change
Number of passengers for agency services	6,303	6,217	1.4%
Number of passengers for terminal services	6,293	6,625	-5.0%

Subsidiaries

The passenger transportation business of the Group gradually recovered. During the year, the total number of passengers for agency services of Chu Kong Passenger Transport Company Limited ("CKPT") was 6,303,000, representing a year-on-year increase of 1.4%; the number of passengers for terminal services was 6,293,000, representing a year-on-year decrease of 5.0%.

Regarding urban routes, the number of passengers for agency services was 4,139,000, representing a year-on-year increase of 2.1%. In 2017, the tourism market in Hong Kong gradually recovered, together with the 20th anniversary of the return of Hong Kong, had contributed to the increase in the number of visitors to Hong Kong and thus created a better overall environment of the passenger transportation market. CKPT launched the co-operation with Nansha route in 1st March 2017, which has generated a great number of new passengers and driven the growth in the number of passengers of the urban routes in general, with over 150,000 newly acquired passengers of the urban routes during the year. However, due to the impact of the successive typhoons that hit the Pearl River Delta in August and September this year, many flights of the urban routes were suspended. In particular, Typhoon "Tiange" caused serious damage to Jiuzhou Port in Zhuhai and severely affected the normal operation of the flights. Therefore, the increase in the number of passengers for agency services for the urban routes during the year was basically offset by the negative impact caused by multiple typhoons, as a result of which, the total number of passengers for agency services for the urban routes only recorded a year-on-year increase of 2.1%.

Regarding airport routes, the number of passengers served during the year was 2,164,000, representing a slight year-on-year increase of 0.1%. Different results were recorded by different routes with ups and downs respectively. Since the international flight business of neighboring airports became increasingly mature, a portion of the passenger flow was diverted from Hong Kong International Airport. Moreover, due to the impact of neighboring countries and regions, part of the cross-border tourism market began to cool down with a decrease in the total number of group tourists, and the number of Taiwanese that pay regular visits to Shenzhen and Dongguan also declined. In response to the external unfavorable factors, CKPT optimised flight arrangement and exerted greater efforts on market exploration and development, and part of the airport routes recorded an increase in the number of passengers accordingly, of which Macau airport route, Zhongshan airport route and Lianhuashan airport route recorded double-digit growth in the number of passengers by increasing the number of flights and exerting greater efforts on the exploration of group passengers and marketing.

Leveraging on the local ferry business platform, CKPT focused on promoting the middle to high-end tourism project "Victoria Harbour Cruise", so as to speed up the localisation of its business. In addition, in line with the national strategy of "Belt and Road Initiative", CKPT captured the opportunities presented by the retirement of aged-ferries in China to tap into the second-handed ship market in Southeast Asia and the development of the passenger transportation projects in Southeast Asia including the Gulf of Thailand so as to drive new developments with new projects. CKPT also enhanced its marketing efforts in Southeast Asia. In July, it participated in the Thailand International Tourism Exhibition held in Bangkok together with Miramar Service (Thailand) Co., Ltd., during which it focused its efforts on promoting the "Air-sea Union" services and displayed the cutting-edge high-speed passenger ferry made of carbon fiber to the peers and audience. CKPT entered into a cooperation agreement with Miramar Service (Thailand) Co., Ltd., pursuant to which, Miramar Service (Thailand) Co., Ltd, will act as the agency of CKPT for airport route business in overseas regions such as Sri Lanka, Thailand and Cambodia, so as to further broaden the channels for overseas sales. CKPT also successfully acted as the general agency for the logistics, transport connection and security services in respect of the visit of the Liaoning aircraft carrier formation under the Chinese People's Liberation Army Navy to Hong Kong during the 20th anniversary for the return of Hong Kong, during which it deployed 90 flights to serve over 16,000 soldiers and citizens in total, and won unanimous praise from all walks of life.

Joint Ventures and Associates

During the year, the number of passengers served by SkyPier (operated by Hong Kong International Airport Ferry Terminal Services Limited) decreased, generating attributable profit of HK$8,775,000, representing a year-on-year decrease of 5.9%. The total number of passengers of Zhongshan – Hong Kong Passenger Shipping Co-op Co. Ltd. ("ZHPS") continued to increase, whereas the number of passengers for urban routes and airport routes increased by 7.2% and 13.3% year-on-year, respectively. The total number of passengers of Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd. ("SGPT") for all routes was basically the same as that of last year. In 2017, ZHPS and SGPT contributed a profit of HK$34,875,000 and HK$10,997,000 to the Group during the year respectively, representing a year-on-year decrease of 13.3% and 19.4% respectively which mainly due to the increase of oil price.

The consortium which is comprised of the associate of the Group, Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Co., Ltd., together with Zhuhai Yuegongxin Marine Shipping Limited Liability Company and Hong Kong-Zhuhai-Macao Land Transportation (Macao) Joint Stock Limited Company was confirmed as the successful tenderer on 23rd August 2017. The consortium is the sole operator of shuttle bus for the boundary crossing facilities of the Hong Kong-Zhuhai-Macao Bridge and will be principally engaged in the operation of cross-border bus transportation service and its ancillary businesses for the Hong Kong-Zhuhai routes and Hong Kong-Macao routes between Zhuhai, Hong Kong and Macao boundary crossing facilities of the Hong Kong-Zhuhai-Macao Bridge. Currently, the Project is still under preparation.

In respect of the passenger transportation business, the joint ventures and associates contributed a profit of HK$54,636,000 to the Group, representing a year-on-year decrease of 12.2%.

III. FUEL SUPPLY BUSINESS

As to the fuel supply business, because of the routes adjustment of certain ferry terminals, Sun Kong Petroleum Company Limited ("Sun Kong Petroleum") recorded a sales volume of 120,000 tons for diesel, representing a decrease of 2.4% as compared to the corresponding period last year. The sales volume of engine oil was 530,000 litres, declining by 6.9% over the corresponding period last year, mainly due to a reduced cargo transportation of ocean cargo vessels. However, the amount of fuel charged by ocean cargo vessels each time was large with a long interval, and was thus of low comparability. Sun Kong Petroleum contributed a profit of HK$14,953,000 to the Group for the year.

IV. CORPORATE AND OTHER BUSINESSES

As to the corporate and other businesses, Cotai Chu Kong Shipping Management Services (Macau) Company Limited is committed to improve the efficiency of operations, focused on increasing the core competitiveness of the company, and propelled the implementation of the Group's Macau strategy. In addition to continuing to consolidate its existing businesses, the company also expanded its business scope by exploring businesses such as vessel repair and maintenance services.

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

ENVIRONMENT, SOCIETY AND GOVERNANCE

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

For environment protection, during the year, the Group continued to adhere to the 3Rs principle (namely Reduce, Recycle and Reuse). For example, the Group proactively promoted the use of environmental-friendly paper, envelopes and other materials, in an effort to achieve paperless practice, energy conversation and low-carbon operation. The Group also strictly abided by the Law on Prevention and Control of Environmental Pollution (《環境污染防治法》), the Clean Water Action Plan (《水十條》) and the Law on Prevention and Control of Environmental Pollution by Solid Waste (《固體廢棄物污染防治法》) and other relevant laws and regulations during the operation process, so as to ensure that the discharge and treatment of all kinds of pollutants met the standards as required by the relevant laws and regulations. The Group encouraged its subsidiaries to improve utilisation efficiency of resources by reducing the use of fuel oil, water, electricity and other resources and improving the treatment of production waste to meet the discharge standards. The Group also promoted the substitution of high energy-consuming equipment with energy-saving and environmentally-friendly equipment, and regularly carried out inspection on machinery and equipment discharging pollutants to ensure the compliance of discharge standards.

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

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

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

FINANCIAL REVIEW

Financial Management and Control

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

Given the industry characteristics of the core business of the Group, emphasis of routine financial control management is placed on the management of working capital, particularly the timely receipts of trade receivables. As at 31st December 2017, net trade receivables of the Group amounted to HK$310,037,000, representing a decrease of 7.6% as compared with last year, of which 89.5% of trade receivables was aged within 3 months. The exposure to bad debts was controlled at a relatively low level.

Review of Financial Results

The Group recorded a profit attributable to equity holders of the Company of HK$268,988,000, representing a decrease of HK$52,783,000 or 16.4%, as compared with last year, details of which are as follows:

	2017 HK$'000	2016 HK$'000	Change HK$'000
Net operating profit*	192,158	229,123	-36,965
Share of profits less losses of joint ventures and associates	76,830	92,648	-15,818
Profit attributable to equity holders of the Company	268,988	321,771	-52,783

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

The Group's share of profits less losses of joint ventures and associates for the year decreased by HK$15,818,000 or 17.1% from last year to HK$76,830,000. Among these, profit after taxation attributable to terminal navigation logistics business was HK$22,147,000 (2016: HK$30,375,000) and profit after taxation attributable to passenger transportation business was HK$54,636,000 (2016: HK$62,252,000).

Liquidity, Financial Resources and Capital Structure

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

The Group closely monitored its working capital and financial resources to maintain a solid financial position. As at 31st December 2017, the Group secured a total credit facilities of HK$975,000,000 and RMB260,000,000 (equivalent to approximately HK$311,042,000) (2016: HK$1,225,000,000 and RMB100,000,000 (equivalent to approximately HK$111,794,000)) granted by bona fide banks.

As at 31st December 2017, the current ratio of the Group, calculated by dividing current assets by current liabilities, was 2.2 (2016: 1.4).

As at 31st December 2017, the Group's cash and cash equivalents amounted to HK$769,152,000 (2016: HK$817,669,000), which represented 17.2% (2016: 20.3%) of the total assets.

As at 31st December 2017, the gearing ratio of the Group, represented by bank borrowings divided by total equity and bank borrowings, was 10.0% (2016: 8.7%) and the debt ratio, representing total liabilities divided by total assets, was 26.0% (2016: 27.6%).

After considering its current cash and cash flows from operating activities, as well as the credit facilities available to the Group, it is believed that the Group has sufficient capital to fund its future operations and for business expansion and general development purposes. During the year, the Group did not use any financial instruments for hedging purpose.

Bank Loans and Pledge of Assets

Bank Loans	As at 31st December 2017	As at 31st December 2016
Banks located in Hong Kong (note 1)		
– Hong Kong Dollar	190,000,000	200,000,000
Bank located in China (note 2)		
– Renminbi	146,304,000 (equivalent to approximately HK$175,026,000)	68,763,000 (equivalent to approximately HK$76,873,000)

Notes:

1. The loans from banks located in Hong Kong in 2017 borne floating interest rate and were unsecured. The relevant terms of which are identical with those set out in 2016 Annual Report.

2. The loans from banks located in China in 2017 borne floating interest rate and was secured by the land use right of Zhongshan Huangpu Port and certain properties and the land use right of Civet Port. Save as the new bank loan of Civet, the relevant terms of the bank loan of Zhongshan Huangpu Port are identical with those set out in 2016 Annual Report.

3. Detailed analysis on bank loans is set out in note 24 to the financial statements.

Currency Structure

As at 31st December 2017, the Group deposited its cash and cash equivalents with several reputable banks, of which 52.9% (2016: 30.0%) were denominated in Hong Kong dollar ("HKD"), 37.2% (2016: 63.4%) in Renminbi ("RMB"), 7.0% (2016: 4.7%) in United States dollar ("USD"), 2.9% (2016: 1.9%) in Macau pataca and small amount in Euro (2016: Nil) details are as follows:

	Amount HK$'000	Percentage %
HKD	407,222	52.9
RMB	286,157	37.2
USD	53,482	7.0
Macau pataca	22,289	2.9
Euro	2	0
	769,152	100

Capital Commitments

Details of capital commitments of the Group are set out in note 36(a) to the financial statements.

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

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

Save as disclosed in this annual report, the Group had no other material acquisition or disposal of any subsidiaries, joint ventures and associates for the year.

SIGNIFICANT INVESTMENT

Save as disclosed in this annual report, there was no significant investment held by the Group for the year.

CONTINGENT LIABILITIES

As at 31st December 2017, the Group had no material contingent liabilities (2016: Nil).

FINANCIAL SUMMARY

A summary of the financial information of the Group for the last five financial years is set out on page 155 of this annual report. Such summary does not form part of the audited financial statements.

DIVIDENDS

The directors of the Company (the "Directors") have declared during the year an interim dividend of HK3 cents (2016: HK3 cents) and an interim special dividend of HK1 cent (2016: nil) per ordinary share, totaling HK$44,076,000 (2016: HK$32,400,000) and was paid on 31st October 2017. The Directors have proposed a final dividend of HK5 cents (2016: HK6 cents) per ordinary share for the year ended 31st December 2017, totaling HK$55,094,000 (2016: HK$64,800,000) to Shareholders whose names appeared on the register of members on 25th May 2018. The final dividend is expected to be paid in cash with an option to elect to receive wholly or partly an allotment and issue of new shares of the Company credited as fully paid in lieu of cash in respect of the proposed final dividend. Subject to the Shareholders' approval of the payment of final dividend for the year ended 31st December 2017 at the AGM, details of the scrip dividend scheme will be set out in a circular to be despatched to the Shareholders.

To align with our mission to share our successes with the Shareholders, the Group has maintained a consistent dividend payout policy. With reference to the current cash and cash equivalents, the amount of dividends distributed in 2017 was HK9 cents per share, the percentage of total dividends over the profit attributable to equity holders of the Company (the "Dividend Payout Ratio") increased as compared with previous year. The Group's Dividend Payout Ratio in the last five years was as follows:

	Dividends per share HK$	Total dividends HK$'000	Profit attributable to equity holders of the Company HK$'000	Dividend Payout Ratio
2013	0.075	67,500	190,918	35.36%
2014	0.080	72,000	221,268	32.54%
2015 (restated)	0.100	108,000	265,004	40.75%
2016	0.090	97,200	321,771	30.21%
2017*	0.090	99,170	268,988	36.87%

* Dividends per share for the year included a proposed final dividend of HK5 cents per share.

EMPLOYEES AND REMUNERATION

As at 31st December 2017, the Group employed 2,006 employees (2016: 2,095) and remunerated its employees according to the duty of their positions and the market conditions. The staff costs of the Group for the year amounted to HK$432,568,000 (2016: HK$405,280,000), which included basic salaries and employee benefits such as discretionary bonus, medical and insurance plans, pension scheme and share option scheme etc. The Group will also provide trainings for staff from time to time in addition to the above employee benefits.

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

SIGNIFICANT RISKS AND UNCERTAINTIES

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

Demand Fluctuation Risk

The terminal navigation logistics business of the Group includes the transportation of cargoes between Hong Kong and the Pearl River Delta, and the economic depression in the international market resulted in excessive domestic and foreign shipping capacity at home and abroad, thus further leading to ongoing low prices and reduced profitability. Moreover, the demand arising from increased volume of cargoes cannot be satisfied due to limited site area and equipment of the terminals. The Group closely monitored the status of all major shipping companies, actively communicates with clients and major shipping companies and arranges professionals to coordinate the resources of suppliers, with a view to enhancing bargaining power and controlling operational costs. The Group also improves the auxiliary services for terminals and enhances competitive strengths and strive to distinguish itself by virtue of services.

The passenger transportation business of the Group mainly serves the passengers between Hong Kong, Macau and the Pearl River Delta. Due to the sluggish economic environment, weakening consumer confidence and the lower willingness for personal travel, the Group's businesses are reduced accordingly. Domestic policy directions have significant impacts on the number of passengers for passenger transportation business. The Group keeps abreast of the related policy trends, takes the initiative to communicate with government, studies the contents of new policies and assesses their impacts on our business, and makes timely adjustment on our market strategies and operational arrangements, as well as explores new markets and optimises the structures of passenger sources.

Market Competitiveness Risk

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

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

Safety Incident Risk

The terminal navigation logistics business in which the Group's subsidiaries have engaged is mainly operated by machines and workers at the wharf. Damaged goods, damaged machines and fatality and injuries of workers may be caused by machines' failure or aging, or error or improper handling by operators. Personal injury or fatality incidents will also incur as a result of workers' failure to operate or porterage according to the rules and regulations and safety code or lack of experience when working at the wharf and safety inspections are carried out without due care and cannot identify real safety hazards. The Group continuously strengthens machines maintenance management and safety inspection, conducts regular or ad-hoc inspection on machines and strengthens daily maintenance, and provides additional safety equipment and protective facilities. The Group enhances provision of regular staff training, on-the-job training and publicity to facilitate employees in every position to strictly execute and carry out their assigned duties, operational regulations and safety code, so as to improve employee's safety awareness and prevention and operating skills.

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

Funding Risk

Currently, the day-to-day operations and investing activities of the Group's subsidiaries are concentrated in Guangdong Province, Hong Kong and Macau, with operating revenues and expenses mainly denominated in HKD, as well as in RMB and USD to a lesser extent. Payments in RMB received in Mainland China may be used for payment of expenses and loan repayments of the Group which are denominated in RMB and incurred in Mainland China. Payments in HKD or USD received in Mainland China may be remitted to the Group's bank accounts in Hong Kong through proper procedures. As long as the linked exchange rate system with USD in Hong Kong is maintained in the short term, it is expected that the Group will not be exposed to significant exchange risk. However, the dividends paid by domestic subsidiaries to the Group are mainly denominated in RMB, and if the regulatory authorities in Mainland China tighten the regulation on the remittance of funds abroad, the remittance of funds abroad may be delayed. The Group will enhance the communication with banks, keep abreast of policy directions and get well prepared in advance. In addition, certain subsidiaries' failure to make sufficient risk assessment on the financing size, method and channel in the process thereof has led to increases in financing cost. The Group will increase the registered capital contributed by the shareholders as needed for strategic investment and development, so as to effectively reduce the financing cost.

CORPORATE STRATEGIES AND PROSPECTS

Focused on the objective of becoming a waterway public transportation service provider and provision of investment and operation services for terminal and navigation business in the Guangdong-Hong Kong-Macau Greater Bay Area, the Group will continue to take advantage of the strength in resource integration, exert great efforts on the development of integrated logistics business and propel the upgrade and modification of the information system for terminals. Moreover, the Group will also explore the market in greater depth, broaden its sales channels and develop new routes under agency service, and the consortium in which the Group joined has won the bid for the shuttle bus project of the Hong Kong-Zhuhai-Macao Bridge, thus enabling the Group to achieve business coverage on both water and road transportation.

In 2018, the Group will firmly seize the new development opportunities arising from the "Belt and Road Initiative" initiative and the Guangdong-Hong Kong-Macau Greater Bay Area, build up various platforms, optimise its landscape and promote the transformation and upgrade of its principal businesses. It will also strengthen the cooperation between cargo terminals and industrial parks, renovate the three traditional networks of cargo terminals, freight forwarding agencies and barging routes, optimise the layout of terminals and enhance the capability of providing comprehensive logistics services. In addition, the Group will build four types of platforms for passenger transportation, namely proprietary platforms, local platforms, cooperative platforms and overseas platforms, with a view to create greater glories in respect of waterway passenger transportation. The Board and the management are optimistic about the long-term development of the Group in the future, and will endeavor to get well prepared to embrace the challenges and opportunities arising in the coming year.

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

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

CAPITAL RAISING ACTIVITIES DURING THE YEAR AND USE OF PROCEEDS

There was no capital raising activity by the Group during the year.

SHARE CAPITAL

The Company issued 21,890,171 shares as final dividend for the year ended 31st December 2016 in accordance with the scrip dividend scheme, and such newly issued shares were credited as paid-up shares. Details of the Company's capital during the year are set out in note 18 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in note 20 and 39 to the financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31st December 2017, the Company's distributable reserves, calculated in accordance with the Part 6 of the Hong Kong Companies Ordinance, amounted to HK$1,097,466,000 (2016: HK$997,440,000), of which HK$55,094,000 (2016: HK$64,800,000) has been proposed as final dividend for the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31st December 2017, the combined value of the Group's contracts with its five largest suppliers accounted for less than 30% of the total value of supplies purchased. The Group's five largest customers together contributed less than 30% of its total revenue and other income during the year ended 31st December 2017.

DIRECTORS

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

Executive Directors:

Mr. Huang Liezhang (Chairman of the Board) (appointed on 17th November 2017)
Mr. Zeng He
Mr. Cheng Jie
Mr. Xiong Gebing (resigned on 17th November 2017)

Non-executive Director:

Mr. Fan Linchun (appointed on 17th November 2017)
Mr. Zhang Lei (resigned on 17th November 2017)

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. Chan Kay-cheung shall retire by rotation at the forthcoming annual general meeting and, being eligible, shall offer himself for re-election at the meeting.

DIRECTORS OF SUBSIDIARIES

The names of all directors who have served on the boards of the subsidiaries of the Company (as included in the consolidated financial statements of the Company for the year ended 31st December 2017) from 1st January 2017 up to 23rd March 2018 (being the date of approval of the Company's 2017 Annual Report) are available on the Company's website at www.cksd.com.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS

Save for the Share Option Scheme disclosed below, at any time during the year or at the end of 2017, neither the Company nor any of its subsidiary undertakings was a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of the Company or any other body corporate.

DIRECTORS' SERVICE CONTRACTS

The Company has entered into letters of appointment with all current Directors for a fixed term of three years, but they 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 048 to 051 of this annual report.

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

REMUNERATION OF DIRECTORS AND FIVE HIGHEST-PAID EMPLOYEES

Details of the remuneration of Directors (on a named basis) and the five highest-paid employees are set out in note 40 and 34 to the financial statements, respectively.

ADOPTION OF MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

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

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

At 31st December 2017, interests or short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO; or were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are deemed or taken to have under such provisions of the SFO); or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code are as follows:

Share Options (Long Positions)

Name of Directors and chief executive	Capacity	Number of underlying shares involved under share options	Percentage to the issued shares of the Company (Note 1)
Mr. Xiong Gebing (Note 2)	Beneficial owner	241,000	0.0218%
Mr. Zeng He	Beneficial owner	201,000	0.0182%
Mr. Cheng Jie	Beneficial owner	201,000	0.0182%
Mr. Fan Linchun	Beneficial owner	201,000	0.0182%
		844,000	0.0766%

Note 1: Percentage of shareholding is calculated on the basis of 1,101,890,171 issued shares of the Company as at 31st December 2017.

Note 2: Mr. Xiong Gebing resigned as the executive Director of the Company on 17th November 2017, but remained as the general manager of the Company.

Save as disclosed above, as at 31st December 2017, the Company has not been notified of any interests or short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO; or were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

EQUITY-LINKED AGREEMENT

Share Option Scheme

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

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

Purposes

The purposes of the Share Option Scheme are to:

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

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

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

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

Incentive Objects

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

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

Conditions of Grant of Share Options

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

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

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

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

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

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

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

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

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

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

Limit

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

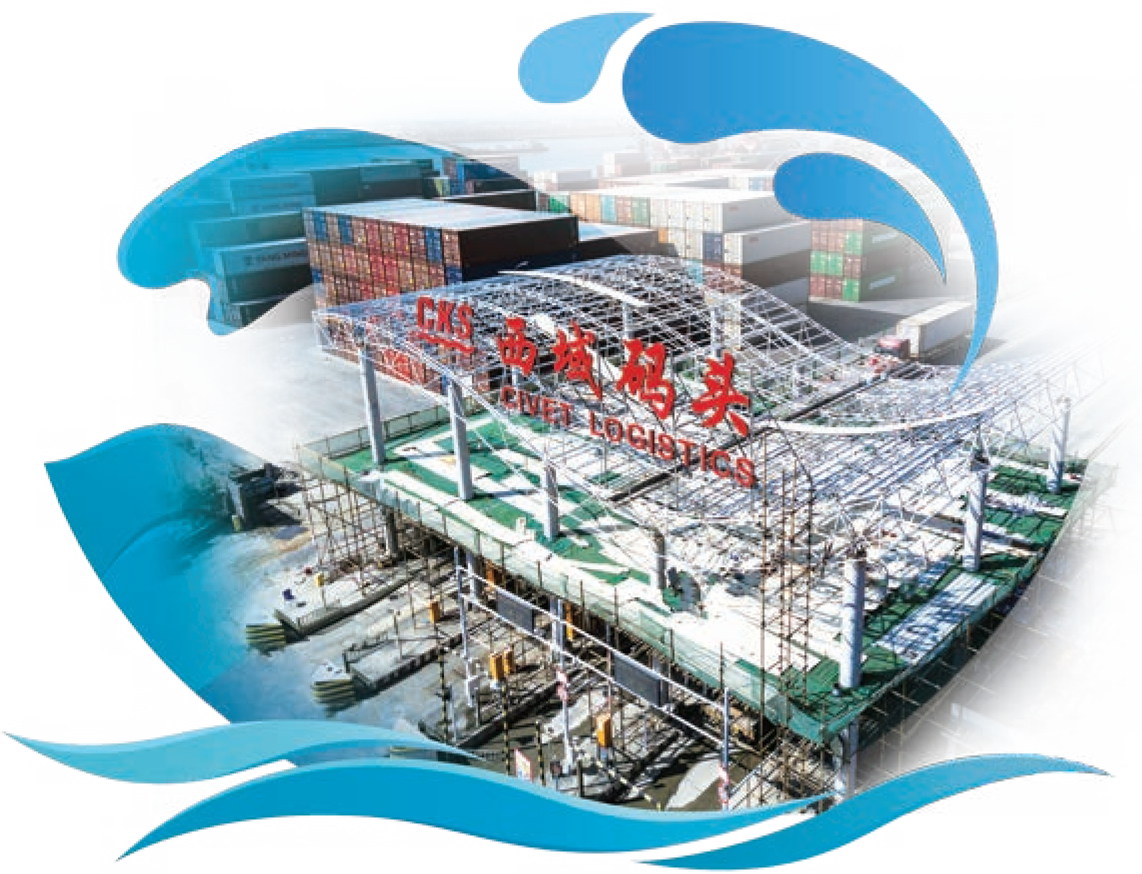
The total number of share options to be granted initially under the Share Option Scheme shall not exceed 1% of the total number of issued shares of the Company.

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

Acceptance of Offer of Share Options and Payment

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

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



Effective Date of Share Options

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

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

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

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

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

Validity Period of Exercise of Share Options

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

Exercise Price

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

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

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

Validity Period of the Share Option Scheme

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

The Shares Issuable under the Share Option Scheme

The total number of shares that may be issued under the Share Option Scheme is 108,000,000, representing 9.8% of issued shares of the Company as at the date of this annual report. On 18th December 2015, the Company granted share options (which were duly accepted by the eligible persons subsequently) under the Share Option Scheme to certain eligible persons to subscribe for a total of 9,165,000 ordinary shares. During the year ended 31st December 2017, the changes of share options granted under the Share Option Scheme are as follows:

Incentive Objects	Date of Grant	Exercise Price per Share Option (HK$) (Note 1)	Exercise Period	Held on 1st January 2017 (Note 2)	Granted During the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Held on 31st December 2017
				Number of shares in respect of share options					
Directors, chief executives or substantial Shareholders or their respective associates									
Mr. Xiong Gebing (Director) (resigned on 17th November 2017)	18th December 2015	2.33	19th December 2017 to 18th December 2024	241,000	–	–	–	–	241,000
Mr. Zeng He (Director)	18th December 2015	2.33	19th December 2017 to 18th December 2024	201,000	–	–	–	–	201,000
Mr. Cheng Jie (Director)	18th December 2015	2.33	19th December 2017 to 18th December 2024	201,000	–	–	–	–	201,000
Mr. Zhang Lei (Director) (resigned on 17th November 2017)	18th December 2015	2.33	19th December 2017 to 18th December 2024	201,000	–	–	(201,000) (Note 3)	–	0
Mr. Fan Linchun (Director) (appointed on 17th November 2017)	18th December 2015	2.33	19th December 2017 to 18th December 2024	201,000					201,000
Staff of the Group	18th December 2015	2.33	19th December 2017 to 18th December 2024	7,209,000	–	–	(1,190,000) (Note 4)	–	6,019,000
Total				8,254,000	–	–	(1,391,000)	–	6,863,000

Notes:

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

2. On 18th December 2015, the Company granted share options to certain eligible persons in accordance with the Share Option Scheme to subscribe for a total of 9,392,000 ordinary shares, of which the share options in relation to 227,000 ordinary shares had not been accepted by the eligible persons. Accordingly, the offer of the grant of such share options automatically lapsed on 8th January 2016 and the shares in respect of such share options which had not been accepted by the eligible persons were not included in the number of share options held on 1st January 2017.

3. Mr. Zhang Lei resigned as the non-executive Director of the Company on 17th November 2017, and the share options for subscription of 201,000 ordinary shares held by him lapsed on the same day.

4. During 2017, share options entitling the holders to subscribe for 1,190,000 ordinary shares were lapsed due to employees' resignation, retirement or other reasons.

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

The remaining total number of shares which may be issued under the Share Option Scheme amounts to 101,137,000 shares, representing approximately 9.18% of the issued shares of the Company as at the date of this annual report.

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

DIRECTORS' INTERESTS IN CONTRACTS

During any time of the year or at the end of 2017, there was no transactions, arrangements or contracts of significance in relation to the Group's business which the Company, any of its subsidiaries, its holding company or any of the subsidiaries of its holding company was a party to or involved in, and in which a Director or its connected entity had a material interest, whether directly or indirectly.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

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

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

So far as was known to the Directors and the chief executive, on 31st December 2017, the following persons, other than a Director or the chief executive, had, or were deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Ordinary shares of the Company

Name of shareholder	Capacity/Nature of interest	Number of Shares (Note 1)	Percentage of shareholding (Note 2)
(i) Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE") (Note 3)	Beneficial owner	749,286,000 (L)	68.00%
(ii) Guangdong Province Navigation Group Company Limited ("GNG") (Note 3)	Interest of controlled corporation	749,286,000 (L)	68.00%

Notes:

1. The letter "L" denotes long position in the shares of the Company.
2. Percentage of shareholding is calculated on the basis of 1,101,890,171 issued shares of the Company as at 31st December 2017.
3. CKSE is wholly owned by GNG, GNG is deemed to be interested in all the shares held by CKSE pursuant to the SFO. Accordingly, the interests disclosed by shareholders (i) and (ii) above are in respect of the same shareholding.

Save as disclosed above, on 31st December 2017, the Directors and the chief executive were not aware of any other person who had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

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

CONNECTED TRANSACTIONS

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

Connected Transactions (the "CT")

1. On 28th February 2017, Sun Kong Petroleum Company Limited, a wholly-owned subsidiary of the Company and as the purchaser, entered into a shipbuilding agreement with Guangdong Hope Yue Shipbuilding Industry Limited, a wholly-owned subsidiary of GNG and as the vendor, pursuant to which, Guangdong Hope Yue Shipbuilding Industry Limited would build and sell an oil tanker to Sun Kong Petroleum Company Limited at a total consideration of RMB9,873,858. The aforesaid transaction is subject to the reporting and announcement requirements but exempt from the circular, independent financial adviser's advice and shareholders' approval requirements under Chapter 14A of the Listing Rules, and had been completed by 31st December 2017. For details of the transaction, please refer to the announcement of the Company dated 19th February 2017. The Group entered into the shipbuilding agreement in order to upgrade the fleets of oil tankers of the Group, satisfy the operation needs of the Group and improve the competitiveness of its shipping fleet as a whole.

Continuing Connected Transactions (the "CCT")

1. Master Fuel Supply Agreement

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

   The term of the Master Fuel Supply Agreement is from 30th June 2016 to 31st December 2018. Depending on the term of supply and the size of customers, the price of the diesel was determined by the Group after making reference to the followings: (a) the aggregate sum of (i) the monthly average spot price for diesel as quoted in the Singaporean market and (ii) the handling fees charged by the diesel supplier(s) plus an operational handling fees; (b) the selling price is to be adjusted from time to time based on the trend of the change in selling price of diesel as quoted by one of the largest diesel suppliers in Hong Kong; or (c) based on the spot settlement price for diesel as quoted in the Singaporean market on the date preceding the supply of diesel, and with reference to the trends of the change in the Brent Crude Oil price and the selling price of diesel as quoted by one of the largest diesel suppliers in Hong Kong. The price of lubricants was determined by the Group on the basis of cost plus a prevailing market rate. The annual caps of the Master Fuel Supply Agreement for the years ended 31st December 2016, 2017 and 2018 are HK$65,000,000, HK$100,000,000 and HK$100,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2017 was HK$94,193,000.

2. Master Passenger Transportation Agency Services Agreement

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

The term of the Master Passenger Transportation Agency Services Agreement is three years from 1st January 2016 to 31st December 2018. The passenger transportation agency fee was agreed from time to time after arm's length negotiation between the parties by making reference to the prevailing market rate of the passenger transportation agency services provided by other suppliers (with scale similar to the Group) to other customers (with scale similar to the GNG Group) at the relevant time. The annual caps of the Master Passenger Transportation Agency Services Agreement for the years ended 31st December 2016, 2017 and 2018 are HK$12,000,000, HK$13,000,000 and HK$14,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2017 was HK$10,544,000.

3. Master Ferry Technical Support Agency Services Agreement

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

The term of the Master Ferry Technical Support Agency Services Agreement is three years from 1st January 2016 to 31st December 2018. The service fee for the provision of the ferry technical support agency services were agreed from time to time after arm's length negotiation between the parties by making reference to the prevailing market rate of the ferry technical support agency services provided by other suppliers (with scale similar to GNG Group) to other customers (with scale similar to the Group) at the relevant time. The annual caps of the Master Ferry Technical Support Agency Services Agreement for the years ended 31st December 2016, 2017 and 2018 are HK$9,000,000, HK$9,500,000 and HK$10,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2017 was HK$7,015,000.

4. Master Ferry Terminal Luggage Facilities and Handling Services Agreement

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

The term of the Master Ferry Terminal Luggage Facilities and Handling Services Agreement is three years from 1st January 2016 to 31st December 2018. The service fee for the provision of the ferry terminal luggage facilities and handling services comprise (a) the passenger levy (which is based on the number of passengers departing from and arriving at the relevant terminals); and (b) luggage handling charges (which is based on the number of luggage handled at the relevant terminals). The passenger levy and the luggage handling charges were agreed from time to time after arm's length negotiation between the parties by making reference to the prevailing rate chargeable against other ferry service carriers (other than the Group) for other routes at the same relevant terminals at the relevant time. The annual caps of the Master Ferry Terminal Luggage Facilities and Handling Services Agreement for the years ended 31st December 2016, 2017 and 2018 are HK$7,800,000, HK$8,200,000 and HK$8,700,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2017 was HK$5,373,000.

5. Master Sub-baggage Handling Services Agreement

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

The term of the Master Sub-baggage Handling Services Agreement is three years from 1st January 2016 to 31st December 2018. The baggage handling charges were agreed from time to time after arm's length negotiation between the parties by making reference to the amount of the handling charges received by the relevant member of the GNG Group from all ferry service carriers based on the number of luggage handled at the relevant terminal. The annual caps of the Master Sub-baggage Handling Services Agreement for the years ended 31st December 2016, 2017 and 2018 are HK$10,000,000, HK$10,500,000 and HK$11,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2017 was HK$7,175,000.

6. Master IT Services Agreement

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

The term of the Master IT Services Agreement is three years from 1st January 2016 to 31st December 2018. The fee for the provision of the IT services (i.e. monthly service fees and additional usage charges for the provision of IT services to the Group) was based on the usage amount for the IT services, and were agreed from time to time after arm's length negotiation between the parties by making reference to the prevailing market price of the IT Services provided by other suppliers (with scale similar to GNG Group) to other customers (with scale similar to the Group) at the relevant time. The annual caps of the Master IT Services Agreement for the years ended 31st December 2016, 2017 and 2018 are HK$8,000,000, HK$8,000,000 and HK$8,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2017 was HK$5,780,000.

7. Master Rental Agreement

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

The term of the Master Rental Agreement is three years from 1st January 2016 to 31st December 2018. The rent in respect of the leasing of the premises was based on arm's length negotiation between the parties involved with reference to the prevailing market rent for similar properties in the same region. The annual caps of the Master Rental Agreement for the years ended 31st December 2016, 2017 and 2018 are HK$21,600,000, HK$21,600,000 and HK$21,600,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2017 was HK$17,992,000.

8. Master Vessels Rental Agreement

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

The term of the Master Vessels Rental Agreement is three years from 1st January 2016 to 31st December 2018. The rent in respect of the leasing of cargo vessels was determined with reference to the prevailing market rental of cargo vessels and the relevant cost of expenses for operating the cargo vessels (excluding fuel charge), while the service fees in respect of the provision of non-scheduled vessel space or charter vessels were based on the cargo space and the destination of transportation. The rental and services fees were based on arm's length negotiation between the parties. The annual caps of the Master Vessels Rental Agreement for the years ended 31st December 2016, 2017 and 2018 are HK$38,000,000, HK$42,000,000 and HK$46,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2017 was HK$34,026,000.

9. Master Ferries Rental Agreement

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

The term of the Master Ferries Rental Agreement is three years from 1st January 2016 to 31st December 2018. The rent in respect of the leasing of ferries was based on arm's length negotiation between the parties involved with reference to the number of chartered trips and the prevailing market rental of ferries. The annual caps of the Master Ferries Rental Agreement for the years ended 31st December 2016, 2017 and 2018 are HK$6,400,000, HK$6,800,000 and HK$7,200,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2017 was HK$3,497,000.

10. Master Fuel Charge Agreement

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

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

11. Master Transportation Agreement

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

The term of the Master Transportation Agreement is three years from 1st January 2016 to 31st December 2018. The service fees were to be determined based on the destination of transportation, size of the cargo, weight of the cargo and the number of cargo after arm's length negotiation between the parties. The annual caps of the Master Transportation Agreement for the years ended 31st December 2016, 2017 and 2018 are HK$89,000,000, HK$98,000,000 and HK$110,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2017 was HK$57,490,000.

12. Management Agreement

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

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

On 28th June 2017, the Company (as a service provider) entered into a management agreement (the "New 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 New Management Agreement was 3 years from 1st July 2017 to 30th June 2020 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 New Management Agreement for the years ended 31st December 2017, 2018, 2019 and 2020 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 2017 was HK$15,000,000.

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

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

Part of the related party transactions (the "RPT") disclosed in the note 38 to the financial statements are the CT/CCT under Chapter 14A of the Listing Rules. The table below shows the amounts of the CT/CCT as defined in Chapter 14A of the Listing Rules among the RPT as disclosed in note 38 to the financial statements:

RPT Items	For the year ended 31 December 2017 RPT Amount HK$'000	For the year ended 31 December 2017 of which constitute CT/CCT HK$'000	For the year ended 31 December 2016 RPT Amount HK$'000	For the year ended 31 December 2016 of which constitute CT/CCT HK$'000
Revenues:				
Shipping agency, river trade cargo direct shipment and transshipment income	3,636	354	3,231	491
Passenger transportation agency fees	16,562	4,712	28,825	4,020
Ferry terminal operation service fees	28,856	5,832	31,319	4,224
Sub-baggage handling services fee	7,175	7,175	31,435	7,103
Management service fees	35,010	32,000	34,092	31,374
Vessel rental income	2,112	2,112	2,678	2,678
Interest income	278	—	292	—
Fuel supply income	151,626	90,025	221,133	42,206
Marine bunkering service	4,412	4,168	4,786	4,566
Consulting and software service	344	239	1,347	1,347
Wheel supply income	2,656	2,218	1,466	1,389

RPT Items	For the year ended 31 December 2017 RPT Amount HK$'000	of which constitute CT/CCT HK$'000	For the year ended 31 December 2016 RPT Amount HK$'000	of which constitute CT/CCT HK$'000
Expenses:				
Shipping agency, river trade cargo direct shipment and transshipment expenses	1,463	–	9,409	4,077
Wharf cargo handling, cargo transportation and godown storage expenses	41,762	23,629	64,465	25,664
Agency fee expenses	1,174	199	1,944	197
Ferry terminal operation services fee	7,015	7,015	7,138	7,138
Luggage handling fee	5,373	5,373	5,644	5,644
Fuel charges	–	–	3,596	2,007
Ferry rental expenses	3,497	3,497	2,950	2,950
Vessel rental expenses	34,026	34,026	31,455	31,455
Warehouse rental expenses	5,000	5,000	5,000	5,000
Office rental expenses	7,125	7,125	7,777	6,876
Staff quarter rental expenses	2,875	2,875	2,793	1,683
Property management fee expenses	2,992	2,992	1,359	1,359
Loan interest expenses	1,343	1,343	3,028	815
IT Management fee expenses	5,780	5,780	7,200	7,200
Vessel construction cost	11,412	11,412	–	–

The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules from time to time in respect of the aforementioned CT/CCT.

The Board engaged the auditor of the Company to report on the Group's CCT 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 CCT set out above in accordance with Listing Rule 14A.56 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The auditors have confirmed that the aforesaid CCT: (1) have been approved by the Board; (2) were in all material respects, in accordance with the pricing policies of the Group where the transactions involve the provision of goods or services by the Group; (3) were entered into, in all material respects, in accordance with the agreements relating to the transactions; and (4) have not exceeded the cap. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS OR ITS SUBSIDIARIES

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

MANAGEMENT CONTRACTS

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

INSURANCE ARRANGEMENT FOR DIRECTORS/PERMITTED INDEMNITY PROVISION

In order to facilitate the exercise of power by the Directors, the Company has already arranged suitable insurance in respect of the possible legal actions against the Directors to indemnify them from the liabilities that may arise from their participation in the decision-making process of the Company. These provisions were effective for the financial year ended 31st December 2017, and remained effective as at the date of this report.

DONATIONS

There was no any charity and other donations of the Group for the year (2016: RMB1,000,000 (approximately HK$1,154,000)).

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

In the opinion of the Directors, save as disclosed in the Corporate Governance Report, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the accounting period covered by this annual report. Please refer to the Corporate Governance Report on pages 052 to 066 of this annual report.

EXECUTIVE COMMITTEE

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

AUDIT COMMITTEE

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

REMUNERATION COMMITTEE

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

NOMINATION COMMITTEE

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

AUDITOR

PricewaterhouseCoopers will retire on expiry of its term at the 2018 annual general meeting of the Company. A resolution to re-appoint PricewaterhouseCoopers and to authorise the Directors to fix its remuneration will be proposed at the 2018 annual general meeting of the Company.

BY ORDER OF THE BOARD

Xiong Gebing
General Manager

Hong Kong, 23rd March 2018

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Huang Liezhang, aged 50, was appointed as executive director of the Company and the chairman of the Board on 17th November 2017, responsible for the strategic planning and decision-making of the Group. 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 successively appointed as the 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, the executive managing director of CKSE from July 2005 to June 2011, the managing director of the Company from June 2011 to May 2013, and the assistant to general manager of Guangdong Province Navigation Group Company Limited and the chairman of Guangdong Province Zhujiang Shipping Co., Ltd. from May 2013 to November 2017. He is currently the director of CKSE and the chairman of Chu Kong Shipping (Guangdong) Logistics Co., Ltd. Mr. Huang has more than 29 years of experience in navigation operation management and administration management.

Mr. Zeng He, aged 52, graduated successively from the Guangdong Communication Polytechnic, majoring in coastal navigation and Dalian Maritime University, majoring in economic management. He has joined the navigation business sector since 1987, with over 30 years of related working experience. Mr. Zeng was appointed as deputy general manager of the Company since June 2013 and executive director of the Company on 1st March 2014, as well as the safety representative, and is mainly responsible for safety production, administration and logistics, legal affairs and in charge of the passenger transport business of the Macau Branch Office of CKPT. Mr. Zeng is currently the director of CKPT, Zhuhai High-speed Passenger Ferry Co., Ltd. and Jiangmen Hong Kong Macau Joint Passenger Transportation Co., Ltd., the vice-chairman of Zhongshan Zhongshan-HongKong Passenger Shipping Co-op Co., Ltd., Doumen-Hong Kong Passenger Transportation Integrated Co., Ltd. and Foshan Nanhai Pinggang Passenger Transportation Co., Ltd., as well as the chairman of Macau Branch Office of CKPT, Chu Kong High-Speed Ferry Company Limited, Cotai Chu Kong Shipping Management Services (Macau) Co., Ltd., Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd., Shenzhen Airport Hi-speed Passenger Transport Co., Ltd. and Chu Kong Tourism Company Limited. Mr. Zeng worked successively as the deputy general manager and managing director of Sun Kong Petroleum Company Limited and China Hong Kong Macau Duty Free Goods Limited from 2005 to 2010 and the deputy general manager and general manager of human resources department of GNG from 2010 to 2013.

Mr. Cheng Jie, aged 48, was appointed as executive director and deputy general manager of the Company on 1st March 2014, responsible for the logistics professional operation of the port. Mr. Cheng graduated successively from Shanghai Maritime University (formerly Shanghai Maritime College) with a bachelor degree of international economics and South China University of Technology with an executive master degree in business administration. He has joined the navigation, logistics and corporation management sectors since 1992, with 26 years of related working experience. Mr. Cheng worked successively as the deputy managing 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 Province Zhujiang Shipping Co., Ltd. from 2009 to 2013. Mr. Cheng is currently the general manager of Chu Kong Shipping (Guangdong) Logistics Co., Ltd., the chairman of Chu Kong Maritime Consultant Co., Ltd., Chu Kong Shipping (Guangdong) Investment Limited, Chu Kong Infrastructure Investment Limited and Guangzhou Pintu Internet Co., Ltd., vice chairman of Guangzhou-Foshan Expressway Ltd. as well as director of Bonny Fair Development Limited and Pazhou (Guangzhou) Hong Kong and Macau Passenger Transport Company Limited.

NON-EXECUTIVE DIRECTOR

Mr. Fan Linchun, aged 52, has been appointed as non-executive director of the Company since 17th November 2017, participating in strategic planning and decision-making of the Group. Mr. Fan graduated from Shenzhen University with a bachelor degree in finance. He joined the financial and foreign currency management sector since 1986 and has over 30 years of working experience. Mr. Fan joined the People's Bank of China (PBOC) since 1986 and worked as the deputy director of Current Project Management Office of PBOC Guangzhou Branch from 2001 to 2005, the Vice President of PBOC Shanwei Central Branch and the deputy director of the State Administration of Foreign Exchange (SAFE) Shanwei Central Branch from 2005 to 2009, the deputy director of Capital Project Management Office of PBOC Guangzhou Branch from 2009 to 2011, the office director of the Cross-border RMB Settlement Pilot Work Group of PBOC Guangzhou Branch from 2011 to 2014 and the director of Financial Settlement Center of GNG from 2014 to 2015 and the deputy general manager of the Company from 2015 to 2017. Mr. Fan is also a director of CKSE and GTF Maritime Financial Leasing Co., Ltd.

Mr. Zhang Lei, aged 53, was appointed as non-executive director of the Company on 20th June 2011, participated in strategic planning and decision making of the Group, and resigned on 17th November 2017. Mr. Zhang graduated from the School of Communication, South China University of Technology, majoring in shipping machinery. Mr. Zhang has worked in the marine industry sector since 1986, and was appointed as assistant to general manager and deputy general manager of Guangdong New China Shipyard Ltd. from July 1996 to October 2000, managing director of the same company from November 2000 to April 2007, the chairman of the same company from April 2007 to November 2010, the chairman of Yuet Hing Marine Supplies Co., Ltd and Chu Kong Group Shipyard Co. Ltd from February 2011 to April 2015 and the director of CKSE from February 2011 to November 2017. Mr. Zhang has over 30 years of experience in marine industry management.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Kay-cheung, FHKIB, aged 71, is vice chairman of The Bank of East Asia (China) Limited. Mr. Chan worked as a senior advisor, executive director and deputy chief executive officer of The Bank of East Asia, Limited, and chairman of Shaanxi Fuping BEA Rural Bank Corporation as well. Mr. Chan was an executive director and deputy chief executive of The Bank of East Asia, Limited. Mr. Chan joined The Bank of East Asia, Limited in 1965 and possesses extensive knowledge and experience in the banking industry. Mr. Chan is a fellow member of the Hong Kong Institute of Bankers, a member of the Committee of Overseers of Lee Woo Sing College, The Chinese University of Hong Kong, a member of The China Unionpay International Advisory Group and an international senior economic consultant of The People's Government of Shaanxi Province. Mr. Chan is also an independent non-executive director of China Electronics Huada Technology 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 54, was appointed as independent non-executive director of the Company on 1st January 2005. Ms. Yau graduated from The University of Warwick in the United Kingdom with a master degree in business administration. Ms. Yau is a member holding Practising Certificate of the Hong Kong Institute of Certified Public Accountants. Ms. Yau is also a member of the Institute of Chartered Accountants in England & Wales. She has over 27 years auditing and commercial experiences. Ms. Yau presently is the financial controller and company secretary of Essex Bio-Technology Limited listed on the Main Board of the Stock Exchange

Mr. Chow Bing Sing, aged 68, was appointed as independent non-executive director of the Company on 1st June 2011. Mr. Chow graduated as a bachelor of social sciences at the University of Hong Kong in 1974. He worked as a social worker in his early career years and later joined the aviation industry. He had held senior management positions with the Civil Aviation Department of the Government of Hong Kong and the Airport Authority Hong Kong and has over 30 years of experience in aviation and logistics sectors. Mr. Chow is not only the chartered member of the Hong Kong Chartered Institute of Logistics and Transport and the member of the Hong Kong Logistics Association but also the Chairman of the Advisory Committee of the Logistics Research Centre of the Hong Kong Polytechnic University

SENIOR MANAGEMENT

Mr. Xiong Gebing, aged 52, has been appointed as general manager of the Company since 26th March 2013, currently responsible for the production and operation 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, the deputy general manager of the Company from 2011 to 2013, executive director of the Company from 2013 to 2017, and the chairman of the Board of the Company from 2015 to 2017. Currently, Mr. Xiong is also the chairman of CKPT, Hong Kong International Airport Ferry Terminal Services Limited and Guangzhou WinKong Real Estate Co., Ltd. Mr. Xiong has 29 years of experience in vessel engineering and trading.

Mr. Huang Wanan, aged 44, has been appointed as financial controller of the Company from 11th August 2016, responsible for financial management and control of the Group. Mr. Huang graduated from the Guangdong Communication Polytechnic in 1993, majoring in communication financial accounting and South China University of Technology in 2010 with a master degree in business administration. He is also a certified senior accountant in the PRC. Mr. Huang has been working in the finance and management sectors since 1993 and worked successively as the finance manager of Pan Kong Passenger and Cargo Transportation Co-operation Co., Ltd., Foshan New Port Ltd. and Chu Kong Transhipment & Logistics Company Limited. He worked as the financial controller of Shenzhen Yantian Port Chu Kong Logistics Co., Ltd from 2004 and also as the deputy general manager of the same company from 2009, the managing director of Civet (Zhuhai Bonded Area) Logistics Company Limited from 2010 and the general manager of finance and audit department of Chu Kong Shipping Enterprises (Holdings) Company Limited from 2013 to August 2016. Mr. Huang has more than 25 years of experience in accounting, financial management and corporate management. Currently, Mr. Huang is also the chairman of Guangzhou Shenggang Real Estate Co., Ltd. and Guangzhou Huagang Real Estate Co., Ltd., the chairman of supervisory committee of GTF Maritime Financial Leasing Co., Ltd., as well as the director of Guangdong Chu Kong Shipping Co. Ltd., Chu Kong Passenger Transport Company Limited, Chu Kong River Trade Terminal Co., Ltd., Guangzhou-Foshan Expressway Ltd., Chu Kong Shipping (Guangdong) Investment Limited, Guangzhou WinKong Real Estate Co., Ltd., Guangzhou PanYu LianHuaShan Port Passenger Transport Co., Ltd., Waibert Steamship Company Limited and Bonny Fair Development Limited.

Mr. Hujun, 45, was appointed as development director of the Company in January 2013, responsible for the development and investments of the Group. Mr. Hu joined Chu Kong Shipping in 1992, successively worked in Waibert Steamship Company Limited, Chu Kong Transhipment & Logistics Co., Ltd., Chu Kong (Guangdong) International Freight Forwarding Co., Ltd., Chu Kong Agency Company Limited, and served as deputy general manager of the Company. He is currently the director of Guangdong Chu Kong Shipping Co., Ltd. and Chu Kong Infrastructure Investment Limited, the vice chairman of Guangzhou PanYu Lianhuashan Port Passenger Transport Co., Ltd., and the chairman of Chu Kong Godown Wharf & Transportation Company Limited and Chu Kong Air-Sea Union Transportation Company Limited. Mr. Hujun graduated from the University of South Australia with a master degree in Business Administration. Mr. Hu has over 25 years of experience in navigation operation and management and marketing and promotion.

Ms. Cheung Mei Ki, Maggie, aged 51, joined the Company in 2008, and has been appointed as general manager in assurance since 2011 and was appointed as the company secretary on 1st April 2012, and appointed as deputy general manager of the internal audit department in 2016, responsible for overseeing the Group's internal audit, control of risk management, financial reporting procedures, company secretarial and corporate governance matters. Before joining the Company, Ms. Cheung had held position in Hong Kong Air Cargo Terminals Limited. Ms. Cheung graduated from the Hong Kong Polytechnic University in 2010 with a master degree in corporate governance and graduated from The University of Strathclyde (in the United Kingdom) in 2003 with a master degree in business administration. She is a member of the Hong Kong Institute of Chartered Secretaries, the Institute of Chartered Secretaries and Administration in the United Kingdom, the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants in the United Kingdom, a fellow of the Taxation Institute of Hong Kong and a Certified Tax Adviser in Hong Kong. She has over 30 years' experience in accounting, financial management and corporate governance.

Mr. Li Zhijie, aged 56, graduated from the Shanghai Maritime University, majoring in water transportation management, an assistant economist. He had been appointed as deputy general manager of the Company and managing director of Chu Kong Shipping (Guangdong) Logistics Company Limited since June 2012, responsible for the logistics professional operation, and resigned on 17th November 2017. Mr. Li worked successively in Guangdong and Hong Kong shipping companies for more than 30 years and acted as deputy general manager of CKTL and general manager of Guangdong Hong Kong & Macau Freight Transport Trust Company in 1992; deputy managing director of CKSE in 2001; deputy general manager and general manager of the strategy development department of GNG in 2007. Currently, Mr. Li is also the chairman of Chu Kong Transhipment & Logistics Company Limited, Chu Kong Logistics (Singapore) Pte. Ltd., Chu Kong (Guangdong) International Freight Forwarding Co., Ltd., Chu Kong River Trade Terminal Co., Ltd., Nansha Freight (Hong Kong) Limited, Guangzhou Nansha Economic & Technological Development Zone, Tung-Fat Cargo Terminal Ltd., Chu Kong Logistics (Malaysia) Pte. Ltd., vice chairman of Guangzhou Panyu Lianhuashan Pangang Transportation Co., Ltd., Foshan New Port Ltd. and Foshan City Shunde Rong Qi Port Container Terminal Co., Ltd. and director of Guangzhou Nansha International Logistics Park Development Co., Ltd. and Guangzhou WinKong Real Estate Co., Ltd.

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

CORPORATE GOVERNANCE PRACTICE

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

DIRECTORS' AND EMPLOYEES' SECURITIES TRANSACTIONS

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

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

THE BOARD OF DIRECTORS

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

Composition of the Board

As at 31st December 2017, the Board consisted of seven members, namely three executive Directors (Mr. Huang Liezhang, Mr. Zeng He and Mr. Cheng Jie), one non-executive Director (Mr. Fan Linchun) and three independent non-executive Directors (Mr. Chan Kay-cheung, Ms. Yau Lai Man and Mr. Chow Bing Sing). The Company forms its Board based on the characteristics and uniqueness of its operations to ensure that each Director possesses the required industrial experience and managerial expertise. The personal biographies of the Directors are set out in pages 048 to 051 of the annual report. The Directors clearly understand that they should fulfill their duties diligently in the best interest of the Company and its shareholders.

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

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

Relationship between Board Members

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

Responsibilities of the Chairman and Managing Director

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

According to the provision of Code A.2.1, the roles of chairman and chief executive should be separated and should not be performed by the same individual. The roles of chairman and managing director were acted by Mr. Liu Weiqing and Mr. Xiong Gebing respectively. After the resignation of Mr. Liu Weiqing on 3rd May 2015, as more time is needed to arrange the appointment of a suitable candidate as the chairman of the Board or managing Director, the Board has unanimously resolved to appoint Mr. Xiong Gebing, the managing Director, as the chairman of the Board (and the chairman of the Executive Committee and the Nomination Committee) temporarily with effect from 3rd May 2015. On 17th November 2017, the Company appointed Mr. Huang Liezhang as an executive Director and the chairman of the Board of the Company and the chairman of the Executive Committee and the Nomination Committee, and appointed Mr. Xiong Gebing as the general manager of the Company. Therefore, the Company has complied with the provision of Code A.2.1 as from the same date.

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

Independent Non-executive Directors

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

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

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

Board Diversity Policy

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

Directors' Responsibilities for Financial Statements

During each financial period, the Directors are responsible for the preparation of the financial statements that give a true and fair view of the state of affairs of the Group and of its results and cash flows during the relevant period. In preparing the financial statements for the year, the Directors selected and applied consistently appropriate accounting policies, made careful and reasonable judgment and estimates, and prepared the financial statements on a going concern basis. The Directors are responsible for the filing of appropriate accounting records that reasonably and accurately disclose the financial position of the Company at any time. The Board is not aware so far of any significant uncertain events or circumstances which would affect the business of the Company or its ability to continue its operation. The responsibilities of the Company's external auditor are set out in the Independent Auditor's Report on pages 067 to 071 of the annual report.

Board Meeting Procedures

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

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

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

Attendance at Meetings and Time Commitment of Directors

During 2017, the attendance of the Board members at general meetings, the meetings of the Board and respective committees were as follows:

	Attendance in person/number of meetings held					
	General Meeting	Board	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Huang Liezhang (Chairman of the Board, appointed on 17th November 2017)	0/0	0/0	2/2	N/A	0/0	0/0
Mr. Xiong Gebing (Chairman of the Board, resigned on 17th November 2017)	1/1	4/4	10/10	N/A	2/2	1/1
Mr. Zeng He (Executive Director)	1/1	4/4	12/12	N/A	N/A	N/A
Mr. Cheng Jie (Executive Director)	1/1	4/4	12/12	N/A	N/A	N/A
Mr. Fan Linchun (non-executive Director, appointed on 17th November 2017)	0/0	0/0	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	1/1
Ms. Yau Lai Man (Independent Non-executive Director)	1/1	4/4	N/A	2/2	2/2	1/1
Mr. Chow Bing Sing (Independent Non-executive Director)	1/1	4/4	N/A	2/2	2/2	1/1
Mr. Zhang Lei (Non-executive Director, resigned on 17th November 2017)	1/1	4/4	N/A	N/A	N/A	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.

Committees under the Board

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

Executive Committee

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

The Executive Committee comprises:

Mr. Huang Liezhang (Chairman of the Board, appointed on 17th November 2017)
Mr. Zeng He
Mr. Cheng Jie
Mr. Xiong Gebing (Chairman of the Board, resigned on 17th November 2017)

Audit Committee

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

The Audit Committee comprises:

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

The Audit Committee held two meetings in 2017 with an average attendance rate of 100% to review the following matters with the Company's senior management and independent auditor:

- Accounting principles adopted by the Company for preparing financial statements;
- Draft annual report, interim report and financial statements of the Company;
- Scope of audit work of external auditor;
- Independent audit results of the Company's financial statements;
- Internal recommendations issued by external auditor to the management and the management's response;
- Appointment of external auditor for providing non-audit services to the Company;
- Proposed audit fee for 2017;

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

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

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

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

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

Remuneration Committee

The Remuneration Committee was established in 2005 to make recommendations to the Board on the remuneration policy of the Company and the remunerations of the Directors and executives appointed by the Board. The Remuneration Committee met twice in 2017 with an average attendance rate of 100%. Currently, the Remuneration Committee comprises three independent non-executive Directors and one executive Director and is chaired by an independent nonexecutive Director.

The Remuneration Committee comprises:

Mr. Chan Kay-cheung (Chairman of the committee)
Ms. Yau Lai Man
Mr. Chow Bing Sing
Mr. Huang Liezhang (Executive Director, appointed on 17th November 2017)
Mr. Xiong Gebing (Executive Director, resigned on 17th November 2017)

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

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

Remuneration of Executive Directors:

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

Remuneration of Non-executive Director:

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

Remuneration of Independent Non-executive Directors:

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

Nomination Committee

The committee was established in 2011 and it is mainly responsible for making recommendations to the Board on the appointment of Directors and senior management. The Nomination Committee held one meeting in 2017 with attendance rate of 100%. Currently, the committee comprises four Directors, of which three are independent nonexecutive Directors.

The Nomination Committee comprises:

Mr. Huang Liezhang (Chairman of the Committee and Executive Director, appointed on 17th November 2017)
Mr. Chan Kay-cheung
Ms. Yau Lai Man
Mr. Chow Bing Sing
Mr. Xiong Gebing (Chairman of the Committee and Executive Director, resigned on 17th November 2017)

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

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

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

According to the Articles of Association, all Directors are subject to retirement by rotation and re-election at annual general meetings of the Company. New directors appointed by the Board during the year are required to retire and offer themselves for re-election at the first annual general meeting immediately following their appointments. Further, at each annual general meeting, one-third (if not a multiple of three, then the number nearest to but not more than one-third) of Directors shall retire from office by rotation and according to the provision of Code A.4.2, every Director shall be subject to retirement by rotation at least once every three years.

In accordance with Article 88(i) of the Articles of Association, Mr. Chan Kay-cheung will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election. The Nomination Committee recommended to the Board that Mr. Chan Kay-cheung be nominated for re-election at the forthcoming annual general meeting of the Company.

In accordance with Article 84 of the Articles of Association, Mr. Huang Liezhang and Mr. Fan Linchun will retire at the forthcoming annual general meeting of the Company and, being eligible, offer himself for re-election. The Nomination Committee recommended to the Board that Mr. Huang Liezhang and Mr. Fan Linchun be nominated for re-election at the forthcoming annual general meeting of the Company.

Ms. Yau Lai Man should have been subject to retirement by rotation at the forthcoming annual general meeting under the provision of Code A.4.2, but only one of the Directors is required to retire by rotation according to the above provisions of the Articles of Association and the number of Directors required to retire by rotation at present. After careful consideration, it is determined that Ms. Yau Lai Man will not retire by rotation according to the provision of Code A.4.2 to avoid any violation of the

Articles of Association, but will do so as soon as possible at the annual general meeting in 2019. In order to bring the existing Articles of Association in relation to the rotation of Directors to comply with the requirements of the Listing Rules so as to further enhance corporate governance, and taking into account actual circumstance of the Company, the Board proposed to amend Article 88 (i) of the Articles of Association with effect from the date of the passing of the relevant special resolution at the coming AGM.

Training for Directors and Company Secretary

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

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

	Corporate governance/updates on laws, rules and regulations		Accounting/financial/management or other expertise	
	Reading materials	Attending seminars/ briefing sessions	Reading materials	Attending seminars/ briefing sessions
Mr. Huang Liezhang (Chairman of the Board, appointed on 17th November 2017)	✓	✓	✓	✓
Mr. Xiong Gebing (Chairman of the Board, resigned on 17th November 2017)	✓	✓	✓	✓
Mr. Zeng He (Executive Director)	✓	✓	✓	✓
Mr. Cheng Jie (Executive Director)	✓	✓	✓	✓
Mr. Fan Linchun (Non-executive Director, appointed on 17th November 2017)	✓	✓	✓	✓
Mr. Chan Kay-cheung (Independent Non-executive Director)	✓	✓	✓	✓
Ms. Yau Lai Man (Independent Non-executive Director)	✓	✓	✓	✓
Mr. Chow Bing Sing (Independent Non-executive Director)	✓	✓	✓	✓
Mr. Zhang Lei (Non-executive Director, resigned on 17th November 2017)	✓	✓	✓	✓

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

Changes in Information of Directors

Save as disclosed in this annual report, pursuant to Rule 13.51B(1) of the Listing Rules, following specific enquiry of all Directors by the Company, all Directors have confirmed that there is no any other changes in information of Directors of the Company during 2017 which needs to be disclosed.

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

REMUNERATION OF SENIOR MANAGEMENT

Number of senior management according to the level of remuneration:

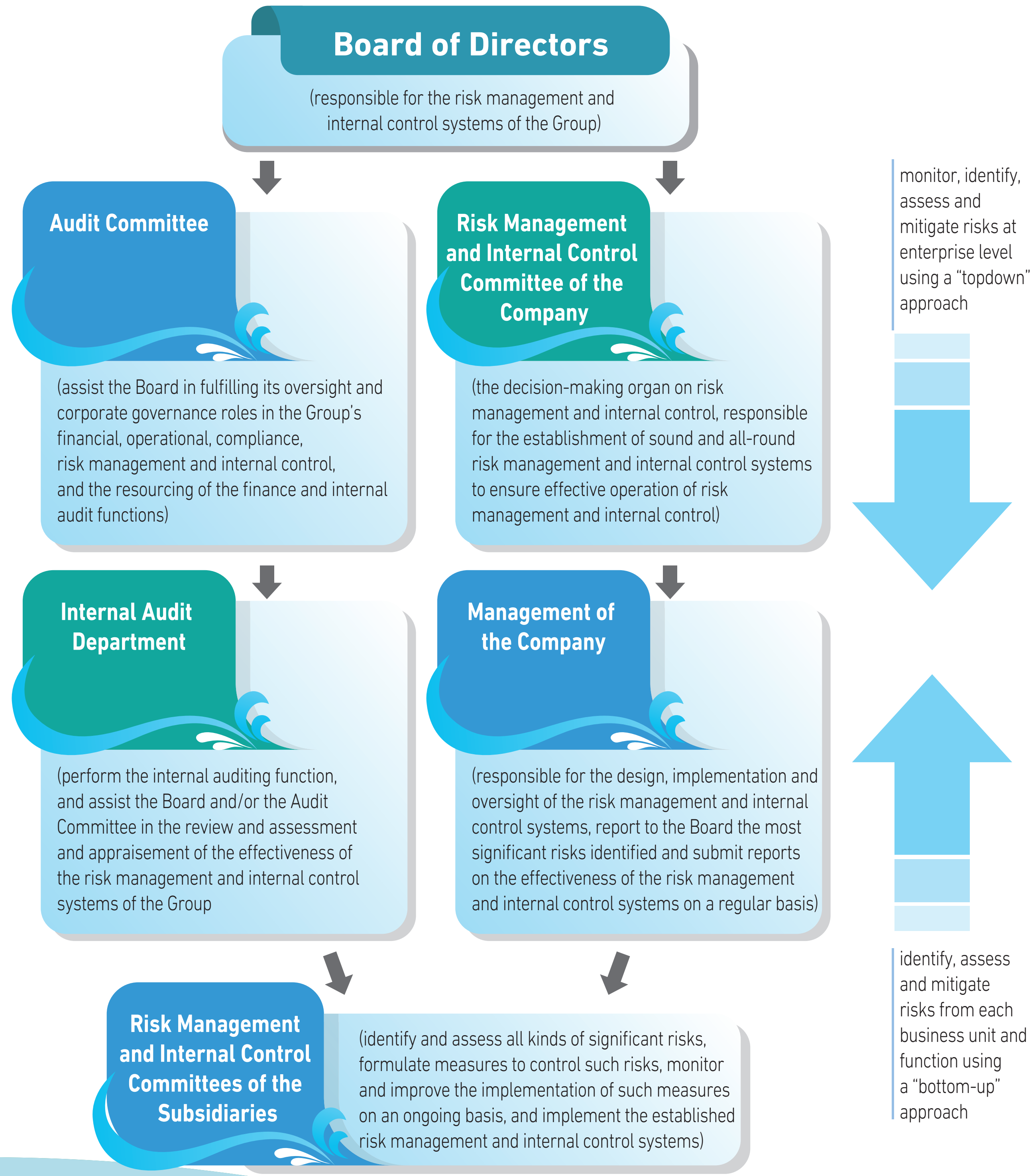
Level of remuneration	Number of Senior Management	
HK$'000	2017	2016
401-1,200	4	3
1,201-1,800	1	1

RISK MANAGEMENT AND INTERNAL CONTROL

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

The Group has established a set of organisational structure with clear division of responsibilities and reporting mechanisms:

STRUCTURE OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS



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

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

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

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

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

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

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

4. the internal audit department of the Company would carry out the following tasks every year:

    - to examine if all companies have focused their supervision on the most significant risks;
    - to evaluate the report in relation to the most significant risks;
    - to assess and ensure the effectiveness of the risk management procedures;
    - to ensure accurate assessment of each risk; and
    - to implement independent internal audits according to its internal audit plan.

5. the internal audit department of the Company would summarise and report the results of the work above to the Audit Committee on a yearly basis.

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

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

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

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

- engaged an external professional company to review and improve the functions of the internal audit department of the Company and review the internal control procedures for connected transactions;
- optimised the Annual Self-assessment Form of Internal Controls and Risk Management (《內部控制及風險管理年度自評表》), and required all subsidiaries to fill in the 2017 self-assessment forms according to the current condition of internal control and risk management. After consolidating all self-assessment forms, the Company made detailed report to the Board and the Audit Committee. Apart from carrying out internal audit on the subsidiaries pursuant to the annual internal audit plan, the internal audit department of the Company made a sampling inspection on the submitted 2016 self-assessment forms in the year, to ensure that the self-assessment result was consistent with the actual condition of the relevant companies;
- reviewed the procedures of the employee promotion policy and remuneration policy of Gaoming Port;
- completed the special audit on the recognition of the operating income of one of the subsidiaries;
- completed the risk assessment on the logistics business segment, rated the 24 possible material risks listed, provided feedback on 7 most important risks to relevant companies, and required risk managers to ensure the implementation of existing control measures and review such measures on a regular basis to ensure their effectiveness;
- provided in-house trainings for the employees of the subsidiaries, which included courses to enhance their understanding in connected transactions and risk management; and
- during the year, a total of 15 internal financial audit reports were completed. In respect of the audit comments and recommendations provided for the financial year of 2015, of which improvement works for 37 audit comments and recommendations were completed while the improvement works for the other 19 were still underway. 50 audit comments and recommendations were provided for the financial year of 2016, and all subsidiaries had been asked to make improvement according to such recommendations.

This year, the Board had, through the Audit Committee, reviewed the risk management and internal control systems of the Group. The Board also reviewed and ensured the adequacy of the Group's resources in accounting, internal audit and financial reporting functions, staff qualifications and experience as well as staff training courses. The Annual Self-assessment Form of Internal Controls and Risk Management (《內部控制及風險管理年度自評表》) had been dispatched to all subsidiaries, which had been collected and consolidated by the Company. Such results were assessed by the internal audit department of the Company and reported to the Audit Committee, which then reviewed and reported the same to the Board. The Audit Committee and the Board were not aware of any areas of concern that would have a material impact on the financial position or operating results of the Group and considered the risk management and internal control systems to be generally adequate and effective.

REMUNERATION OF AUDITOR

For the year ended 31st December 2017, the Company paid the auditor of the Company the following fees for audit and non-audit services.

	2017 HK$'000	2016 HK$'000
Audit Services	3,112	3,035
Non-audit Services (including the review of the interim report, continuing connected transactions and annual results announcement)	830	770
	3,942	3,805

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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

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

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

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

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

3. Enquiries to the Board

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

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

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

INVESTOR RELATIONS AND COMMUNICATIONS

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

During 2017, there was no amendment to the constitutional document of the Company.

pwc 羅兵咸永道

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

OPINION

What we have audited

The consolidated financial statements of Chu Kong Shipping Enterprises (Group) Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 72 to 154, which comprise:

- the consolidated balance sheet as at 31st December 2017;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated cash flow statement for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated balance sheet of the Group as at 31st December 2017, and of its consolidated income statement and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

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

Independence

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

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T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

KEY AUDIT MATTER

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

Key audit matter identified in our audit is summarised as follows:

- Impairment assessment of cargo handling and storage assets

Key Audit Matter	How our audit addressed the Key Audit Matter
Impairment assessment of cargo handling and storage assets Refer to notes 4 "Critical accounting estimates and judgements – impairment assessment of goodwill, property plant and equipment and land use rights related to cargo handling and storage operations", and note 9 "Intangible assets – goodwill" to the consolidated financial statements. As at 31st December 2017, the Group had property, plant and equipment, land use rights and goodwill related to cargo handling and storage operations ("Terminal Assets") with an aggregate carrying amount of HK$1,942,467,000. Some of the terminals have been loss making.	In addressing this matter, we performed the following procedures on the impairment assessment: • Tested management's assessment as to which property, plant and equipment and land use rights related to cargo handling and storage operations have indicators of impairment and the allocation of Terminal Assets to the relevant CGUs. • For those Terminal Assets where impairment indicators exist and in relation to the annual impairment assessment required for goodwill, we tested the cash flow forecasts prepared by management, including: • Involved our valuation specialists to assess the appropriateness of the methodologies adopted and the reasonableness of the discounted rates used in the cash flow forecasts;

Key Audit Matter (Continued)	How our audit addressed the Key Audit Matter (Continued)
An impairment assessment is required annually for goodwill and for other Terminal Assets where impairment indicators exist. Management conducted an impairment review by estimating the recoverable amounts of the relevant cash generating units ("CGUs") to which the Terminal Assets belong, using the value in use model. The key assumptions and judgments adopted by management in the relevant cash flow forecasts included revenue growth rates, gross margin and discount rates. Based on its assessment, no impairment on the Terminal Assets is required. Because of the significance of the carrying amounts of Terminal Assets as at 31st December 2017 (including those with impairment indicators), together with the use of significant judgement in estimating the recoverable amounts of the Terminal Assets, we identified this matter as a key audit matter.	• assessed the reasonableness of key input data in the cash flow forecasts by comparing them with historical actual information and management's approved budget; • compared the expected revenue growth rates and gross margin to relevant market expectations such as industry information; • tested the discount rates with reference to our understanding of the business including future business plans of the relevant CGU, and comparisons to other similar companies; • checked the mathematical accuracy of the value in use calculation used to estimate the recoverable amounts; and • performed sensitivity analysis on the assumptions to the impairment assessment, to understand the impact of reasonable alternative assumptions on the estimated recoverable amounts; We found the Group's significant estimates and assumptions used in the impairment assessment to be supported by the available evidence and consistent with our expectation.

OTHER INFORMATION

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

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

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

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

RESPONSIBILITIES OF DIRECTORS AND AUDIT COMMITTEE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23rd March 2018

Consolidated Balance Sheet

As at 31st December 2017

	Note	2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	1,631,142	1,623,562
Investment property	7	4,715	4,772
Land use rights	8	440,255	448,244
Intangible assets	9	46,619	44,702
Investments in joint ventures	11	469,024	398,530
Investments in associates	11	107,795	100,006
Deposit	12	—	9,106
Deferred income tax assets	13	7,746	8,801
		2,707,296	2,637,723
Current assets			
Inventories	14	2,627	4,693
Trade and other receivables	15	546,201	547,425
Loans to joint ventures and a fellow subsidiary	15	13,509	16,675
Structured bank deposits	16	291,781	—
Cash and cash equivalents	17	769,152	817,669
		1,623,270	1,386,462
Assets of a disposal group classified as held for sale	21	134,192	—
		1,757,462	1,386,462
Total assets		4,464,758	4,024,185
EQUITY			
Share capital	18	1,376,295	1,333,171
Reserves	20	1,628,394	1,325,462
		3,004,689	2,658,633
Non-controlling interests		298,598	255,456
Total equity		3,303,287	2,914,089

As at 31st December 2017

	Note	2017 HK$'000	2016 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	13	90,451	83,084
Deferred income		3,188	5,105
Long term borrowings	24	270,851	65,694
		364,490	153,883
Current liabilities			
Trade payables, accruals and other payables	22	605,449	600,696
Loans from associates	23(a)	1,053	23,343
Amounts due to the non-controlling interests of subsidiaries	23(b)	82,806	88,539
Amount due to a related party	23(c)	—	13,444
Income tax payables		12,564	19,012
Short term borrowings	24	90,000	100,000
Current portion of long term borrowings	24	4,175	111,179
		796,047	956,213
Liabilities of a disposal group classified as held for sale	21	934	—
		796,981	956,213
Total liabilities		1,161,471	1,110,096
Total equity and liabilities		4,464,758	4,024,185

The notes on pages 79 to 154 are an integral part of these consolidated financial statements.

The financial statements on pages 72 to 154 were approved by the board of directors on 23rd March 2018 and were signed on its behalf.

Huang Liezhang
Director

Cheng Jie
Director

Consolidated Income Statement

For the year ended 31st December 2017

	Note	2017 HK$'000	2016 HK$'000
Revenue	5	2,428,487	2,381,891
Cost of services rendered	27	(1,944,532)	(1,867,881)
Gross profit		483,955	514,010
Other income	25	39,481	40,927
Other gains, net	26	22,138	39,329
General and administrative expenses	27	(308,966)	(315,668)
Operating profit		236,608	278,598
Finance income	28	18,332	11,875
Finance cost	28	(6,127)	(7,513)
Share of profits less losses of:			
– Joint ventures	29	62,541	74,723
– Associates	29	14,289	17,925
Profit before income tax		325,643	375,608
Income tax expense	30	(49,308)	(49,167)
Profit for the year		276,335	326,441
Attributable to:			
Equity holders of the Company		268,988	321,771
Non-controlling interests		7,347	4,670
		276,335	326,441
Earnings per share (HK cents)			
Basic	32	24.68	29.79
Diluted	32	24.68	29.79

The notes on pages 79 to 154 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2017

	2017 HK$'000	2016 HK$'000
Profit for the year	276,335	326,441
Other comprehensive income/(loss):		
Items that may be reclassified to profit or loss		
Currency translation differences		
– Subsidiaries	97,958	(102,062)
– Joint ventures and associates	33,857	(34,280)
Other comprehensive income/(loss) for the year	131,815	(136,342)
Total comprehensive income for the year	408,150	190,099
Attributable to:		
Equity holders of the Company	390,271	193,984
Non-controlling interests	17,879	(3,885)
	408,150	190,099

The notes on pages 79 to 154 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2017

	Attributable to owners of the Company			Non-controlling interests	Total equity
	Share capital HK$'000	Total reserves HK$'000 (Note 20)	Total HK$'000	HK$'000	HK$'000
At 1st January 2017	1,333,171	1,325,462	2,658,633	255,456	2,914,089
Total comprehensive income for the year	—	390,271	390,271	17,879	408,150
Transactions with owners					
Employee share option scheme:					
– Value of employee services	—	1,135	1,135	—	1,135
Capital contribution by non-controlling interests	—	—	—	26,709	26,709
Gain on partial disposal of subsidiaries	—	20,402	20,402	2,554	22,956
2016 final dividend	—	(64,800)	(64,800)	—	(64,800)
2017 interim dividend	—	(33,057)	(33,057)	—	(33,057)
2017 interim special dividend	—	(11,019)	(11,019)	—	(11,019)
Shares issued in lieu of scrip dividend	43,124	—	43,124	—	43,124
Dividend paid to a non-controlling interest	—	—	—	(4,000)	(4,000)
Total transactions with owners	43,124	(87,339)	(44,215)	25,263	(18,952)
At 31st December 2017	1,376,295	1,628,394	3,004,689	298,598	3,303,287

For the year ended 31st December 2017

	Attributable to owners of the Company			Non-controlling interests	Total equity
	Share capital HK$'000	Total reserves HK$'000 (Note 20)	Total HK$'000	HK$'000	HK$'000
At 1st January 2016	1,333,171	1,553,061	2,886,232	217,979	3,104,211
Total comprehensive income for the year	—	193,984	193,984	(3,885)	190,099
Transactions with owners					
Considerations in connection with the purchase of Sun Kong Petroleum and Cotai Shipping	—	(252,233)	(252,233)	—	(252,233)
Employee share option scheme:					
– Value of employee services	—	2,050	2,050	—	2,050
Capital contribution by a non-controlling interest	—	—	—	41,362	41,362
Dividend paid by Sun Kong Petroleum to CKSE	—	(85,000)	(85,000)	—	(85,000)
2015 final dividend	—	(54,000)	(54,000)	—	(54,000)
2016 interim dividend	—	(32,400)	(32,400)	—	(32,400)
Total transactions with owners	—	(421,583)	(421,583)	41,362	(380,221)
At 31st December 2016	1,333,171	1,325,462	2,658,633	255,456	2,914,089

The notes on pages 79 to 154 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31st December 2017

	Note	2017 HK$'000	2016 HK$'000
Cash flows from operating activities			
Cash generated from operations	35	405,343	283,731
Hong Kong profits tax paid		(18,860)	(21,630)
Mainland China corporate income tax paid		(27,982)	(34,044)
Macau profits tax paid		(2,266)	(4,293)
Net cash generated from operating activities		356,235	223,764
Cash flows from investing activities			
Purchase of property, plant and equipment		(128,727)	(86,388)
Purchase of intangible asset		(464)	(828)
Payment for land		—	(198,970)
Proceeds from disposal of property, plant and equipment		1,362	2,972
Refund of non-current deposit		9,414	—
Proceeds from disposal of asset held for sale		—	1,367
Proceeds from partial disposal of subsidiaries		27,679	—
Capital injection to an associate		(200)	—
Increase in amount due to an associate		(24,120)	—
Cash received from capital refund of associate and joint ventures		—	25,687
Increase in structured bank deposits		(281,900)	—
Loans advanced to a fellow subsidiary		(2,393)	—
Repayment of loan to an associate and a related party		(23,646)	—
Repayment of amount due to a related party		(13,444)	—
Repayment of loan from a joint venture		6,350	—
Dividends received from joint ventures and associates		21,449	231,183
Interest received		18,332	11,875
Net cash used in investing activities		(390,308)	(13,102)
Cash flows from financing activities			
Dividends paid		(65,752)	(86,400)
Dividends paid to a non-controlling interest		(11,700)	(7,700)
Interest paid		(6,127)	(7,513)
Capital contribution by a non-controlling interest		3,457	5,612
Cash paid for purchase of Sun Kong Petroleum and Cotai Shipping		—	(252,233)
Repayment of bank loans		(61,558)	(179,000)
Drawdown of bank loans		135,705	219,182
Repayment of loan from immediate holding company		—	(7,500)
Increase in amount due to the non-controlling interests of a subsidiary		—	11,179
Net cash used in financing activities		(5,975)	(304,373)
Net decrease in cash and cash equivalents		(40,048)	(93,711)
Cash and cash equivalents at the beginning of the year		817,669	912,794
Effect of exchange rate changes		(8,469)	(1,414)
Cash and cash equivalents at the end of the year	17	769,152	817,669

The notes on pages 79 to 154 are an integral part of these consolidated financial statements.

1 GENERAL INFORMATION

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

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

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

These financial statements have been approved for issue by the board of directors of the Company on 23rd March 2018.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of Chu Kong Shipping Enterprises (Group) Company Limited and its subsidiaries.

(a) Basis of preparation

(i) The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance ("HKCO") Cap. 622. The consolidated financial statements have been prepared on a historical cost basis.

The preparation of consolidated 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 consolidated financial statements, are disclosed in note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(ii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time for their annual reporting period commencing 1st January 2017:

HKAS 7 (Amendments)	Statement of cash flows
HKAS 12 (Amendments)	Income taxes
HKFRS 12 (Amendments)	Disclosure of interest in other entities

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial performance and position for the current and prior years and/or disclosures set out in these consolidated financial statements.

(iii) New standards and amendments to HKFRSs in issue but not yet effective

Certain new accounting standards and amendments have been published that are not mandatory for 31st December 2017 reporting periods and have not been early adopted by the Group.

HKAS 28 (Amendment)	Investments in associates and joint ventures [(1)]
HKAS 40 (Amendments)	Transfer of investment property [(1)]
HKFRS 1 (Amendment)	First time adoption of HKFRS [(1)]
HKFRS 2 (Amendments)	Classification and Measurement of Share-Based Payment Transactions [(1)]
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts [(1)]
HKFRS 9	Financial Instruments [(1)]
HKFRS 15	Revenue from Contracts with Customers [(1)]
HKFRS 15 (Amendment)	Clarifications to HKFRS 15 [(1)]
HKFRS 10 and HKAS 28 (Amendments)	Sale or Contribution of Assets between an Investor and its Associate and Joint Venture [(3)]
HKFRS 16	Leases [(2)]
HK(IFRIC)-Int22	Foreign Currency Transactions and Advance Consideration [(1)]
HK(IFRIC)-Int23	Uncertainty over Income Tax Treatments [(2)]

Note:

(1) Effective for the Group for annual period beginning on 1 January 2018.

(2) Effective for the Group for annual period beginning on 1 January 2019.

(3) Effective date to be determined.

The Group has commenced assessments of the impact of adoption of the new standards and amendments to standards effective for annual periods beginning 1st January 2018. Based on preliminary assessment, the major impact of adoption of these standards and amendments to standards are as follows:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(iii) New standards and amendments to HKFRSs in issue but not yet effective (Continued)

HKFRS 9 Financial Instruments

HKFRS 9 addresses the classification, measurement and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets.

The new impairment model requires the recognition of impairment provisions based on expected credit losses (ECL) rather than only incurred credit losses as is the case under HKAS 39. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under HKFRS 15 Revenue from Contracts with Customers, lease receivables, loan commitments and certain financial guarantee contracts. Based on the assessments undertaken to date, the Group expects there is no material increase in the loss allowance for trade debtors. The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group will apply the new rules retrospectively from 1st January 2018, with the practical expedients permitted under the standard. Comparatives for 2017 will not be restated.

HKFRS 15 Revenue from Contracts with Customers

HKFRS 15 Revenue from Contracts with Customers establishes a framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including HKAS 18 Revenue, HKAS 11 Construction Contracts, and the related Interpretations when it becomes effective.

The Group intends to adopt the standard using the modified retrospective approach which means that the cumulative impact of the adoption will be recognised in retained earnings as of 1st January 2018 and that comparatives will not be restated.

The Group does not expect the new guidance to have a significant impact on the Group's accounting.

HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the statement of financial position, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(iii) New standards and amendments to HKFRSs in issue but not yet effective (Continued)

HKFRS 16 Leases (Continued)

The standard will affect primarily the accounting for the Group's operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$82,300,000. The Group estimates that approximately 10-20% of these relate to payments for short-term and low value leases which will be recognised on a straight-line basis as an expense in profit or loss.

At this stage, the Group does not intend to adopt the standard before its effective date. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption.

(b) Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) 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 to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date that control ceases.

The acquisition method of accounting is used to account for business combinations by the group.

Intercompany 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 transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

(iii) Joint arrangements

Under HKFRS 11 Joint Arrangements investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Company has both joint operations and joint ventures.

Interests in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost in the consolidated statement of financial positions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of consolidation and equity accounting (Continued)

(iv) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

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

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in Note 2(m).

(v) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint 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. This fair value becomes the initial carrying amount for the purposes of subsequently 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 or transferred to another category of equity as specified/permitted by applicable HKFRS.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the:

- fair values of the assets transferred
- liabilities incurred to the former owners of the acquired business
- equity interests issued by the group
- fair value of any asset or liability resulting from a contingent consideration arrangement, and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

Acquisition-related costs are expensed as incurred.

The excess of the

- consideration transferred,
- amount of any non-controlling interest in the acquired entity, and
- acquisition-date fair value of any previous equity interest in the acquired entity

Over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at from such remeasurement are recognised in profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving a dividend from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

(e) 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 dollars (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 valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement.

Foreign exchange gains or losses that related to borrowings and cash and cash equivalents are presented in the consolidated income statement within 'finance income or costs'. All other foreign exchange gains or losses are presented in the consolidated income statement within 'other gains'/losses-net'.

Change in the fair value of debt securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from the changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in consolidated statement of profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such has equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Foreign currency translation (Continued)

(iii) Group companies

The results and financial positions of all the Group entities that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

– assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;

– income and expenses for each statement of profit or loss 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 dates of the transactions); and

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

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

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

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Currency translation differences arising are recognised in other comprehensive income.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, Plant and equipment

(i) Construction in progress

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

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

(ii) Other property, plant and equipment

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

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Property, Plant and equipment (Continued)

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

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

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

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

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

(g) Investment properties

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

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

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

(h) 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)

(i) Intangible assets

(i) Goodwill

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

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

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

(ii) Software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available, and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is ready for use.

The group amortises software with a limited useful life using the straight-line method over 5 – 10 years.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Trade receivables

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

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

(k) Cash and cash equivalents

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

(l) Financial assets

(i) Classification

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

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period, which are classified as non-current assets. The Group's loans and receivables include trade and other receivables excluding deposit (note 12), loans to joint ventures (note 15), structured bank deposits (note 16) and cash and cash equivalents (note 17).

(ii) Recognition and measurement

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

(n) Impairment of financial assets carried at amortised cost

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

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

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

The Group first assesses whether objective evidence of impairment exists.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) *Share capital*

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

(p) *Trade payables, accruals and other payables*

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

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

(q) *Current and deferred income tax*

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company's subsidiaries 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.

(ii) Deferred income tax

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or 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 end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Current and deferred income tax (Continued)

(ii) Deferred income tax (Continued)

Deferred tax assets are recognised only if it is probable that future taxable amount will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances related to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(r) Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefit obligations

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

(iii) Bonus entitlements

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Employee benefits (Continued)

(iv) Termination benefits

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

(s) Revenue 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Revenue recognition (Continued)

(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.

(vii) Travel agency service

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

(viii) Interest income

Interest income is recognised using the effective interest method.

(ix) Dividend income

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

(x) Rental income

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

(xi) Passenger and maintenance services income

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

(xii) Oil trading

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

(xiii) Marine bunkering services

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Leases

(i) Operating lease – as a lessee

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 to the consolidated statement of comprehensive income on a straight-line basis over the period of the lease.

(ii) Operating lease – as a lessor

When assets are leased out under an operating lease, the asset is included in the statement of financial position based on the nature of the assets. Lease income on operating lease is recognised over term of the lease on a straight-line basis.

(iii) Finance lease – as a lessee

The Group leases certain property, plant and equipment. Leases of property, plant and equipment, where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance cost is charged to the consolidated statement of comprehensive income over the lease period so as to produce a constant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset and the lease term.

(iv) Finance lease – as a lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

The method for allocating gross earnings to accounting periods is referred to a as the 'actuarial method'. The actuarial method allocates rentals between finance income and repayment of capital in each accounting period in such a way that finance income will emerge as a constant rate of return on the lessor's net investment in the lease.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(u) Government grants

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

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

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

(v) Dividend distribution

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

(w) Provisions

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Contingent liabilities

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

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

(y) Segment reporting

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

(z) Borrowings and borrowing costs

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Share-based payments

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

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

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

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

(ab) Inventories

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

3.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and fair value 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.

(a) Market risk

(i) Foreign exchange risk

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

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

At 31st December 2017, if Hong Kong dollar had weakened or strengthened by 5% against the Renminbi with all other variables held constant, profit after income tax for the year of the Group would have been HK$9,129,000 (2016: HK$10,299,000) 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, loans from associates amount due to the non-controlling interest of a subsidiary, amount due to a related party, bank balances and bank borrowings bear interest at floating rates which expose the Group to cash flow interest rate risk. The Group currently does not have a hedging policy on interest rate exposure. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure if necessary.

At 31st December 2017, if interest rates on financial assets had been 50 basis points higher or lower with all other variables held constant, profit after income tax for the year of the Group would have been HK$569,000 (2016: HK$651,000) higher or lower respectively, mainly as a result of higher or lower finance income from floating rate loans to joint ventures and short-term bank deposits.

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(a) Market risk (Continued)

(ii) Interest rate risk (Continued)

As 31st December 2017, if interest rates on financial liabilities had been 50 basis points higher or lower with all other variables held constant, profit after income tax for the year of the Group would have been HK$1,584,000 (2016: HK$1,296,000) lower or higher respectively mainly as a result of higher or lower finance cost from floating rate bank borrowings.

Profit or loss is sensitive to higher/lower interest income from cash and cash equivalents as a result of changes in interest rates. Other components of equity change as a result of an increase/decrease in the fair value of the cash flow hedges of borrowings and the fair value of available-for-sale debt instruments.

(b) 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.

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(c) 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.

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 2017					
Bank borrowings	105,340	13,184	177,303	84,266	380,093
Amounts due to the non-controlling interests of subsidiaries	83,430	—	—	—	83,430
Loans from associates	1,053	—	—	—	1,053
Trade payables, accruals and other payables	605,449	—	—	—	605,449
At 31st December 2016					
Bank borrowings	217,710	14,157	44,409	15,625	291,901
Amounts due to the non-controlling interests of subsidiaries	89,413	—	—	—	89,413
Amount due to a related party	14,029	—	—	—	14,029
Loans from associates	23,693	—	—	—	23,693
Trade payables, accruals and other payables	599,012	1,684	—	—	600,696

3.2 CAPITAL RISK MANAGEMENT

Capital represents the total equity as show 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.

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 sell assets to reduce debt.

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

3.3 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 to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future financial periods are stated below.

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

The Group's goodwill, property plant and equipment and land use rights are mainly related to cargo handling and storage operations and amounted to HK$1,942,467,000 ("Terminal Assets") as at 31st December 2017. Management has performed impairment assessment on Terminal Assets based on the policies set out below.

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

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

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

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(ii) 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.

(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) Income taxes and deferred income tax assets

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

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

5 REVENUE AND SEGMENT INFORMATION

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

	2017 HK$'000	2016 HK$'000
Cargo transportation	1,310,942	1,284,608
Cargo handling and storage	372,849	424,135
Passenger transportation	207,484	207,037
Fuel supply	492,098	410,795
Corporate and other business	45,114	55,316
	2,428,487	2,381,891

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

The executive directors of the Company consider the business from service perspectives and assess the performance of the Group and its joint ventures and associates which are organised into five main businesses:

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

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

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

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

(v) Corporate and other businesses – Investment holding and ferry terminal management service

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

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

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Cargo transportation HK$'000	Cargo handling and storage HK$'000	Passenger transportation HK$'000	Fuel supply HK$'000	Corporate and other businesses HK$'000	Total HK$'000
Year ended 31st December 2017						
Total revenue	1,427,143	543,847	207,484	531,002	79,302	2,788,778
Inter-segment revenue	(116,201)	(170,998)	—	(38,904)	(34,188)	(360,291)
Revenue (from external customers)	1,310,942	372,849	207,484	492,098	45,114	2,428,487
Segment profit before income tax expense	13,198	122,468	140,878	17,834	31,265	325,643
Income tax expense	(2,475)	(26,342)	(12,554)	(2,881)	(5,056)	(49,308)
Segment profit after income tax expense	10,723	96,126	128,324	14,953	26,209	276,335
Segment profit before income tax expense includes:						
Finance income	383	1,725	1,594	52	14,578	18,332
Finance cost	—	(5,839)	—	—	(288)	(6,127)
Depreciation and amortisation	(10,181)	(88,887)	(116)	(1,626)	(3,855)	(104,665)
Share of profits less losses of:						
Joint ventures	881	17,972	43,641	—	47	62,541
Associates	—	3,294	10,995	—	—	14,289

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Cargo transportation HK$'000	Cargo handling and storage HK$'000	Passenger transportation HK$'000	Fuel supply HK$'000	Corporate and other businesses HK$'000	Total HK$'000
Year ended 31st December 2016						
Total revenue	1,289,238	513,737	207,037	447,302	87,923	2,545,237
Inter-segment revenue	(4,630)	(89,602)	—	(36,507)	(32,607)	(163,346)
Revenue (from external customers)	1,284,608	424,135	207,037	410,795	55,316	2,381,891
Segment profit before income tax expense	7,027	183,165	148,196	21,848	15,372	375,608
Income tax expense	(2,695)	(20,331)	(19,723)	(3,012)	(3,406)	(49,167)
Segment profit after income tax expense	4,332	162,834	128,473	18,836	11,966	326,441
Segment profit before income tax expense includes:						
Finance income	193	811	183	15	10,673	11,875
Finance cost	—	(5,304)	—	—	(2,209)	(7,513)
Depreciation and amortisation	(10,645)	(91,804)	(184)	(1,738)	(3,552)	(107,923)
Share of profits less losses of:						
Joint ventures	1,184	24,912	48,606	—	21	74,723
Associates	—	4,279	13,646	—	—	17,925

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Cargo transportation HK$'000	Cargo handling and storage HK$'000	Passenger transportation HK$'000	Fuel supply HK$'000	Corporate and other businesses HK$'000	Inter segment elimination HK$'000	Total HK$'000
As at 31st December 2017							
Total segment assets	512,132	2,738,589	674,787	160,084	1,985,891	(1,606,725)	4,464,758
Total segment assets include:							
– Joint ventures	28,432	192,304	215,441	—	32,847	—	469,024
– Associates	—	53,250	54,545	—	—	—	107,795
Additions to non-current assets (excluding deferred income tax assets)	1,129	110,166	13	12,218	6,559	—	130,085
Total segment liabilities	(564,017)	(939,943)	(168,964)	(64,202)	(1,031,070)	1,606,725	(1,161,471)

	Cargo transportation HK$'000	Cargo handling and storage HK$'000	Passenger transportation HK$'000	Fuel supply HK$'000	Corporate and other businesses HK$'000	Inter segment elimination HK$'000	Total HK$'000
As at 31st December 2016							
Total segment assets	548,730	2,400,613	627,433	140,067	1,784,586	(1,477,244)	4,024,185
Total segment assets include:							
– Joint ventures	25,648	180,106	162,126	—	30,650	—	398,530
– Associates	—	46,786	53,220	—	—	—	100,006
Additions to non-current assets (excluding deferred income tax assets)	4,706	416,890	—	112	2,511	—	424,219
Total segment liabilities	(449,080)	(771,764)	(152,779)	(48,892)	(1,164,825)	1,477,244	(1,110,096)

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:

	2017 HK$'000	2016 HK$'000
Non-current assets excluding joint ventures and associates and deferred income tax assets		
Hong Kong	693,352	737,075
Mainland China	1,429,343	1,393,095
Macau	36	216
	2,122,731	2,130,386
Joint ventures and associates		
Hong Kong	50,560	41,595
Singapore	8,332	7,207
Mainland China	517,927	449,734
	576,819	498,536
Deferred income tax assets	7,746	8,801
	2,707,296	2,637,723

6 PROPERTY, PLANT AND EQUIPMENT

	Land and buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Containers HK$'000	Vessels and barges HK$'000	Total HK$'000
Cost									
At 1st January 2017	1,589,100	67,955	34,234	381,527	59,621	60,701	22,281	64,007	2,279,426
Exchange differences	75,176	3,729	950	23,959	2,392	1,760	14	–	107,980
Additions	4,708	93,275	9,615	11,513	7,851	1,829	211	619	129,621
Transfer	15,937	(32,002)	9,847	907	4,644	667	–	–	–
Disposals/write-off	(5,030)	–	–	(4,141)	(747)	(1,839)	(4,507)	(1,358)	(17,622)
Transfer to assets of a disposal group classified as held for sale (note 21)	(119,106)	(2,422)	–	(8,258)	(4,961)	(3,402)	–	–	(138,149)
At 31st December 2017	1,560,785	130,535	54,646	405,507	68,800	59,716	17,999	63,268	2,361,256
Accumulated depreciation									
At 1st January 2017	289,406	–	26,329	193,042	43,370	44,569	16,955	42,193	655,864
Exchange differences	17,169	–	589	12,630	1,724	1,349	9	–	33,470
Charge for the year	42,729	–	3,149	31,539	5,774	4,473	1,805	2,521	91,990
Disposals/write-off	(5,181)	–	–	(3,310)	(737)	(1,612)	(4,415)	(739)	(15,994)
Transfer to assets of a disposal group classified as held for sale (note 21)	(23,042)	–	–	(4,780)	(4,190)	(3,204)	–	–	(35,216)
At 31st December 2017	321,081	–	30,067	229,121	45,941	45,575	14,354	43,975	730,114
Net book value									
At 31st December 2017	1,239,704	130,535	24,579	176,386	22,859	14,141	3,645	19,293	1,631,142

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Land and buildings HK$'000	Construction in progress HK$'000	Leasehold improvements HK$'000	Plant and machinery HK$'000	Furniture, fixtures and equipment HK$'000	Motor vehicles HK$'000	Containers HK$'000	Vessels and barges HK$'000	Total HK$'000
Cost									
At 1st January 2016	1,449,226	44,414	30,396	377,416	63,812	69,320	21,089	64,632	2,120,305
Exchange differences	(71,593)	(3,146)	(605)	(22,011)	(2,298)	(1,907)	(12)	–	(101,572)
Additions	337,569	50,662	4,153	24,412	3,917	2,078	2,387	–	425,178
Transfer	12,625	(23,975)	290	9,648	1,412	–	–	–	–
Disposals/write-off	(138,727)	–	–	(7,938)	(7,222)	(8,790)	(1,183)	(625)	(164,485)
At 31st December 2016	1,589,100	67,955	34,234	381,527	59,621	60,701	22,281	64,007	2,279,426
Accumulated depreciation									
At 1st January 2016	317,481	–	24,023	174,899	44,836	47,637	16,390	39,593	664,859
Exchange differences	(14,237)	–	(494)	(10,329)	(1,694)	(1,395)	(9)	–	(28,158)
Charge for the year	39,662	–	2,800	36,167	6,225	6,640	1,756	2,728	95,978
Disposals/write-off	(53,500)	–	–	(7,695)	(5,997)	(8,313)	(1,182)	(128)	(76,815)
At 31st December 2016	289,406	–	26,329	193,042	43,370	44,569	16,955	42,193	655,864
Net book value									
At 31st December 2016	1,299,694	67,955	7,905	188,485	16,251	16,132	5,326	21,814	1,623,562

Property, plant and equipment of the Group with net book value amounting to HK$156,649,000 (2016: nil) have been pledged as securities for the bank loans of the Group (note 24).

7 INVESTMENT PROPERTY

	2017 HK$'000	2016 HK$'000
Cost		
At 1st January and 31st December	5,551	5,551
Accumulated depreciation		
At 1st January	779	722
Charge for the year	57	57
At 31st December	836	779
Closing net book value as at 31st December	4,715	4,772

Independent valuation of the Group's investment property as at 31st December 2017 and 2016 were performed by the valuer, RHL Appraisal Limited. The fair value of the Group's investment property was HK$59,469,000 (2016: HK$46,470,000).

8 LAND USE RIGHTS

	2017 HK$'000	2016 HK$'000
Opening net book value as at 1st January	448,244	489,787
Exchange difference	31,061	(29,727)
Amortisation	(11,577)	(11,816)
Transfer to assets of a disposal group classified as held for sale (note 21)	(27,473)	—
Closing net book value as at 31st December	440,255	448,244

Land use rights of the Group with net book value amounting to HK$203,501,000 (2016: HK$56,859,000) have been pledged as securities for the bank loans of the Group (note 24).

9 INTANGIBLE ASSETS

	Goodwill HK$'000	Software HK$'000	Total HK$'000
At 1st January 2016			
Cost	37,751	—	37,751
Accumulated amortisation	—	—	—
Net book amount	37,751	—	37,751
Year ended 31st December 2016			
Opening net book amount	37,751	—	37,751
Exchange differences	(2,393)	—	(2,393)
Additions	—	9,416	9,416
Amortisation charge	—	(72)	(72)
Closing net book amount	35,358	9,344	44,702
At 31st December 2016			
Cost	35,358	9,416	44,774
Accumulated amortisation	—	(72)	(72)
Net book amount	35,358	9,344	44,702
Year ended 31st December 2017			
Opening net book amount	35,358	9,344	44,702
Exchange differences	2,479	15	2,494
Additions	—	464	464
Amortisation charge	—	(1,041)	(1,041)
Closing net book amount	37,837	8,782	46,619
At 31st December 2017			
Cost	37,837	9,895	47,732
Accumulated amortisation	—	(1,113)	(1,113)
Net book amount	37,837	8,782	46,619

9 INTANGIBLE ASSETS (CONTINUED)

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

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

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

	2017	2016
Revenue growth rates	1%-19%	0%-29%
Gross margin	15%-72%	1%-72%
Discount rate	10%	10% - 11.5%

10 SUBSIDIARIES

(a) Details of the subsidiaries as at 31st December 2017 are as follows:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held
Directly-held subsidiaries				
Chu Kong Agency Company Limited	Hong Kong	Shipping agency and freight forwarding agency in Hong Kong	100 ordinary shares 100,000 deferred shares (Note (b))	100%
Chu Kong Air-Sea Union Transportation Company Limited	Hong Kong	Operation and management of a marine cargo terminal in Hong Kong	10,000 ordinary shares	100%
Chu Kong Container Transportation Company Limited	Hong Kong	Container and cargo transportation and towing in Hong Kong	100 ordinary shares 10,000 deferred shares (Note (b))	100%
Chu Kong (Guangdong) International Freight Forwarding Co., Ltd. @	PRC, limited liability company	Shipping agency and freight forwarding agency in the PRC	RMB22,660,000	75%
Chu Kong High-Speed Ferry Company Limited	Hong Kong	Management of ships in Hong Kong	10,000 ordinary shares	100%
Chu Kong Godown Wharf & Transportation Company Limited	Hong Kong	Godown and wharf operations in Hong Kong	100 ordinary shares 1,000,000 deferred shares (Note (b))	100%
Chu Kong River Trade Terminal Co., Ltd.	British Virgin Islands	Investment holding in the PRC entities in Hong Kong	100 ordinary shares of US$1 each	80%
Chu Kong Transhipment & Logistics Company Limited	Hong Kong	Transshipment and transportation in Hong Kong	100 ordinary shares 100,000 deferred shares (Note (b))	100%
Chu Kong Transportation (H.K.) Limited	Hong Kong	Wharf cargo handling and transportation in Hong Kong	100 ordinary shares 100,000 deferred shares (Note (b))	100%
Chu Kong Warehouse Properties Co., Ltd.	British Virgin Islands	Property holding in Hong Kong	100 ordinary shares of US$1 each 9,900 preferred shares of US$1 each (Note (c))	100%

10 SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries as at 31st December 2017 are as follows: (Continued):

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held
Chu Kong Passenger Transport Company Limited	Hong Kong	Provision of agency services and management of ships in Hong Kong	300,000 ordinary shares	100%
Chu Kong Information Technology Service Company Limited	Hong Kong	Provision of information technology service in Hong Kong	10,000 ordinary shares	100%
Sun Kong Petroleum Company Limited	Hong Kong	Oil trading and marine bunkering services in Hong Kong	200,000 ordinary shares	100%
Cotai Chu Kong Shipping Management Services Company Limited	Hong Kong	Provision of tour operation services in Hong Kong	10,000 ordinary shares	100%
Cotai Chu Kong Shipping Management Services (Macau) Company Limited	Macau	Provision of passenger services and maintenance services at Macau Maritime Ferry Terminal	MOP50,000	100%
CKS Container Terminal (Zhuhai Doumen) Co., Ltd.	PRC, limited liability company	Cargo transportation and consolidation in the PRC	RMB73,000,000	100%
Chu Kong Shipping (Guangdong) Logistics Co., Ltd.	PRC, limited liability company	Provision of logistics services in the PRC	RMB10,000,000	100%
Zhaoqing Chu Kong Cargo Terminals (Dawang) Co., Ltd.	PRC, limited liability company	Cargo transportation and consolidation in the PRC	US$3,620,000	100%
Zhaoqing Chu Kong Logistics (Dawang) Co., Ltd.	PRC, limited liability company	Provision of logistics services in the PRC	US$3,620,000	100%
Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd.	PRC, limited liability company	Provision of logistics services in the PRC	US$6,000,000	100%

10 SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries as at 31st December 2017 are as follows: (Continued):

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held
Zhongshan City Huangpu Port Cargo and Container Terminal Co., Ltd.	PRC, limited liability company	Cargo handling and transportation in the PRC	RMB115,700,000	80%
Zhaoqing New Port Co., Ltd.	PRC, limited liability company	Cargo handling and transportation in the PRC	RMB101,288,600	100%
Zhaoqing Chu Kong Logistics (Sihui) Co., Ltd.	PRC, limited liability company	Cargo handling and transportation in the PRC	US$4,000,000	100%
Indirectly-held subsidiaries				
Chu Kong Tourism Company Limited	Hong Kong	Tour operations and provision of advertising services in Hong Kong	3,921,568 ordinary shares	51%
Chu Kong International Airfreight Company Limited	Hong Kong	Freight forwarding agency in Hong Kong	10,000 ordinary shares	100%
Ever Sky Transportation Limited	Hong Kong	Wharf cargo handling in Hong Kong	10,000 ordinary shares	100%
Chu Kong High-Speed Ferry Management (Macau) Co., Limited	Macau	Management of ships in Macau	MOP25,000	100%
Zhaoqing Chu Kong Transportation (Dawang) Co., Ltd.	PRC, limited liability company	Cargo transportation in the PRC	RMB5,090,386	100%
Chu Kong Cargo Terminals (Qingyuan) Co., Ltd.	PRC, limited liability company	Wharf cargo handling in the PRC	RMB27,460,000	72%
Guangzhou Pintu Internet Company Limited	PRC, limited liability company	Information technology service	RMB10,000,000	70%

10 SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries as at 31st December 2017 are as follows: (Continued):

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held
Chu Kong Cargo Terminals (Gaoming) Co., Ltd.	PRC, limited liability company	Cargo handling and transportation in the PRC	RMB74,969,730/ RMB73,967,892	78.22%
Chu Kong Cargo Terminals (Kangzhou) Co., Ltd.	PRC, limited liability company	Cargo handling and transportation in the PRC	RMB25,000,000	80%
Shenzhen Zhu Chuan International Freight Forwarding Co., Ltd. @	PRC, limited liability company	Freight forwarding agency in the PRC	US$1,000,000	87.25%
Chu Kong (Guangdong) International Shipping Agency Co., Ltd.	PRC, limited liability company	Shipping agency in the PRC	RMB3,000,000	67.5%
Civet (Zhuhai Bonded Area) Logistics Company Limited	PRC, limited liability company	Cargo handling and transportation in the PRC	HK$246,000,000	47.04%

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

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

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

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

11 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	2017 HK$'000	2016 HK$'000
Investments in joint ventures	469,024	398,530
Investments in associates	107,795	100,006

(a) Details of the principal joint ventures and associates as at 31st December 2017 are as follows:

Name	Place of incorporation and operation	Principal activities	Percentage of interest in Ownership, voting power and profit sharing
Directly-held joint ventures			
Shenzhen Yantian Port Chu Kong Logistics Co., Ltd.	PRC	Container transportation and repairs	40%
Chu Kong Logistics (Singapore) Pte. Ltd.	Singapore	Shipping agency and freight forwarding agency	60%
Zhong Shan Port Goods Transportation United Co., Ltd.	PRC	Wharf cargo handling, godown storage and river trade cargo transportation	25%
Chu Kong Culture Media Company Limited	British Virgin Islands	Provision of advertisement in Hong Kong	60%
Directly-held associate			
Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Company Limited	Hong Kong	Passenger Transportation	20%
Indirectly-held joint ventures			
Chu Kong Cargo Terminals (Beicun) Co., Ltd.	PRC	Wharf cargo handling and godown storage	40%[1]
Foshan New Port Ltd.	PRC	Cargo transportation and consolidation	30%[1]
Foshan Nankong Terminal Co., Ltd. [##]	PRC	Cargo transportation and consolidation	42.5%[1]
Guangdong Zhu Chuan Navigation Co., Ltd.	PRC	Cargo transportation and vessel leasing	49%

11 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(a) Details of the principal joint ventures and associates as at 31st December 2017 are as follows: (Continued)

Name	Place of incorporation and operation	Principal activities	Percentage of interest in Ownership, voting power and profit sharing
Heshan County Hekong Associated Forwarding Co., Ltd.	PRC	Wharf cargo handling, godown storage and river trade cargo transportation	40%[1]
Heshan Port Construction & Development General Company [#]	PRC	Investment holding	40%[1]
Heshan Port Declaration Company [#]	PRC	Custom declaration services	40%[1]
Sanshui Sangang Containers Wharf Co., Ltd.	PRC	Cargo transportation and consolidation	24%[1]
Hong Kong International Airport Ferry Terminal Services Limited	Hong Kong	Ferry linkage services between the Hong Kong International Airport and Pearl River Delta	60%
Zhongshan-Hong Kong Passenger Shipping Co-op Co., Ltd. ("ZHPS")	PRC	Passenger transportation	40%
Connect Media Company Limited	Hong Kong	Provision of advertisement in Hong Kong	60%
Chu Kong Logistics (Malaysia) Sdn Bhd.	Malaysia	Shipping agency and freight forwarding agency	42%
Indirectly-held associates			
Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd	PRC	Passenger transportation	40%
Guangdong Sanbu Passenger and Freight Transportation Co., Ltd.	PRC	Wharf cargo handling, godown storage and river trade cargo transportation	32%[1]
Zhaoqing City Declaration Co., Ltd. [#]	PRC	Custom declaration services	40%

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

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

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

11 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

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

Set out below are the summarised financial information for 100% equity interest in the joint ventures and associates of the Group for the year ended 31st December 2017, which, in the opinion of the directors, are material to the Group.

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

Summarised balance sheet as at 31st December 2017 and 2016 and summarised statement of comprehensive income for the year ended 31st December 2017 and 2016

	ZHPS	
	2017 HK$'000	2016 HK$'000
Current assets	218,016	234,306
Current liabilities	(61,842)	(60,372)
Non-current assets	263,982	134,813
Non-current liability	(7,459)	(7,420)
Revenue	295,819	242,937
Profit after income tax	87,187	100,542

Reconciliation of summarised financial information

	ZHPS	
	2017 HK$'000	2016 HK$'000
Opening net assets 1st January	301,327	400,993
Profit for the year	87,187	100,542
Dividend declared	—	(177,215)
Currency translation differences	24,183	(22,993)
Closing net assets as at 31st December	412,697	301,327
Interest in a joint venture	40.0%	40.0%
Share of net assets	165,079	120,531
Carrying value	165,079	120,531

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 2017.

11 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

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

	2017 HK$'000	2016 HK$'000
Profit for the year	41,959	52,431
Other comprehensive income/(loss)	24,151	(22,850)
Total comprehensive income	66,110	29,581

12 DEPOSIT

	2017 HK$'000	2016 HK$'000
Deposit for purchase of property, plant and equipment	—	9,106

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:

	2017 HK$'000	2016 HK$'000
Deferred income tax assets:		
To be recovered after more than 12 months	(5,788)	(6,817)
To be recovered within 12 months	(1,958)	(1,984)
	(7,746)	(8,801)
Deferred income tax liabilities:		
To be settled after more than 12 months	87,946	80,556
To be settled within 12 months	2,505	2,528
	90,451	83,084
Net deferred income tax liabilities	82,705	74,283

13 DEFERRED INCOME TAX (CONTINUED)

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

	2017 HK$'000	2016 HK$'000
At 1st January	74,283	81,692
Charged/(credited) to income statement (note 30)	6,492	(2,092)
Transfer to current income tax payables	(1,217)	(5,317)
Exchange difference	3,147	—
At 31st December	82,705	74,283

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

Deferred income tax assets	Tax losses HK$'000	Decelerated tax depreciation HK$'000	Total HK$'000
At 1st January 2016	(12)	(1,352)	(1,364)
(Credited)/charged to income statement	(8,431)	994	(7,437)
At 31st December 2016	(8,443)	(358)	(8,801)
Charged to income statement	1,303	2	1,305
Exchange difference	(250)	—	(250)
At 31st December 2017	(7,390)	(356)	(7,746)

Deferred income tax liabilities	Capital gain tax HK$'000	Accelerated tax depreciation HK$'000	Undistributed profits of PRC entities HK$'000	Total HK$'000
At 1st January 2016	11,950	46,298	24,808	83,056
(Credited)/charged to income statement	—	(957)	6,302	5,345
Transfer to current income tax payables	—	—	(5,317)	(5,317)
At 31st December 2016	11,950	45,341	25,793	83,084
Charged to income statement	—	935	4,252	5,187
Transfer to current income tax payables	—	—	(1,217)	(1,217)
Exchange difference	—	1,482	1,915	3,397
At 31st December 2017	11,950	47,758	30,743	90,451

13 DEFERRED INCOME TAX (CONTINUED)

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 2017, the Group have unrecognised tax losses of HK$163,873,000 (2016: HK$168,509,000) to carry forward. These tax losses have no expiry dates except for tax losses of HK$119,509,000 (2016: HK$131,958,000) of the Group which will expire in the period from 2018 to 2022 (2016: 2017 to 2021).

The Group's wholly owned PRC subsidiaries have undistributed earnings of RMB 95,054,000 (equivalent to approximately HK$113,715,000) which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions from these wholly owned PRC subsidiaries and is not expected to distribute these profits in the foreseeable future.

14 INVENTORIES

	2017 HK$'000	2016 HK$'000
Diesel	2,312	4,424
Engine lubricant	315	269
	2,627	4,693

The cost of inventories recognised as expense and included in 'cost of services rendered' amounted to HK$476,086,000 (2016: HK$393,594,000).

15 TRADE AND OTHER RECEIVABLES AND LOANS TO JOINT VENTURES AND A FELLOW SUBSIDIARY

	2017 HK$'000	2016 HK$'000
Trade receivables		
- third parties	258,153	280,432
- joint ventures and an associate	5,364	14,456
- fellow subsidiaries	20,174	15,727
- other related companies	26,346	24,791
Trade receivables, net (note (a))	310,037	335,406
Other receivables:		
- third parties	88,107	96,687
- immediate holding company (note (b))	11,646	18,261
- fellow subsidiaries (note (b))	1,568	556
- joint ventures and associates (note (b))	121,779	95,856
- other related companies (note (b))	—	659
- Non-controlling interests of a subsidiary (note (b))	13,064	—
	236,164	212,019
Total trade and other receivables	546,201	547,425
Loans to joint ventures and a fellow subsidiary (note (c))	13,509	16,675

(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:

	2017 HK$'000	2016 HK$'000
Within 3 months	282,088	310,811
4 to 6 months	19,688	23,397
7 to 12 months	9,216	1,308
Over 12 months	4,085	4,974
	315,077	340,490
Less: provision for impairment	(5,040)	(5,084)
	310,037	335,406

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

Trade receivables that are less than three months past due are not considered impaired. As of 31st December 2017, trade receivables of HK$27,949,000 (2016: HK$24,595,000) 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:

	2017 HK$'000	2016 HK$'000
Up to 3 months	19,688	23,397
4 to 6 months	8,254	976
Over 6 months	7	222
	27,949	24,595

As of 31st December 2017, trade receivables of HK$5,040,000 (2016: HK$5,084,000) 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:

	2017 HK$'000	2016 HK$'000
7 to 12 months	962	331
Over 12 months	4,078	4,753
	5,040	5,084

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

	2017 HK$'000	2016 HK$'000
At 1st January	5,084	6,447
Reversal for impairment (note 26)	(61)	(1,363)
Provision for impairment	17	—
At 31st December	5,040	5,084

The release of provision for impaired receivables has been included in "other gains - net" in the consolidated income statement (note 26). Amounts charged to the allowance account are generally written off when there is no expectation of recovering additional cash. The maximum exposure to credit risk at the reporting date is the fair value of each class of receivables mentioned above. The Group does not hold any collateral as security.

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

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

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

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

	2017 HK$'000	2016 HK$'000
Unsecured loans		
- interest-free	4,396	10,396
- at floating rate (note)	9,113	6,279
	13,509	16,675

Note:

The loans bear interest at the base lending rate announced by the People's Bank of China ("PBOC") (2016: base lending rate announced by the PBOC).

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

	2017 HK$'000	2016 HK$'000
Hong Kong dollar	327,705	380,246
Renminbi	178,594	138,183
United States dollar	22,004	17,390
Macau pataca	17,898	11,606
	546,201	547,425

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

16 STRUCTURED BANK DEPOSITS

As at 31st December 2017, all the Group's structured bank deposits were principal-protected and placed with PRC banks. These deposits are with original maturity dates more than three months, interest-bearing and denominated in RMB.

17 CASH AND CASH EQUIVALENTS

	2017 HK$'000	2016 HK$'000
Cash at bank and on hand	639,536	668,015
Short-term bank deposits	129,616	149,654
	769,152	817,669

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

	2017 HK$'000	2016 HK$'000
Hong Kong dollar	407,222	245,708
Renminbi	286,157	518,079
United States dollar	53,482	38,274
Macau pataca	22,289	15,608
Euro	2	—
	769,152	817,669

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

18 SHARE CAPITAL

Ordinary shares, issued and fully paid

	Number of shares ('000)	Share Capital HK$'000
At 1st January 2016 and 31st December 2016	1,080,000	1,333,171
Issue of scrip dividend shares (note)	21,890	43,124
At 31st December 2017	1,101,890	1,376,295

Note:

During the year ended 31st December 2017, 21,890,000 new shares were issued at an issue price of HK$1.97 per share pursuant to the scrip dividend scheme in relation to the final dividend for the year ended 31st December 2016. HK$43,124,000 were credited to the share capital account.

19 SHARE-BASED PAYMENTS

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

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

	2017		2016	
	Average exercise price in HK$ per share option	Number of share options ('000)	Average exercise price in HK$ per share option	Number of share options ('000)
At 1st January	2.33	8,254	2.33	9,392
Granted	—	—	—	—
Forfeited	2.33	(1,391)	2.33	(1,138)
Exercised	—	—	—	—
Expired	—	—	—	—
At 31st December	2.33	6,863	2.33	8,254

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

Expiry date	Exercise price in HK$ per share option	Number of share options ('000) 2017	2016
2022	2.33	2,287	2,751
2023	2.33	2,288	2,751
2024	2.33	2,288	2,752
		6,863	8,254

The weighted average fair value of options granted during the period determined using the Binomial Option Pricing Model was HK$0.67 per option. The total expense recognized in the income statement for share options granted to directors and employees was HK$1,135,000 (2016: HK$2,050,000).

20 RESERVES

	Exchange reserve HK$'000	Revaluation reserve HK$'000	Capital reserve HK$'000	Statutory reserve HK$'000	Share Option reserve HK$'000	Merger reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2017	(27,366)	23,009	167,717	85,756	2,128	(871,425)	1,945,643	1,325,462
Profit for the year	—	—	—	—	—	—	268,988	268,988
Currency translation differences								
– subsidiaries	89,919	—	—	—	—	—	—	89,919
– joint ventures and associates	31,364	—	—	—	—	—	—	31,364
Transfer of reserves	—	—	—	10,751	—	—	(10,751)	—
Employment share option scheme								
– Value of employee services	—	—	—	—	1,135	—	—	1,135
– Lapse of share option	—	—	—	—	(993)	—	993	—
Gain on partial disposal of subsidiaries	—	—	—	—	—	—	20,402	20,402
2016 final dividend	—	—	—	—	—	—	(64,800)	(64,800)
2017 interim dividend	—	—	—	—	—	—	(33,057)	(33,057)
2017 interim special dividend	—	—	—	—	—	—	(11,019)	(11,019)
At 31st December 2017	93,917	23,009	167,717	96,507	2,270	(871,425)	2,116,399	1,628,394
Representing:								
2017 final dividend proposed								55,094
Reserves								1,573,300
								1,628,394

20 RESERVES (CONTINUED)

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

20 RESERVES (CONTINUED)

(a) Capital reserve

The capital reserve mainly represents a capital contribution made by Chu Kong Shipping Enterprises (Holdings) Company Limited ("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.

(c) Merger reserve

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

21 ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

In September 2017 the Group intended to sell its entire interests in two of its subsidiaries, Zhaoqing Chu Kong Cargo Terminals (Dawang) Co., Ltd. and Zhaoqing Chu Kong Logistics (Dawang) Co., Ltd.. The principal activities of these two companies are cargo transportation and provision of logistics services. The Group is actively soliciting the buyer and it is expected the disposal to be completed in 2018. The associated assets and liabilities were consequently presented as held for sale in the 2017 financial statements.

(a) Assets of a disposal group classified as held for sale

	2017 HK$'000
Property, plant and equipment (note 6)	102,933
Land use right (note 8)	27,473
Trade and other receivables	3,365
Cash and cash equivalent	421
	134,192

21 ASSETS AND LIABILITIES OF A DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(b) Liabilities of a disposal group classified as held for sale

	2017 HK$'000
Trade and other payables	934

22 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	2017 HK$'000	2016 HK$'000
Trade payables (notes (a) and (c)):		
– third parties	258,902	292,682
– immediate holding company	28,689	23,771
– fellow subsidiaries	665	1,549
– joint ventures and associates	17,283	11,563
– other related companies	2,924	10,870
	308,463	340,435
Accruals and other payables:		
– third parties	220,610	181,821
– immediate holding company (note (c))	615	2,112
– fellow subsidiaries (note (c))	9,126	5,855
– joint ventures and associates (note (c))	66,067	70,126
– other related companies (note (c))	568	347
	296,986	260,261
	605,449	600,696

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

	2017 HK$'000	2016 HK$'000
Within 3 months	306,716	338,266
4 to 6 months	364	339
7 to 12 months	14	146
Over 12 months	1,369	1,684
	308,463	340,435

22 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES (CONTINUED)

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

	2017 HK$'000	2016 HK$'000
Hong Kong dollar	437,502	490,243
Renminbi	144,459	107,374
United States dollar	20,549	—
Macau pataca	2,939	3,079
	605,449	600,696

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

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

23 LOANS FROM ASSOCIATES, AMOUNTS DUE TO THE NON-CONTROLLING INTERESTS OF SUBSIDIARIES AND AMOUNT DUE TO A RELATED PARTY

(a) Breakdown of loans from associates

	2017 HK$'000	2016 HK$'000
Current		
– interest-free (note (i))	1,053	984
– at floating rates (note (ii))	—	22,359
	1,053	23,343

Notes:

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

(ii) The loan was provided by an associate to the Group which is denominated in Renminbi, unsecured, interest bearing at the base deposit rate announced by the People's Bank of China ("PBOC") and repayable on demand. The amount was fully repaid in 2017.

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

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

	2017 HK$'000	2016 HK$'000
Current		
– at floating rate (note (i))	14,356	20,089
– interest-free (note (ii))	68,450	68,450
	82,806	88,539

Notes:

(i) The amounts are denominated in Renminbi, unsecured and interest-bearing at the base lending rate announced by the PBOC (2016: base lending rate announced by the PBOC). Pursuant to board resolution, the amount of HK$5,720,000 was transferred to non-controlling interests in 2017 as a capital injection to a subsidiary of the Company.

(ii) The amounts of HK$68,450,000 are denominated in Hong Kong dollars, unsecured and repayable in 2018 (2016: repayable in 2017).

(c) The amount due to a related party, the ultimate beneficial shareholder of a non-controlling interest, as at 31st December 2016, was denominated in Renminbi, unsecured, repayable on demand, interest-bearing at the base lending rate announced by the PBOC. The amount was fully repaid in 2017.

24 BORROWINGS

	2017 HK$'000	2016 HK$'000
Unsecured, short term bank loans	90,000	100,000
Long term bank loans:		
– secured	175,026	76,873
– unsecured	100,000	100,000
	365,026	276,873

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

	2017 HK$'000	2016 HK$'000
Repayable within one year	4,175	111,179
Repayable within one to two years	104,175	11,179
Repayable within two to five years	73,462	39,128
Repayable more than five years	93,214	15,387
	275,026	176,873
Current portion included in current liabilities	(4,175)	(111,179)
	270,851	65,694

The secured bank loans are secured by certain property, plant and equipment (note 6) and land use rights (note 8) of the Group, denominated in Renminbi and interest bearing at the base lending rate announced by the PBOC. The unsecured bank loans are denominated in Hong Kong dollars and bear interest at rates range from 1.2% to 1.9% (2016: 1.2% to 1.75%) per annum.

25 OTHER INCOME

	2017 HK$'000	2016 HK$'000
Management fee income from CKSE (note 38(a)(ii))	30,000	30,000
Property rental income	1,473	1,473
Subsidies income	6,984	7,561
Others	1,024	1,893
	39,481	40,927

26 OTHER GAINS - NET

	2017 HK$'000	2016 HK$'000
Exchange gains/(losses), net	21,476	(15,365)
Loss on write-off of property, plant and equipment	(478)	(647)
Gain on disposals of property, plant and equipment (note)	1,079	53,978
Reversal for impairment of trade receivables, net (note 15)	61	1,363
	22,138	39,329

Note:

The gain on disposal for the year ended 31st December 2016 mainly represented disposal gain of the Surrendered Land in relation to the Land Transaction.

27 COSTS AND EXPENSES BY NATURE

	2017 HK$'000	2016 HK$'000
Amortisation of land use rights	11,577	11,816
Auditor's remuneration		
– audit services	3,112	3,035
– non-audit services	830	770
Costs of passenger transportation, cargo transportation and cargo handling and storage (including fuel cost)	878,409	916,276
Costs of oil trading (including cost of inventories)	476,086	393,594
Costs of passenger and maintenance service	3,835	3,586
Depreciation of property, plant and equipment	91,990	95,978
Depreciation of investment property	57	57
Amortisation of intangible assets	1,041	72
Operating lease rental expenses		
– vessels and barges	147,300	132,003
– buildings	31,430	30,097
– properties that generated rental income	5,000	5,000
Staff costs (including directors' emoluments) (note 33)	432,568	405,280
Others	170,263	185,985
Total cost of services rendered and general and administrative expenses	2,253,498	2,183,549

28 FINANCE INCOME AND COSTS

	2017 HK$'000	2016 HK$'000
Finance income		
Interest income on loan to a joint venture	278	292
Interest income on short-term, structured bank deposits and bank balances	18,054	11,583
	18,332	11,875
Finance cost		
Interest expense on bank borrowings	(11,479)	(6,914)
Interest expense on loan from an associate	(396)	(590)
Interest expense on amount due to a related party	(82)	(604)
Interest expense on amount due to non-controlling interests	(865)	(1,609)
Interest expense on loan from immediate holding company	—	(225)
Less: amounts capitalised on qualifying assets	6,695	2,429
	(6,127)	(7,513)

The capitalisation rate applied to funds borrowed is 2.9% (2016: 1.5%) per annum.

29 SHARE OF PROFITS LESS LOSSES OF JOINT VENTURES AND ASSOCIATES

	2017 HK$'000	2016 HK$'000
Share of profits less losses before income tax of		
– joint ventures	83,759	98,607
– associates	19,535	23,752
	103,294	122,359
Share of income tax of		
– joint ventures	(21,218)	(23,884)
– associates	(5,246)	(5,827)
	(26,464)	(29,711)
	76,830	92,648

30 INCOME TAX EXPENSE

	2017 HK$'000	2016 HK$'000
Current income tax		
– Hong Kong profits tax	20,730	22,199
– PRC corporate income tax	23,821	24,809
– Macau profits tax	3,812	5,028
– Over provision in prior years	(5,547)	(777)
Deferred income tax expense (note 13)	6,492	(2,092)
	49,308	49,167

Hong Kong profits tax has been provided at the rate of 16.5% (2016: 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% (2016: 25%). Macau profits tax has been provided at the applicable tax rate (2016: applicable tax rate) on the estimated assessable profit for the year.

Share of income tax of joint ventures and associates for the year has been included in the consolidated income statement as share of profits less losses of joint ventures and associates (Note 29).

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:

	2017 HK$'000	2016 HK$'000
Profit before share of profits less losses of joint ventures and associates, and income tax expense	248,813	282,960
Calculated at a tax rate of 16.5% (2016: 16.5%)	41,054	46,688
Effect of different tax rates applicable to the subsidiaries in the PRC and Macau	5,699	2,869
Income not subject to income tax	(108,665)	(116,200)
Expenses not deductible for income tax purposes	108,579	102,686
Tax losses not recognised	6,476	10,013
Over provision in prior years	(5,547)	(777)
Utilisation of previously unrecognised tax loss	(2,540)	(2,414)
	45,056	42,865
Withholding income tax on undistributed profits of PRC enterprises	4,252	6,302
Income tax expense	49,308	49,167

31 DIVIDENDS

	2017 HK$'000	2016 HK$'000
Interim, paid, of HK3 cents (2016: HK3 cents) per ordinary share	33,057	32,400
Interim special, paid, of HK1 cent (2016: nil) per ordinary share	11,019	—
Final, proposed, of HK5 cents (2016: HK6 cents) per ordinary share	55,094	64,800
	99,170	97,200

On 23rd March 2018, the board of directors proposed a final dividend of HK 5 cents per ordinary share (2016: HK 6 cents per ordinary share in cash form, with an option to receive new and fully paid shares of the Company in lieu of cash). This proposed dividend is not reflected as a dividend payable in these financial statements. The total dividends paid by the Company, including the final dividend for the year 2016 and the interim dividends for the year 2017, amounting to HK$108,876,000 (2016: HK$86,400,000).

32 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.

	2017	2016
Profit attributable to equity holders of the Company (HK$'000)	268,988	321,771
Weighted average number of ordinary shares in issue ('000)	1,089,836	1,080,000
Basic earnings per share (HK cents)	24.68	29.79

Diluted

The potential ordinary shares in respect of the Company's share options were anti-dilutive for the year ended 31st December 2017. The basic earnings per share for the year ended 31st December 2017 was equal to the diluted earnings per share.

Diluted earnings per share for the years ended 31st December 2017 and 2016 were calculated by adjusting the profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the company included share options. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

33 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2017 HK$'000	2016 HK$'000
Salaries and allowances	408,963	379,840
Share options granted to directors and employees	1,135	2,050
Retirement benefit costs - defined contribution plans (note)	22,470	23,390
	432,568	405,280

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.

34 FIVE HIGHEST-PAID INDIVIDUALS' EMOLUMENTS

The five individuals whose emoluments were the highest in the Group for the year ended 31st December 2017 include three (2016: three) directors whose emoluments are reflected in the analysis shown in note 40. The emoluments payable to the remaining two (2016: two) highest paid individuals during the year are as follows:

	2017 HK$'000	2016 HK$'000
Basic salaries, housing allowances, other allowances and benefits in kind	1,255	723
Bonuses	1,141	1,406
Retirement benefit costs - defined contribution plans	35	18
Share options granted	60	97
	2,491	2,244

34 FIVE HIGHEST-PAID INDIVIDUALS' EMOLUMENTS (CONTINUED)

The emoluments of the two (2016: two) highest paid individuals fell within the following bands:

	Number of individuals	
	2017	2016
Emolument bands		
HK$500,000 - HK$1,000,000	0	1
HK$1,000,001 - HK$1,500,000	2	1

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

35 NOTE TO CONSOLIDATED CASH FLOW STATEMENT

Reconciliation of operating profit to cash generated from operations

	2017 HK$'000	2016 HK$'000
Operating profit	236,608	278,598
Amortisation of land use rights	11,577	11,816
Amortisation of intangible asset	1,041	72
Depreciation of property, plant and equipment and investment property	92,047	96,035
Gain on disposals of property, plant and equipment, net	(1,079)	(53,331)
Reversal for impairment of trade receivables, net	(61)	(1,363)
Share-based payments	1,135	2,050
Government grants credited to income	(2,552)	(2,552)
Operating profit before working capital changes	338,716	331,325
Decrease/(increase) in inventories	2,066	(3,941)
Decrease/(increase) in trade and other receivables	43,908	(12,625)
Increase/(decrease) in trade payables, accruals and other payables	20,653	(31,028)
Cash generated from operations	405,343	283,731

36 COMMITMENTS

(a) *Capital commitments*

	2017 HK$'000	2016 HK$'000
Contracted but not provided for		
– Property, plant and equipment	104,562	50,762

(b) *Commitments under operating leases*

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

	2017 HK$'000	2016 HK$'000
Land and buildings:		
Not later than one year	20,773	17,912
Later than one year and not later than five years	26,316	35,502
Over five years	—	57
	47,089	53,471
Vessels and barges:		
Not later than one year	35,211	17,447
	35,211	17,447
	82,300	70,918

37 FUTURE OPERATING LEASE ARRANGEMENTS

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

	2017 HK$'000	2016 HK$'000
Land and buildings:		
Not later than one year	26,122	25,837
Later than one year and not later than five years	9,356	26,750
	35,478	52,587
Vessel and barges:		
Not later than one year	—	1,143
	35,478	53,730

38 RELATED PARTY TRANSACTIONS

The directors of the Group regard CKSE as the immediate holding company, which owns 68% (2016: 65%) of the Company's ordinary shares. The parent company of the Group is Guangdong Province Navigation Group Company Limited ("GNG"), a state-owned enterprise established in the PRC. GNG itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC.

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

For the years 2017 and 2016, 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.

38 RELATED PARTY TRANSACTIONS (CONTINUED)

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

(a) Transactions with related parties

	Note	2017 HK$'000	2016 HK$'000
Revenues:			
Shipping agency, river trade cargo direct shipment and transshipment income	(i)		
– a fellow subsidiary		118	221
– joint ventures and an associate		3,280	2,750
– other related companies		238	260
Passenger transportation agency fees	(i)		
– fellow subsidiaries	(xii)	2,832	2,146
– joint ventures and an associate		11,850	11,679
– other related companies	(xii)	1,880	15,000
Ferry terminal operation service fees	(i)		
– fellow subsidiaries	(xii)	5,236	4,189
– a joint venture and an associate		23,024	25,415
– other related companies	(xii)	596	1,715
Sub-baggage handling services fee			
– other related companies	(xii)	7,175	31,435
Management service fees			
– immediate holding company	(ii), (xii)	30,000	30,000
– fellow subsidiaries	(iii)	1,736	1,110
– joint ventures	(iii)	3,010	2,718
– a related company	(iii)	264	264
Vessel rental income	(i)		
– other related companies		2,112	2,678
Interest income	(iv)		
– a joint venture		278	292
Fuel supply income	(i)		
– fellow subsidiaries	(xii)	44,749	35,841
– joint ventures and an associate		61,601	50,659
– other related companies	(xii)	45,276	134,633
Marine bunkering service	(i)		
– fellow subsidiaries	(xii)	427	944
– an associate		244	175
– related companies	(xii)	3,741	3,667
Consulting and software service	(iii)		
– a fellow subsidiary		105	—
– joint ventures and an associate		239	1,347

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

	Note	2017 HK$'000	2016 HK$'000
Revenues (Continued):			
Wheel supply income	(i)		
– a fellow subsidiary		440	258
– an associate		1,723	903
– a joint venture		438	77
– a related company		55	228
Expenses:			
Shipping agency, river trade cargo direct shipment and transshipment expenses	(i)		
– a joint venture		1,463	9,409
Wharf cargo handling, cargo transportation and godown storage expenses	(i)		
– an associate	(xii)	13,743	11,164
– joint ventures		18,133	38,800
– a related company	(xii)	9,886	14,501
Agency fee expenses	(i)		
– fellow subsidiaries		199	197
– a joint venture and an associate		975	1,042
– other related companies		—	705
Ferry terminal operation services fee	(i), (xii)		
– a fellow subsidiary		7,015	7,138
Luggage handling fee	(v), (xii)		
– a related company		5,373	5,644
Fuel charges	(i)		
– a related company		—	3,596
Ferry rental expenses	(i), (xii)		
– a fellow subsidiary		3,497	2,950
Vessel rental expenses	(i), (xii)		
– a joint venture		34,026	31,455
Warehouse rental expenses	(vi), (xii)		
– immediate holding company		5,000	5,000
Office rental expenses	(i), (xii)		
– immediate holding company		5,944	7,777
– fellow subsidiaries		1,181	—

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

	Note	2017 HK$'000	2016 HK$'000
Expenses (Continued):			
Staff quarter rental expenses	(i), (xii)		
– immediate holding company		2,875	2,793
Property management fee expenses	(i)		
– immediate holding company		—	1,125
– fellow subsidiaries	(xii)	2,992	234
Loan interest expenses			
– immediate holding company	(vii)	—	225
– an associate	(viii)	396	590
– non-controlling interests	(ix)	865	1,609
– a related party	(x)	82	604
IT Management fee expenses	(xi), (xii)		
– immediate holding company		5,780	7,200
Vessel construction cost	(i)		
– a fellow subsidiary		11,412	—

Notes:

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

(ii) Management service fees 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 original contract period is from 1st July 2014 to 30th June 2017, and is further extended to 30th June 2020.

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

(iv) Interests were charged to joint ventures in respect of loans at the base lending rate announced by the PBOC (2016: base lending rate announced by the PBOC), pursuant to the agreements entered into between the Group and the joint ventures.

(v) Luggage handling fee was charged from HK$0.84 to HK$2.2 (2016: HK$1.94 to HK$3.3) per item of luggage at China Ferry Terminal, Tsim Sha Tsui by an associate of the immediate holding company as set out in the respective agreement governing these transactions.

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

(vii) Interest was charged by CKSE at 6% per annum in 2016.

(viii) Loan interest was charged by an associate at the base deposit rate announced by the PBOC (2016: base deposit rate announced by the PBOC) pursuant to the agreement entered into between the Group and the associate.

(ix) "Interest" was charged by the non-controlling interests in respect of loans bearing interest rates at the base lending rate announced by PBOC (2016: 4% per annum or at the base lending rate announced by PBOC).

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) *Transactions with related parties (Continued)*

Notes (Continued):

(x) Interest was charged by the related party at the base lending rate announced by the PBOC (2016: base lending rate announced by the PBOC).

(xi) Management fee expenses were charged at HK$600,000 from January to July 2017 and HK$316,000 from August to December 2017 (2016: HK$600,000 from January to December) per month for IT services provided by CKSE as set out in the agreement governing these transactions.

(xii) The transactions represent continuing connected transactions which have complied with the disclosure requirements in accordance with Chapter 14A of the Rules governing the listing of Securities on the stock exchange ("the Listing Rules").

(b) *Key management compensation*

	2017 HK$'000	2016 HK$'000
Salaries and allowances	9,533	7,060
Directors' fees	720	720
Share options granted	205	356
Retirement benefit scheme contributions	126	98
Housing benefit	1,172	1,008
	11,756	9,242

(c) *Loans to joint ventures and a fellow subsidiary*

	2017 HK$'000	2016 HK$'000
At 1st January	16,675	17,805
Loan advancement	2,365	—
Loan repayment	(6,350)	—
Exchange differences	819	(1,130)
At 31st December	13,509	16,675

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31st December 2017 HK$'000	2016 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		81,105	79,974
Investment properties		37,634	38,089
Land use rights		33,133	34,035
Investments in subsidiaries		1,574,619	1,574,605
Investments in joint ventures		89,430	89,430
		1,815,921	1,816,133
Current assets			
Trade and other receivables		982,210	882,427
Cash and cash equivalents		182,836	133,895
		1,165,046	1,016,322
Total assets		2,980,967	2,832,455
EQUITY			
Share capital		1,376,295	1,333,171
Reserves	(a)	1,099,736	999,568
Total equity		2,476,031	2,332,739
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		4,213	4,213
Current liabilities			
Trade payables, accruals and other payables		310,723	273,145
Loan from an associate		—	22,358
Short term borrowings		190,000	100,000
Current portion of long term borrowings		—	100,000
		500,723	495,503
Total liabilities		504,936	499,716
Total equity and liabilities		2,980,967	2,832,455

The balance sheet of the Company was approved by the Board of Directors on 23rd March 2018 and was signed on its behalf.

Huang Liezhang
Director

Cheng Jie
Director

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

Note (a) Reserve movement of the Company

	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2017	2,128	997,440	999,568
Profit for the year	—	207,909	207,909
Employee share option scheme			
– Value of employee services	1,135	—	1,135
– Lapse of share option	(993)	993	—
2016 final dividend	—	(64,800)	(64,800)
2017 interim dividend	—	(33,057)	(33,057)
2017 interim special dividend	—	(11,019)	(11,019)
At 31st December 2017	2,270	1,097,466	1,099,736
Representing:			
2017 final dividend proposed			55,094
Reserves			1,044,642
			1,099,736
At 1st January 2016	78	914,988	915,066
Profit for the year	—	168,852	168,852
Employee share option scheme			
- Value of employee services	2,050	—	2,050
2015 final dividend	—	(54,000)	(54,000)
2016 interim dividend	—	(32,400)	(32,400)
At 31st December 2016	2,128	997,440	999,568
Representing:			
2016 final dividend proposed			64,800
Reserves			934,768
			999,568

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

(A) Directors' and chief executive's emoluments

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

For the year ended 31st December 2017:

Name	Fees	Salary (Note (a))	Discretionary Bonuses (Note (b))	Allowances and benefits in kind (Note (c))	Employer's contributions to retirement benefit scheme	Other emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the company or its subsidiary undertaking	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Chairman/managing director							
Mr. Huang Liezhang (note (i))	—	84	—	43	2	—	129
Mr. Xiong Gebing (note (ii))	—	726	738	472	16	—	1,952
Executive directors							
Mr. Zeng He	—	753	670	333	18	—	1,774
Mr. Cheng Jie	—	750	670	370	18	—	1,808
Non-executive director							
Mr. Fan Linchun (note (i))	—	—	—	—	—	—	—
Mr. Zhang Lei (note (ii))	—	—	—	—	—	—	—
Independent non-executive directors							
Mr. Chan Kay-cheung	320	—	—	—	—	—	320
Ms. Yau Lai Man	200	—	—	—	—	—	200
Mr. Chow Bing Sing	200	—	—	—	—	—	200
Total	720	2,313	2,078	1,218	54	—	6,383

Note:

(i) Appointed on 17th November 2017

(ii) Resigned on 17th November 2017

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

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

For the year ended 31st December 2016:

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

Notes:

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

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

(c) Includes share options and housing benefit

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

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

Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the company or its subsidiary undertaking		Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the company or its subsidiary undertaking		Total	
2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000	2017 HK$'000	2016 HK$'000
6,383	5,798	—	—	6,383	5,798

Note:

(i) Emoluments above include share options and housing benefit

(B) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the years ended 31st December 2017 and 2016.

(C) Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended 31st December 2017 and 2016.

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

During the years ended 31st December 2017 and 2016, no consideration was paid by the company to third parties for making available directors' services.

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

During the years ended 31st December 2017 and 2016, there were no loans, quasi-loans and other dealing arrangements in favour of directors of the Company or its holding companies, bodies corporate controlled by and entities connected with such directors.

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

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

Five-Year Financial Summary

RESULTS

	2017 HK$'000	2016 HK$'000	2015 HK$'000 (restated)	2014 HK$'000	2013 HK$'000
Revenue	2,428,487	2,381,891	2,507,427	1,828,912	1,619,279
Operating profit	236,608	278,598	239,323	208,892	184,564
Finance income	18,332	11,875	8,454	4,667	4,428
Finance cost	(6,127)	(7,513)	(10,852)	(9,793)	(11,975)
Net finance income/(cost)	12,205	4,362	(2,398)	(5,126)	(7,547)
Share of profits less losses					
– joint ventures	62,541	74,723	74,325	67,765	64,361
– associates	14,289	17,925	19,825	16,781	14,663
Profit before income tax	325,643	375,608	331,075	288,312	256,041
Income tax expense	(49,308)	(49,167)	(60,592)	(58,377)	(55,458)
Profit for the year	276,335	326,441	270,483	229,935	200,583
Attributable to:					
Equity holders of the Company	268,988	321,771	265,004	221,268	190,918
Non-controlling interests	7,347	4,670	5,479	8,667	9,665
	276,335	326,441	270,483	229,935	200,583
Basic earning per share (HK cents)	24.68	29.79	26.25	24.59	21.21

ASSETS AND LIABILITIES

	2017 HK$'000	2016 HK$'000	2015 HK$'000 (restated)	2014 HK$'000	2013 HK$'000
Non-current assets	2,707,296	2,637,723	2,602,070	2,689,371	2,424,061
Current assets	1,623,270	1,386,462	1,645,179	1,044,586	1,093,286
Assets held for sale	—	—	1,367	—	—
Assets of a disposal group classified as held for sale	134,192	—	—	—	—
Total assets	4,464,758	4,024,185	4,248,616	3,733,957	3,517,347
Non-current liabilities	364,490	153,883	188,294	248,371	254,292
Current liabilities	796,047	956,213	956,111	1,038,713	996,667
Liabilities of a disposal group classified as held for sale	934	—	—	—	—
Total liabilities	1,161,471	1,110,096	1,144,405	1,287,084	1,250,959
Total equity	3,303,287	2,914,089	3,104,211	2,446,873	2,266,388

Notes:

(a) The financial information for the years ended 31st December 2016 and 2017 were extracted from the 2017 financial statements.

(b) The financial information for the years ended 31st December 2013, 2014 and 2015 were extracted from the 2016 Annual Report.

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