CHU KONG SHIPPING ENTERPRISES
(GROUP) COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)
Stock Code : 00560

Annual Report **2018**

Sailing on Pearl River
Tides for the New Era

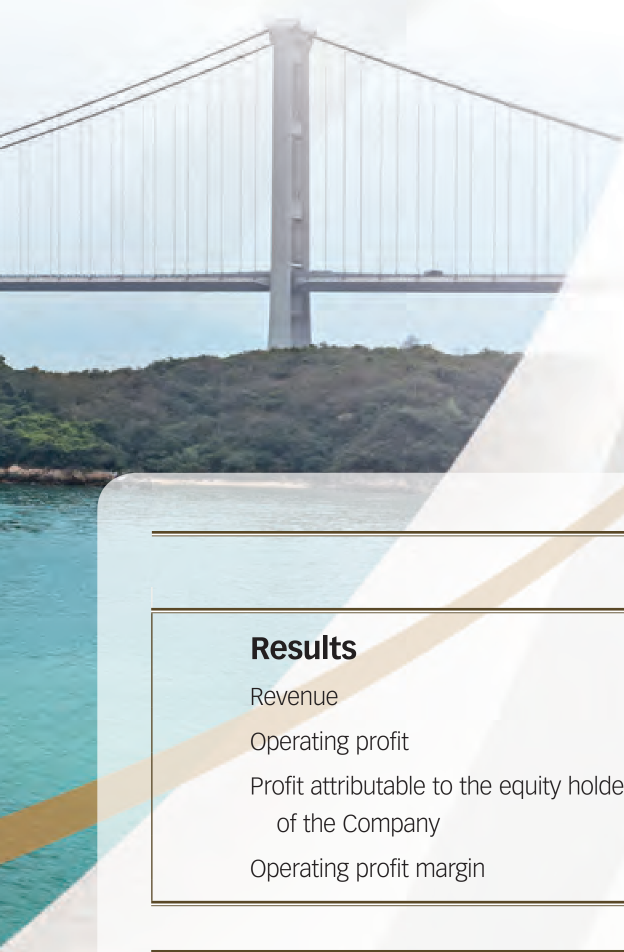
Contents

Sail on Friendly Waters to Favour the World

Work Together to Create and Share Good Fortune

By virtue of persistence, grittiness and perception, CKSG is committed to Guangdong-Hong Kong-Macau market, sets sail to new Silk Road and has become one of the largest waterway passenger transportation operators in the world and one of the largest navigation logistics operators in Guangdong-Hong Kong-Macau Great Bay Area. In active response to the national initiatives of "Guangdong-Hong Kong-Macau Great Bay Area" and "Belt and Road", the Company seizes opportunities to build its five platforms for cross-border passenger transportation, transportation in Hong Kong, terminal logistics, "Belt and Road" investment and capital operation, so as to accelerate business transformation and upgrading and promote innovation and development, with an aim to develop into an exemplary enterprise in implementing national initiatives, a pioneer in developing Guangdong-Hong Kong-Macau Great Bay Area and a leader of the terminal navigation industry in the Great Bay Area. CKSG will jointly create rich fortune, jointly enjoy great achievements and grasp the future with its stakeholders.

Financial Highlights



		2018	2017	Change
Results				
Revenue	*HK$Million*	**2,404.5**	2,428.5	-1.0%
Operating profit	*HK$Million*	**180.8**	236.6	-23.6%
Profit attributable to the equity holders of the Company	*HK$Million*	**226.0**	269.0	-16.0%
Operating profit margin	*(%)*	**7.5**	9.7	-22.7%

		2018	2017	Change
Financial Position				
Total assets	*HK$Million*	**4,331.6**	4,464.8	-3.0%
Total liabilities	*HK$Million*	**965.1**	1,161.5	-16.9%
Total equity	*HK$Million*	**3,366.5**	3,303.3	1.9%
Structured bank deposits, cash and cash equivalents	*HK$Million*	**1,226.0**	1,060.9	15.6%
Current ratio		**2.3**	2.2	4.5%
Debt ratio	*(%)*	**22.3**	26.0	-14.2%

Corporate Information

Executive Director

Mr. Huang Liezhang *(Chairman)*
Mr. Wu Qiang *(Managing Director)*
Mr. Chen Jie
Mr. Leng Buli
Mr. Liu Wuwei

Non-executive Director

Ms. Ye Meihua

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. Wu Qiang
Mr. Chen Jie
Mr. Leng Buli
Mr. Liu Wuwei

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

Registrar

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

Registered Office

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

Business Headquarter

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

Business Location

Build Up Five Platforms
Promote Five Growth Drivers

Chairman's Statement

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 2018 to the shareholders. The Group recorded a consolidated revenue of HK$2,404,496,000 (2017: HK$2,428,487,000), representing a decrease of 1.0% as compared with last year. Profit attributable to the shareholders of the Company amounted to HK$226,072,000 (2017: HK$268,988,000), representing a decrease of 16.0% as compared with last year.

REVIEW

The year 2018 saw slowdown in the growth of the global economy with a turbulent financial market and increasingly complex international trade situation. In the face of complex and challenging external environment, the PRC economy was under downward pressure and continued to hover at a low level. Being affected by the Sino-US trade friction, the container throughput volume of Hong Kong port was 19.596 million TEU, representing a year-on-year decrease of 5.7%. Despite the recover in the tourism market in Hong Kong, the opening of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge as well as the increase in oil price have dealt a harsh blow to the high-speed waterway passenger transportation business in Guangdong, Hong Kong and Macau of the Group. In the face of great challenges, the Group maintained its strategic strengths and took initiatives proactively to duly implement the decisions made by the Board, reduce operation costs and promote innovative development, so as to maintain stable operation.

Due to the combined effect of several negative factors such as intensified Sino-US trade friction, difficulties in the domestic real economy and tightened policy on the import of renewable resources (the "Environmental Policy"), the business volume of our terminal navigation logistics business decreased. In 2018, the container handling volume of the Group amounted to 1.205 million TEU, representing a decrease of 15.0% as compared with last year, and the container transportation volume amounted to 1.53 million TEU, representing a slight increase of 0.4% as compared with last year. In order to overcome the challenges arising from the external environment, the Group proactively implemented various measures, including: firstly, the new godown wharf in Tuen Mun has completed the construction of the wharf and the container yard and was put into operation and improved the automation level at the terminal. Efforts have been made to upgrade the cargo source of the existing warehouses with a focus on high value cargoes such as cigarette, wine and aviation parts and components, so as to improve the profitability of the business significantly.

Secondly, Chu Kong Transhipment & Logistics Company Limited ("CKTL"), a subsidiary of the Group, successfully launched several new businesses, which also boosted the business volume of the cargo terminals operated by the Group. Two new routes, Guangzhou Jiaoxin and Shunde New Port, were added. The company launched the Foshan Gaoming – HIT express service and Hong Kong – Yantian regular liner express service. In addition, the company implemented the new empty container shipment business at Machong, Dongguan and the empty container distribution project of Guangdong Fuhua Machinery Manufacturing Co., Ltd.. Thirdly, the cargo terminals of the Group explored the logistics business from the industrial parks and successfully developed over 100 corporate customers from the industrial parks. Several cargo terminals made great efforts to explore new businesses, launching domestic trade business at Foshan Beicun Port, Foshan Nankong and Heshan Port and commencing sand transportation business at Zhuhai Civet Port and Doumen Port. Fourthly, the Group expanded its proprietary trailer business by expanding the capacity of its six cargo terminal fleets, so as to improve the industrial and service chain, the operating revenue and profitability of the business. Fifthly, efforts have been made to accelerate the expansion of the air-sea union transportation business. CKTL joined hands with Hong Kong Airlines and Fly King Transportation Freight Co., Ltd. to develop the air cargo palletisation business. Zhuhai Doumen Port cooperated with Hong Kong Air Cargo Industry Services Limited to launch the "Superlink China Direct" business, in an effort to establish a land-air logistics center in Western Guangdong. Sixthly, the Group leverage on the Hong Kong-Zhuhai-Macao Bridge to develop new businesses. Zhuhai Doumen Port won the bidding of the inspection site project for the Hong Kong-Zhuhai-Macao Bridge, which has been running smoothly. The import bonded warehouse at Zhuhai Civet Port has completed the upgrading and renovation project and was gradually put into operation, serving as a bridgehead for the Group to explore the economic benefit of the Hong Kong-Zhuhai-Macao Bridge. By implementing the aforesaid measures, the terminal navigation logistics business successfully mitigated some negative effects and maintained a stable development momentum, and the new measures are expected to continue to bring positive results.

Regarding the high-speed waterway passenger transportation business, in response to the challenges arising from the opening of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge, the Group took measures to optimise transportation capacity and resources of shipping route, reduce operation costs and improve operation quality and efficiency. The specific measures were as follows: firstly, the Group accelerated the setup of the high-speed carbon fiber ferry fleet, with six ferries in operation during the year, two ferries under construction and four ferries proposed to be constructed. The carbon fiber ferry fleet began to take shape. Secondly, efforts have been made to integrate the resources of shipping route in Gaungdong and Hong Kong. Seizing the opportunities arising from the operation and management of Nansha Ferry Terminal by the parent company, the Group strove to establish core shipping routes. The Group planned to establish shipping route between Dongguan and Macau, and made preparation for the trial trip of Hong Kong – Shanwei route. Thirdly, the Group explored local business in Hong Kong by participating in the bidding for the marine transportation service for the third runway of Hong Kong International Airport and the water bus services for Victoria Harbour. Fourthly, the Group stepped up efforts to develop maritime tourism business, and carried out preparation works for the construction of new ships for the high-end tour for Victoria Harbour. The Group also launched sight-seeing tour products for the Hong Kong-Zhuhai-Macao Bridge, which were well received by the market. Fifthly, the Group optimised the air-sea passenger transportation services. Hong Kong International Airport Ferry Terminal Services Limited, a joint venture company of the Group, continued to participate in the bidding of the fourth phase project contract of SkyPier, and commenced the operation, service and information system upgrading project of SkyPier. Sixthly, the Group continued to focus on and promote the waterway passenger transportation projects in the Guangdong-Hong Kong-Macau Greater Bay Area and Southeast Asia and seized opportunities for merger and acquisition when the opportunity arises, so as to expand and strengthen the high-speed waterway passenger transportation business.

During the year, Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Co., Ltd., an associated company of the Group, was put into operation after the opening of the Hong Kong-Zhuhai-Macao Bridge, and achieved remarkable social and economic benefits.

OUTLOOK

In 2019, the global economy is likely to experience sluggish growth with increasing uncertainties and downward risks. However, as the US-China trade tension is expected to ease, the PRC economy is likely to bottom up and the Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area has been promulgated. As a navigation enterprise focusing on the Guangdong-Hong Kong-Macao Greater Bay Area, the Group will embrace considerable development opportunity in 2019. Firstly, the expected easing of US-China trade tension and the measures taken by the government to encourage expansion of import trade will help the terminal navigation logistics business to pick up again. Secondly, the establishment of the Guangdong-Hong Kong-Macao Greater Bay Area will facilitate closer connection between cities within the region and drive continuous growth in the number of passengers traveling between cities in the Greater Bay Area, which will benefit the high-speed waterway passenger transportation business for the long run; Thirdly, although the impact of the express rail and the Hong Kong-Zhuhai-Macao Bridge on the passenger transportation business of the Group is felt, the relevant business invested by the Group in respect of Hong Kong International Airport and the Hong Kong-Zhuhai-Macao Bridge will begin to show positive effect. Fourthly, the Group has sufficient cash and strong ability to obtain financing at low cost, and it is expected that substantial progress will be made in constant injection of quality assets from the parent company and external merger and acquisition.

The Group will make full effort to establish the "five platforms" namely cross-border passenger transportation, transportation in Hong Kong, terminal logistics, "Belt and Road" investment and capital operation, and develop the "five growth drivers" namely the Greater Bay Area airports, the Hong Kong-Zhuhai-Macao Bridge, construction of Nansha, cross-border e-commerce and overseas investment, so as to push ahead the transformation and upgrade of the core businesses. Firstly, the Group will establish the cross-border passenger transportation platform for the Guangdong-Hong Kong-Macao Greater Bay Area. The Group will form passenger transportation alliance for the Greater Bay Area by equity investment and other means, so as to optimise and share high-speed waterway passenger transportation resources, reduce operating costs and improve profitability. Taking Hong Kong International Airport and Shenzhen airport as center, the Group will proactively to develop a number of shipping routes connecting to the airports, so as to expand the air-sea union transportation business. Secondly, the Group will strive to establish local marine transportation platform in Hong Kong. The Group will carry out analysis on merger and acquisition of local passenger transportation business in Hong Kong, proactively participate in projects such as the marine passenger transportation for the third runway of Hong Kong International Airport and the water bus service for Victoria Harbour, explore to launch new off-island routes, launch the high-end tour for Victoria Harbour, increase routes for sight-seeing tour for the Hong Kong-Zhuhai-Macao Bridge, and make strenuous effort to develop maritime tourism project in Hong Kong. Thirdly, the Group will facilitate the transformation and upgrade of the terminal navigation logistics platform by focusing on the Hong Kong-Zhuhai-Macao Bridge and Hong Kong International Airport. Leveraging on the advantageous position as a bridgehead and the resource advantage of Tuen Mun, Hong Kong and Zhuhai, and seizing the new opportunities arising from the Hong Kong-Zhuhai-Macao Bridge, the Group will launch express transportation business between Mainland China and Hong Kong, and conduct the air cargo palletisation business and X-ray inspection business for Hong Kong International Airport at the Tuen Mun Godown Wharfs. The Group will proactively participate the bidding of the auxiliary logistics project for the third runway project of Hong Kong International Airport. In addition, the Group will join hands with Hong Kong International Airport to establish the cold-chain warehousing logistics network at Tuen Mun, Zhuhai and Macau, and conduct proprietary cold-chain warehousing logistics business by leveraging on the refrigerated bonded warehouse at Zhuhai Civet Port, with an aim to develop Civet Port into the cold-chain logistics center in Western Guangdong. The Group will facilitate the transformation and upgrade of the godown in Tuen Mun, with an aim to establish a modern logistics base mainly engaged in air freight logistics, cold-chain logistics and cross-border e-commerce business. Fourthly, the Group will proactively explore to facilitate the establishment of the "Belt and Road" investment platform in a prudent manner, so as to exploit new growth momentum in overseas markets. The Group will conduct analysis on merger and acquisition of waterway passenger transportation projects in Southeast Asia, so as to extend the passenger transportation business into overseas markets. Fifthly, the Group will give full play to the capital operation platform, so as to achieve capital efficiency. The Group will increase its enterprise value through internal and external merger and acquisition, speeding up the development of semi-financial business to generate synergetic effect with the core business, stepping up efforts to maintain investor relationship, continuing to make stable and high dividend payouts and introducing strategic investors in a timely manner.

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 Group, and to express my sincere appreciation to all the staff for their diligent efforts for the development and growth of the Group.

Huang Liezhang
Chairman

Hong Kong, 27th March 2019

Committed to Great Bay Area
Set Sail for New Silk Road

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 2018.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL OPERATIONS ANALYSIS

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

There were no 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 2018, the Group recorded a consolidated revenue of HK$2,404,496,000, representing a decrease of 1.0% over the same period last year. Profit attributable to the shareholders of the Company amounted to HK$226,072,000, representing a decrease of 16.0% over the same period last year.

Regarding freight transportation, the Group continued to promote professionalised operation for terminal navigation logistics business and give full play to the "Consolidated CKTL" platform, with its business volume remained stable. During the year, the container transportation volume reached 1,530,000 TEU, representing a year-on-year increase of 0.4%, while break bulk cargo transportation volume reached 430,000 tons, representing a year-on-year increase of 4.9%. As for cargo handling business, due to the Sino-US trade war and the tightened Environmental Policy, the container handling volume reached 1,205,000 TEU, representing a year-on-year decrease of 15.0%, while the break bulk cargo handling volume reached 3,426,000 tons, representing a year-on-year increase of 85.0%, and the container hauling and trucking volume amounted to 224,000 TEU, representing a year-on-year decrease of 16.0%.

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 of passenger transportation segment. However, the growth rate was narrowed due to the diversion of the high-speed rail and the Hong Kong-Zhuhai-Macao Bridge in the fourth quarter. During the year, the total number of passengers for agency services was 6,571,000, representing a year-on-year increase of 4.3%. The number of passengers for terminal services was 6,218,000, representing a year-on-year decrease of 1.2%.

The terminal navigation logistics business contributed a profit of HK$91,246,000 to the Group, representing a decrease of 14.6% as compared with HK$106,849,000 of the corresponding period last year. The passenger transportation business contributed a profit of HK$123,615,000 to the Group, representing a decrease of 3.7% as compared with HK$128,324,000 of the corresponding period last year. The fuel supply business contributed a profit of HK$11,846,000 to the Group, representing a decrease of 20.8% as compared with HK$14,953,000 of the corresponding period last year.

I. Terminal Navigation Logistics Business

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	**2018**	2017	**Change**
Container transportation volume (TEU)	**1,530,000**	1,524,000	0.4%
Break bulk cargoes transportation volume (revenue tons)	**430,000**	410,000	4.9%
Volume of container hauling and trucking on land (TEU)	**224,000**	267,000	–16.1%

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 1,530,000 TEU, representing a slight year-on-year increase of 0.4%. As for the container transportation business between Guangdong and Hong Kong, the volume of domestic liner and international transhipment businesses both recorded increases which offset the decrease in the empty container shipment business at Machong. As for the break bulk cargo transportation business, the break bulk cargo transportation volume for the year reached 430,000 tons, representing a year-on-year increase of 4.9%, which was mainly due to the year-on-year increase in bulk cargo volume.

Regarding the freight forwarding business, CKTL actively exploited overseas markets, and maintained rapid growth in overseas business in 2018. Chu Kong Logistics (Malaysia) Sdn Bhd. recorded a freight forwarding volume of 7,000 TEU during the year, representing a significant year-on-year increase of 166.7%. Despite the external challenges such as contraction in the traditional businesses and external market competition, Chu Kong Logistics (Singapore) Pte. Ltd. strived to improve profit margin and achieved net profit growth target by taking effective measures such as improving service quality, optimising the structure of cargo sources, enriching service portfolio, extending service chain and providing integrated transhipment services.

Regarding the air freight business, CKTL recorded air cargo transportation volume of 2,000 tons during the year. In the face of challenges, CKTL stepped up efforts in expansion of air freight business, and actively liaised with airlines and air freight forwarders to consider launching the delivery service between Tuen Mun Godown Wharf and Hong Kong International Airport to extend the business chain. Meanwhile, CKTL proactively exploited new air freight business by promoting high value-added businesses such as X-ray inspection business.

2. Cargo Handling and Storage Business

Business Operation Indicators

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

Indicators	For the year ended 31st December 2018	2017	Change
Container handling volume (TEU)	**1,205,000**	1,417,000	–15.0%
Volume of break bulk cargoes handled (revenue tons)	**3,426,000**	1,852,000	85.0%

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 249,000 TEU. The container handling volume of Civet Port was 191,000 TEU during the year, representing a slight decrease of 2.9% as compared with last year. The import bonded warehouse at Civet Port has a total site area of over 7,500 square meters, comprising a refrigerated warehouse with an area of over 2,400 square meters, which now has passed the inspection and acceptance by the authorities including the custom and fire-fighting departments, becoming the only integrated refrigerated bonded warehouse for imported meat storage in Zhuhai City that has passed the inspection and acceptance by the government. In addition, leveraging on the advantageous position as a bridgehead of the Hong Kong-Zhuhai-Macao Bridge, Civet Port actively explored the air freight business of Hong Kong International Airport. Doumen Port recorded a container handling volume of 58,000 TEU during the year, representing a year-on-year increase of 5.7%. Leveraging on the "Consolidated CKTL" platform, Doumen Port joined hands with CKTL in marketing efforts to generate synergetic effects. Doumen Port successfully launched the cargo inspection site project for the Hong Kong-Zhuhai-Macao Bridge, and the operation center located at the Bridge was put into operation in October. Moreover, Doumen Port has entered into an official agreement with Hong Kong Air Cargo Industry Services Limited in respect of the "Superlink China Direct" project. Benefitting from its sound logistics transportation infrastructures and the outstanding geographical advantage of the operation center located at the Hong Kong-Zhuhai-Macao Bridge, Doumen Port became the sole partner of Hong Kong Air Cargo Industry Services Limited for the "Superlink China Direct" project in Zhuhai City.

Being affected by the Environmental Policy, the overall container handling volume of Zhaoqing region recorded significant decrease during the year. In the face of new challenges, the ports in the region proactively carried out transformation and adjusted business structure, achieving substantial progress in the break bulk cargo handling business in the region. The overall break bulk cargo handling volume in Zhaoqing region amounted to 2,504,000 tons, representing a year-on-year increase of 167.6%, while the container handling volume amounted to 252,000 TEU, representing a year-on-year decrease of 25.1%. The container handling volume of Zhaoqing New Port reached 105,000 TEU, representing a year-on-year decrease of 28.0%. Zhaoqing New Port proactively explored business opportunities in the industrial parks and high-tech development zones, successfully securing a number of new large-scale enterprise clients. In addition, Zhaoqing New Port joined hands with Zhaoqing Railway Freight Yard operated by Foshan Cargo Center of Guangzhou Railway (Group) in marketing efforts, and adopted the strategy of "transporting grains from the north to south, connecting the east and exploring the west", transporting corns produced in the north to Yunan and Guizhou regions via innovative water-land-rail union transportation. The break bulk cargo handling volume of Zhaoqing Kangzhou Port during the year amounted to 1,662,000 tons, representing a year-on-year growth of 268.5%, and its container handling volume reached 9,000 TEU, representing a decrease as compared with the corresponding period last year. Being affected by the tightened Environmental Policy and maintenance work on Deqing Xijiang Bridge, the container handling volume of Kangzhou Port experienced substantial decrease during the year. However, Kangzhou Port proactively expanded its gravel shipment business, leading to a growth in the break bulk cargo handling volume. The container handling volume of Zhaoqing Sihui Port amounted to 91,000 TEU, representing a year-on-year decrease of 22.1%. The break bulk cargo handling volume of Zhaoqing Gaoyao Port amounted to 329,000 tons during the year, representing a year-on-year increase of 136.0%, while its container handling volume reached 47,000 TEU, representing a year-on-year decrease of 23.4%. Seizing the opportunities arising from the tightened regulation on gravel shipment by Zhuhai Custom, Gaoyao Port successfully attracted the return customers, driving growth in the break bulk cargo business.

The break bulk cargo handling volume of Foshan Gaoming Port amounted to 40,000 tons during the year, representing a year-on-year growth of 10.3%. Due to the impact of negative external factors such as the tightened Environmental Policy and the Sino-US trade war, the container business for renewable resources of Gaoming Port was hit, with the container handling volume reaching 309,000 TEU, representing a year-on-year decrease of 26.0%. While striving to overcome the challenges, Gaoming Port proactively explored other imported cargo sources and adjusted the structure of cargo sources, leading to a gradual increase in proportion of other types of cargo. In addition, Gaoming Port took initiatives to enhance marketing to the local enterprises, so as to retain existing customers and develop potential customers. Gaoming Port continued to push forward the reform of the intelligent container yards, and has finished a number of tests during the year. With the relevant facilities in place, these container yards will be put into operation as soon as possible.

The container handling volume of Qingyuan Port was 31,000 TEU during the year, representing a year-on-year increase of 5.5%. Despite the decrease in the handling volume of the imported containers for renewable resources caused by the impact of various unfavorable factors such as tightened policies on customs and environmental protection, the measures taken to adjust the structure of cargo sources started to show a positive effect, with constant improvements in the structure of cargo sources at Qingyuan Port. The ceramics export at Qingyuan Port recorded a substantial increase as compared with the corresponding period last year, which offset the impact caused by reduced renewable resource cargo transportation. In addition to the establishment of the terminal-oriented marketing management system, Qingyuan Port further stepped up efforts to explore other cargo sources from import and export plants in Foshan (Qingyuan) Industrial Transfer Industrial Park, while striving to maintain the imported and exported cargo transportation volume from existing customers by improving service quality.

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 339,000 TEU, representing a year-on-year decrease of 9.0%, which was mainly due to the decrease in the exported containers of renewable resources. Despite the above, CKTL exerted great efforts in exploiting 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 tightened Environmental Policy in China on its business. During the year, leveraging on the advantage of the "Consolidated CKTL" platform, CKTL strengthened cooperation between ports and navigation, and innovated marketing mode by establishing joint marketing team with ports to form integrated marketing efforts, so as to drive business at ports and wharfs, with a focus on the five routes in Zhongshan Huangpu Port, Gaoming Port, Doumen Port, Qingyuan Port and Sanbu Port. During the year, CKTL successfully completed the business transition between the old and the new Tuen Mun Godown Wharfs, ensuring the smooth operation of the new godown wharf and container yard, and constantly improved the intelligence level of the port operation.

In 2018, the container handling volume of Zhongshan Huangpu Port was 26,000 TEU, representing a year-on-year increase of 140.7%. During the year, Zhongshan Huangpu Port explored foreign trade business, actively developed major clients as well as large liners and freight forwarding companies, and focused on works including strengthening communication with joint inspection authorities to create a favorable custom clearance environment.

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 Jiangmen region included Guangdong Sanbu Passenger and Freight Transportation Co., Ltd. and Heshan County Hekong Associated Forwarding Co., Ltd.. During the year, Jiangmen region recorded a container handling volume of 222,000 TEU, representing a year-on-year increase of 2.1%, of which Heshan Port recorded a container handling volume of 65,000 TEU, representing a year-on-year decrease of 12.4%. Sanbu Port recorded a container handling volume of 157,000 TEU during the year, representing a year-on-year increase of 9.7%. Sanbu Port consolidated its presence in market segments, took initiatives to adjust its responding strategies, strengthened marketing management, further explored existing sources and sought for new cargo sources. Meanwhile, Sanbu Port implemented upgrading of the intelligent container yards, effectively improving the working efficiency.

During the year, the four terminals in Foshan region, namely Foshan New Port Ltd., Foshan Nankong Terminal Co., Ltd., Chu Kong Cargo Terminals (Beicun) Co., Ltd. and Sanshui Sangang Containers Wharf Co., Ltd., achieved a total container handling volume of 407,000 TEU, representing a decrease of 14.3% as compared with last year. During the year, Foshan New Port recorded a container handling volume of 268,000 TEU, representing a year-on-year decrease of 6.0%; Foshan Nangang Port recorded a container handling volume of 117,000 TEU, representing a year-on-year decrease of 19.5%; Foshan Beicun Port recorded a container handling volume of 20,000 TEU, basically the same with that of the corresponding period last year; and the business operation of Sanshui Sangang Containers Wharf Co., Ltd. continued to be suspended during the year due to the impact of the Environmental Policy.

II. Passenger Transportation Business

Business Operation Indicators

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

Indicators	For the year ended 31st December Number of Passengers (in thousands) 2018	2017	Change
Number of passengers for agency services	**6,571**	6,303	4.3%
Number of passengers for terminal services	**6,218**	6,293	–1.2%

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 6,571,000, representing a year-on-year increase of 4.3%; the number of passengers for terminal services was 6,218,000, representing a slight year-on-year decrease of 1.2%.

Regarding urban routes, the total number of passengers for agency services during the year was 4,285,000, representing a year-on-year increase of 3.5%. The increase in passenger volume of the urban routes was mainly attributable to the following factors: (1) Hong Kong's tourism market recovered rapidly, recording a significant year-on-year increase in the number of visitors from Mainland China to Hong Kong; (2) benefitting from the overall good weather conditions throughout the year, fewer flights had been cancelled by reason of weather factors such as heavy wind and dense fog, ensuring sufficient transport capacity during major festivals and holidays; (3) since passengers were worried about long-time traffic jam during Spring Festival, Easter and other rush hours, they became more willing to travel through waterway, thus resulting in a remarkable increase in the passenger volume during major festivals and holidays; and (4) CKPT further stepped up efforts in marketing and passenger source organisation, and made full use of online sale platform, so as to explore new customer groups with more convenient online channels. However, with the opening of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge, CKPT recorded decrease in the passenger volume of its urban routes in the fourth quarter.

Regarding airport routes, the number of passengers served during the year was 2,286,000, representing a year-on-year increase of 5.7%. On the macro side, with the upgrading of consumption and the increase in per capita disposable income among the residents in Mainland China, the tourists from Mainland China are becoming more willing to travel abroad, and the airport route business benefits from such robust demand for outbound travel. Besides, with the prevalence of parent-child tourism and family tourism mainly consisting of consumers born in the 1970s and 1980s, the increase in the proportion of passengers choosing Foreign Independent Travel and the greater spending power, the structure of passengers for outbound travel was also changing gradually. These led to the increase in proportion of individual passengers of the air routes, offset the traffic diversion impact brought by the choice of land and bus transportation from some air-sea group tourists and boosted the growth in passenger volume of air-sea transportation. On the micro side, CKPT strived to provide greater convenience for passengers through various measures such as continuously optimising the ticketing, baggage handling and other service processes at the airport, increasing service counters to shorten the waiting time for transfer and proactively promoting online sales on internet platforms, so as to lay a solid foundation for improvement of the operating efficiency and growth in passenger volume of the airport routes.

During the year, CKPT gave full play to the passenger transportation segment platform to coordinate the transport capacity of each route and ensure smooth operation of the flights, while continuing to push forward the public transportation deployment of waterway passenger transportation and the upgrade of transport capacity of its subsidiaries and associates. CKPT stepped up marketing efforts and focused on enhancing the promotion of the new carbon fiber ferries by highlighting the characteristics of the ferries, namely greater speed and convenience, higher comfortableness and greater environmental friendliness. Secondly, Lianhuashan Ferry Terminal deepened comprehensive cooperation with Nansha Ferry Terminal, achieving the port-shipping integrated operation management of the Nansha route waterway transportation business and Nansha Ferry Terminal which increased the number of passengers for agency services of CKPT. Moreover, CKPT relied on the newly constructed ferries of Fortune Ferry, a custody company, to proactively explore new business in the local market and launching tour projects such as off-island tours and sightseeing tours for the Hong Kong-Zhuhai-Macao Bridge. In addition, CKPT continued to promote the "sea-air union transportation" business, expanded the "All-in-one ticket" cooperation with the airlines, and has successfully entered into the code-sharing cooperation agreement with Cathay Pacific Airlines during the year.

The tourism business of the Group is currently developing a steady pipeline of tour projects. Cotai Chu Kong Shipping Management Services Company Limited ("Cotai Shipping") continued to develop the high-end tours for Victoria Harbour, and has completed the approval procedures for the drawing design of the ferry and commenced the construction of such ferry as planned during the year. Meanwhile, Cotai Shipping went on with the preparation works for the project of the Victoria Harbour tour, proactively seeking for partners to provide catering service onboard as well as advertisement and title sponsor customers, negotiating with the relevant suppliers in respect of the ticketing systems and website design and commencing design for the decoration plan of the terminal.

Joint Ventures and Associates

During the year, the number of passengers served by SkyPier (operated by Hong Kong International Airport Ferry Terminal Services Limited) increased, generating an attributable profit of HK$8,836,000, representing a year-on-year increase of 0.7%. 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 4.7% and 2.2% year-on-year, respectively. The total number of passengers of Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd. ("SGPT") for all routes recorded a slight increase of 1.8% as compared with last year. In 2018, ZHPS contributed a profit of HK$36,030,000 to the Group, representing a year-on-year increase of 3.3%. SGPT contributed a profit of HK$9,648,000 to the Group, representing a year-on-year decrease of 12.3% due to a rise of oil price and repair and maintenance expenses.

The shuttle bus business for the Hong Kong-Zhuhai-Macao Bridge jointly operated by Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Co., Ltd., an associate of the Group, was put into operation in October 2018. The shuttle bus business recorded a passenger volume of 3,700,000 during the year, generating strong social and economic benefits and making profit contribution to the Group.

III. Fuel Supply Business

As to the fuel supply business, Sun Kong Petroleum Company Limited ("Sun Kong Petroleum") recorded a sales volume of 120,000 tons for diesel during the year, which was basically the same with that of the corresponding period last year. The sales volume of engine oil was 420,000 litres, representing a year-on-year decrease of 20.8%, which was mainly attributable to the decrease in oil consumption due to a reduced cargo transportation of ocean cargo vessels and replacement of some high-speed ferries with new type of ferries. Sun Kong Petroleum contributed a profit of HK$11,846,000 to the Group for the year, the decrease of profit was due to the decrease in sales volume of engine oil and increase of depreciation from the new oil tanker. During the year, Sun Kong Petroleum actively cooperated with Hong Kong government with respect to the modification project for the oil supply system of China Ferry Terminal, and provided emergency oil supply during the course of system modification. The modification of the oil supply system was completed and put into use on 25th January 2018. Sun Kong Petroleum completed license application procedure for the newly-built oil tanker with the Marine Department, and is currently negotiating with petroleum companies in respect of transportation contracts, in an effort to secure large regular customers for the new tanker as soon as possible and to bring in revenue.

IV. Corporate and Other Businesses

As to the corporate and other businesses, the sharp depreciation of the renminbi during the year versus sharp appreciation of the renminbi in the previous year made the exchange gains and losses more variable, which had a significant impact on the segment profit. Cotai Chu Kong Shipping Management Services (Macau) Company Limited ("Macau Cotai") was committed to improving the efficiency of operations, focused on increasing the core competitiveness of the company and the new business opportunities in real time and pushed forward 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 seriously fulfils its responsibility as a corporate citizen, and pays attention to the environmental performance in every aspect of its business. In the meantime, the Group strengthens the management of use of resources and emissions, and proactively participates in charity activities. The Board is of the opinion that a good environmental, social and governance management system is of great importance to the development of the Group. The Group strives to be perfecting in sectors such as environmental protection, social responsibilities and corporate governance. Meanwhile, the Group also hopes to enhance corporate transparency through strengthening management, with an aim to achieve and improve its social responsibility.

For environmental protection, during the reporting period, the Group continued to adhere to the 3Rs principle (namely Reduce, Recycle and Reuse). For example, the Group adopted measures on proactively promoting 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 Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢棄物污染環境防治法》) and the Plan for Water Pollution Prevention and Control (《水污染防治行動計劃》) 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 actively promoted environmental protection awareness to its employees, and encouraged its subsidiaries to improve utilisation efficiency of resources by reducing the use of fuel oil, water, electricity and other resources and guaranteed the waste will be properly treated. The Group also promoted the use of electrical equipment during the operation process, so as to reduce the emissions from fuel combustion. Meanwhile, the Group regularly carried out inspection on machinery and equipment to ensure the compliance of the relevant discharge standards.

Regarding compliance operation, 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 methods including 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, promotion and other employee benefits. In addition, the Group provides 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 devotes resources in providing continuous training for its employees, enabling them to improve their professional skills, knowledge and get a better understanding of the relevant business and industry development updates as well as enhance their awareness of standardised operation, with an aim to help them to improve work-performance and achieve self-value.

The customers and suppliers, as the Group's important stakeholders, have always kept good cooperative relationship with the Group. As a corporate citizen, 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. The Group also continuously explores various channels to maintain communication with the stakeholders and to strengthen interchange between them so as to establish a close relationship with the stakeholders. 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 2018, net trade receivables of the Group amounted to HK$248,225,000, representing a decrease of 19.9% as compared with last year, of which 86.1% 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$226,072,000, representing a decrease of HK$42,916,000 or 16.0% as compared with last year, details of which are as follows:

	2018 **HK$'000**	2017 HK$'000	Change HK$'000
Net operating profit*	**155,522**	192,158	–36,636
Share of profits less losses of joint ventures and associates	**70,550**	76,830	–6,280
Profit attributable to equity holders of the Company	**226,072**	268,988	–42,916

* 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$6,280,000 or 8.2% from last year to HK$70,550,000. Among these, profit after taxation attributable to terminal navigation logistics business was HK$13,877,000 (2017: HK$22,147,000) and profit after taxation attributable to passenger transportation business was HK$55,241,000 (2017: HK$54,636,000).

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 2018, the Group secured a total credit facilities of HK$975,000,000 and RMB260,000,000 (equivalent to approximately HK$296,736,000) (2017: HK$975,000,000 and RMB260,000,000 (equivalent to approximately HK$311,042,000)) granted by bona fide banks.

As at 31st December 2018, the current ratio of the Group, calculated by dividing current assets by current liabilities, was 2.3 (2017: 2.2).

As at 31st December 2018, the Group's cash and cash equivalents amounted to HK$905,330,000 (2017: HK$769,152,000), which represented 20.9% (2017: 17.2%) of the total assets.

As at 31st December 2018, the gearing ratio of the Group, represented by bank borrowings divided by total equity and bank borrowings, was 7.3% (2017: 10.0%) and the debt ratio, representing total liabilities divided by total assets, was 22.3% (2017: 26.0%).

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 2018**	As at 31st December 2017
Banks located in Hong Kong (note 1)		
– Hong Kong Dollar	**100,000,000**	190,000,000
Bank located in China (note 2)		
– Renminbi	**142,815,000 (equivalent to approximately HK$162,994,000)**	146,304,000 (equivalent to approximately HK$175,026,000)

Notes:

1. The loans from banks located in Hong Kong in 2018 borne floating interest rate and were unsecured, the relevant terms of which are identical with those set out in 2017 Annual Report.

2. The loans from banks located in China in 2018 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, the relevant terms of which are identical with those set out in 2017 Annual Report.

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

Currency Structure

As at 31st December 2018, the Group deposited its cash and cash equivalents with several reputable banks, of which 60.7% (2017: 52.9%) were denominated in Hong Kong dollar ("HKD"), 29.1% (2017: 37.2%) in Renminbi ("RMB"), 8.9% (2017: 7.0%) in United States dollar ("USD"), 1.3% (2017: 2.9%) in Macau pataca and small amount in Euro (2017: small amount). Details are as follows:

	Amount	Percentage
	HK$'000	%
HKD	549,218	60.7
RMB	263,865	29.1
USD	80,183	8.9
Macau pataca	12,031	1.3
Euro	33	0.0
	905,330	100.0

Capital Commitments

Details of capital commitments of the Group are set out in note 37(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.

The Group deregistered Heshan Port Declaration Company during the year, and transferred the entire equity interests of Chu Kong Information Technology Service Company Limited, Connect Media Company Limited and Chu Kong Culture Media Company Limited, so as to reduce the cost arising from the holding of dormant companies. The Group's sold the entire equity interests in two of its subsidiaries, Zhaoqing Chu Kong Cargo Terminals (Dawang) Co., Ltd. and Zhaoqing Chu Kong Logistics (Dawang) Co., Ltd., and 49% equity interest in a joint venture, Guangdong Zhu Chuan Navigation Co., Ltd., during the year.

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 other significant investment held by the Group for the year.

CONTINGENT LIABILITIES

As at 31st December 2018, the Group had no material contingent liabilities (2017: Nil).

FINANCIAL SUMMARY

A summary of the financial information of the Group for the last five financial years is set out on pages 179 to 180 of this annual report. Such summary does not form part of the audited financial statements.

DIVIDENDS

The Board has approved and adopted a dividend policy on 1st January 2019 in order to provide return to the shareholders of the Company (the "Shareholders"). For proposing distribution of dividends to the Shareholders' meeting, the Board will measure the capital needs in future years based on the future capital budget plan of the Company and consider factors such as profitability and financial structure of the Company comprehensively. However, the target dividend to be distributed to the Shareholders in any financial year shall be not less than 30% of the profit attributable to the equity holders of the Company (if any) in that financial year, which is payable wholly in cash or in non-cash benefits or partly in cash and partly in non-cash benefits, subject to: a) the Companies Ordinance (Chapter 622 of the Laws of Hong Kong); b) the Listing Rules; and 3) the Articles of Association of the Company. The Board may revise the target dividend payout ratio based on the overall operating conditions.

The Directors have declared during the year an interim dividend of HK3 cents (2017: HK3 cents and an interim special dividend of HK1 cent) per ordinary share, totaling HK$33,635,000 (2017: HK$44,076,000) and was paid on 15th October 2018. The Directors have proposed a final dividend of HK6 cents (2017: HK5 cents) per ordinary share for the year ended 31st December 2018, totaling HK$67,270,000 (2017: HK$55,094,000) to Shareholders whose names appeared on the register of members on 31st May 2019. The final dividend is expected to be paid in cash.

With reference to the current cash and cash equivalents, the amount of dividends distributed in 2018 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	Total dividends	Profit attributable to equity holders of the Company	Dividend Payout Ratio
	HK$	HK$'000	HK$'000	HK$'000
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%
2018*	0.090	100,905	226,072	44.63%

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

EMPLOYEES AND REMUNERATION

As at 31st December 2018, the Group employed 1,998 employees (2017: 2,006) 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$385,033,000 (2017: HK$432,568,000), 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 followings 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.

I. Demand Fluctuation Risk

The terminal logistics business of the Group is mainly engaged in the container transportation and terminal operation business between the Pearl River Delta region and Hong Kong. In 2018, due to the decline in the import and export business of the Pearl River Delta as affected by the Sino-US trade war, coupled with the impact from the Environmental Policy etc. in China, the hinterland of the Pearl River Delta terminals recorded decrease in the import and export volume, causing adverse impact to the terminal logistics business operated by the Group. In response, the Group has taken various measures including: (i) in terms of the business, the Group watched closely the development of all major shipping companies, actively carried out communication with our clients and stepped up efforts in exploring the industrial park market in the hinterland of the terminals. Besides, the Group carried out new business innovation in certain ports such as the launching of the "water-rail union transportation" business and trailer business in Zhaoqing New Port and the proposed launching of domestic trade business in Gaoming Port, Qingyuan Port and Huangpu Port, while each port has proactively expanded logistics service projects to attract customers; (ii) in terms of management, the Group has made great efforts in enhancing its competitive strengths by controlling operating costs, optimising the business process management, enhancing the operating efficiency, improving the auxiliary services for terminals and strengthening the construction of information systems.

The passenger transportation business of the Group is mainly engaged in the cross-border high-speed waterway passenger transportation business between the Pearl River Delta and Macau and Hong Kong. In 2018, the slowdown in domestic economic growth and the depreciation of Renminbi led to a negative impact on the tourism and passenger transportation business of the Group. Meanwhile, with increasing transportation choices for travel to Hong Kong, visitors have upgraded demands for convenience, time and diverse alternatives for transportation. In response to such situation, the Group has taken proactive measures including keeping abreast of the policy trends, taking the initiative to communicate with the government, studying the contents of new policies and assessing their impacts on the business, and making timely adjustment to the market strategies and operational arrangements, as well as exploring new markets and optimising the structure of passenger sources. By introducing Asia's first advanced carbon fiber high-speed passenger ferries, the Group strove to improve the passenger cabin environment, upgrade the transportation services, adjust and optimise the routes and liners and shorten the navigation time, with an aim to providing tourists with more convenient and high-quality passenger transportation services and enhancing its comprehensive competitiveness.

II. Competitiveness Risk

The terminals where the Group operates its terminal logistics business are mainly located in the Pearl River Delta region. However, the operating costs are higher for certain terminals as they are further away from the cargo source which weakens its competitiveness accordingly as compared with the similar benchmarking terminals in the region. In the face of the above, the Group has adopted a range of proactive measures including continuing to understand the needs of its customers, adjusting services and prices on a timely basis, comparing the advantages and weaknesses over the competitors, enhancing its quality of service and customer satisfaction, and replacing price competitiveness with services. The Group also strengthened the cooperation of the overall supply chain with customers and increased interdependence, and strove to provide customers with convenient and efficient transportation service by optimising the business process, accelerating container handling service, improving container yard management, enhancing the operation efficiency of the terminals and optimising the environment of custom clearance for terminals.

In 2018, the cross-border high-speed waterway passenger transportation business operated by the Company bore the brunt by the opening of the high-speed rail and the Hong Kong-Zhuhai-Macao Bridge. The Group enhanced its competitive strengths and stabilised the development of its principal business mainly through three measures: firstly, it has strived to improve the travel experience by facilitating the upgrading of high-speed passenger ferries, reducing the navigation fuel consumption and pollutant emissions, improving the quality of hardware facilities of passenger cabins, so as to provide a quieter and more comfortable passenger cabin environment; secondly, the Group has exerted great efforts in shortening the navigation time and optimising the ticket-purchasing experience. It has further cut short the navigation time by increasing the speed of the new ferries, and meanwhile constantly updated and upgraded the mobile ticket-purchasing app and increased the number of self-service ticket collecting machines, so as to optimise tourists' ticket-purchasing experience; thirdly, the Group strove to improve service quality and enhance customer satisfaction by strengthening staff training, promoting service standardisation and improving onboard service quality.

III. Safety Risk

The Group's business is characterised with multiple sites, wide range and complexity, involving various operations including trailers and terminal management, equipment handling, vessel operation, passenger transportation and cargo warehousing. The terminal logistics business may be subject to machine failure and goods damage as certain machine and equipment have become obsolete. In addition, there may be risks of accidents as the place of business is susceptible to bad weather conditions or in case the terminal staff fail to operate according to the rules and regulations and safety code due to lack of experience. The Group has continuously strengthened equipment maintenance management and safety inspection, conducted regular or adhoc inspections on equipment, strengthened daily maintenance, improved employee's safety and prevention awareness and operating skills, enhanced regular staff training and on-the-job training, strictly implemented post accountability system and ensured operation in accordance with regulations. Furthermore, the Group has been committed to taking precautionary measures and formulating emergency plans in preparation for adverse weather conditions to mitigate risks.

IV. Funding Risk

Currently, the day-to-day operations and investment activities of the Group's subsidiaries are concentrated in Guangdong Province, Hong Kong and Macau, with operating revenues and expenses mainly denominated in HK dollar, as well as in RMB and USD. RMB revenue from Mainland China may be used for payment of expenses incurred in Mainland China denominated in RMB. HKD or USD revenue received in Mainland China may be remitted to the Group's bank accounts in Hong Kong through proper procedures as planned. So long as the linked exchange rate system in Hong Kong with USD is maintained, it is expected that the Group will not be subject to any significant exchange risk. However, in 2018, due to the impact of the Sino-US trade war and depreciation of Renminbi against the US dollar, the regulatory authorities in Mainland China tightened the regulation on the remittance of funds abroad, and the remittance of funds abroad may be delayed. The Group has enhanced communication with banks, kept abreast of policy directions and gotten well prepared in advance. Under the guidance of the Group, subsidiaries are required to make sufficient risk assessment on the financing size, method and channel in the process thereof. The Group will increase the registered capital contributed by the shareholders of certain subsidiaries 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 2019, the Group will continue to firmly seize the new development opportunities arising from the Guangdong-Hong Kong-Macau Greater Bay Area and the "Belt and Road" initiative and make great efforts to build its five platforms for cross-border passenger transportation, transportation in Hong Kong, terminal logistics, "Belt and Road" investment and capital operation, so as to accelerate business transformation and upgrading, promote innovation and development, and explore new functions such as airports, bridges, Nansha, e-commerce and overseas business. 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 19,276,714 shares as final dividend for the year ended 31st December 2017 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 notes 20 and 40 to the financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31st December 2018, the Company's distributable reserves, calculated in accordance with Part 6 of Hong Kong Companies Ordinance, amounted to HK$1,185,120,000 (2017: HK$1,097,466,000), of which HK$67,270,000 (2017: HK$55,094,000) has been proposed as final dividend for the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31st December 2018, 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 2018.

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)
Mr. Wu Qiang (Managing Director) (appointed on 17th September 2018)
Mr. Chen Jie (appointed on 18th July 2018)
Mr. Leng Buli (appointed on 18th July 2018)
Mr. Liu Wuwei (appointed on 18th July 2018)
Mr. Zeng He (resigned on 18th July 2018)
Mr. Cheng Jie (resigned on 18th July 2018)

Non-executive Director:

Ms. Ye Meihua (appointed on 18th July 2018)
Mr. Fan Linchun (resigned on 18th July 2018)

Independent Non-executive Directors:

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

In accordance with Article 88(i) of the Articles of Association of the Company (the "Articles of Association"), Ms. Yau Lai Man shall retire by rotation at the forthcoming annual general meeting and, being eligible, shall offer herself for re-election at the meeting.

In accordance with Article 84 of the Articles of Association, Mr. Wu Qiang, Ms. Ye Meihua, Mr. Chen Jie, Mr. Leng Buli and Mr. Liu Wuwei will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election.

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 2018) from 1st January 2018 up to 27th March 2019 (being the date of approval of the Company's 2018 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 2018, 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.

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

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

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 notes 41 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 2018, 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 among the shareholders, 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 of the independent non-executive Directors.

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 or disclaimer of opinion by the auditor in the auditor's report on 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 total number of 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 the vesting 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 9.6% 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 2018, the movements in the 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	Number of shares in respect of share options 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 2018
Directors, chief executives or substantial Shareholders or their respective associates									
Mr. Zeng He (Director) (resigned on 18th July 2018)	18th December 2015	2.33	19th December 2017 to 18th December 2024	201,000	–	–	(201,000) (Note 3)	–	–
Mr. Cheng Jie (Director) (resigned on 18th July 2018)	18th December 2015	2.33	19th December 2017 to 18th December 2024	201,000	–	–	(201,000) (Note 3)	–	–
Mr. Fan Linchun (Director) (resigned on 18th July 2018)	18th December 2015	2.33	19th December 2017 to 18th December 2024	201,000	–	–	(201,000) (Note 3)	–	–
Mr. Xiong Gebing (general manager) (resigned on 11th June 2018)	18th December 2015	2.33	19th December 2017 to 18th December 2024	241,000	–	–	(241,000) (Note 4)	–	–
Staff of the Group	18th December 2015	2.33	19th December 2017 to 18th December 2024	6,019,000	–	–	(4,337,962) (Note 5)	–	1,681,038
Total				6,863,000	–	–	(5,181,962)	–	1,681,038

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 2018.

3. Mr. Zeng He, Mr. Cheng Jie and Mr. Fan Linchun resigned as the executive Directors and non-executive Director of the Company on 18th July 2018, respectively, and the share options for subscription of 201,000 ordinary shares held by them respectively lapsed on the same day.

4. Mr. Xiong Gebing resigned as the general manager of the Company on 11th June 2018, and the share options for subscription of 241,000 ordinary shares held by him lapsed on the same day.

5. During 2018, share options entitling the holders to subscribe for 4,337,962 ordinary shares were lapsed due to performance indicators unachieved, 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 106,318,962 shares, representing approximately 9.48% 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 2018, 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 2018, 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	784,817,520 (L)	70.00%
(ii)	Guangdong Province Navigation Group Company Limited ("GNG") (Note 3)	Interest of controlled corporation	784,817,520 (L)	70.00%

Notes:

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

2. Percentage of shareholding is calculated on the basis of 1,121,166,885 issued shares of the Company as at 31st December 2018.

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

Save as disclosed above, on 31st December 2018, 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 by the Company 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 16th April 2018, the Company (as the vendor) entered into the Dawang Cargo Terminals Agreement and the Dawang Logistics Agreement with CKSE (an immediate holding company of the Company and as the purchaser), pursuant to which, the Company agreed to transfer the entire equity interest in Zhaoqing Chu Kong Cargo Terminals (Dawang) Co., Ltd. ("Dawang Cargo Terminals") and Zhaoqing Chu Kong Logisitics (Dawang) Co., Ltd. ("Dawang Logistics") (both of which are wholly-owned subsidiaries of the Company) for a consideration of RMB26,293,000 (equivalent to approximately HK$32,866,000) and RMB46,206,000 (equivalent to approximately HK$57,758,000), respectively, to CKSE, in total amounting to RMB72,499,000 (equivalent to approximately HK$90,624,000). The aforesaid transactions are subject to the reporting and announcement requirements but exempt from the circular, independent financial adviser's advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The transactions were completed during 2018, therefore, the financial results of the relevant companies will no longer be consolidated in the financial statements of the Group. For details of the transactions, please refer to the announcement of the Company dated 16th April 2018. As Dawang Cargo Terminals and Dawang Logistics contributed a continuous loss to the Group, the entering into of the Dawang Cargo Terminals Agreement and the Dawang Logistics Agreement by the Company shall benefit the Group's financial performance.

2. On 21st August 2018, Cotai Chu Kong Shipping Management Services Company Limited ("Cotai Chu Kong Shipping", a wholly-owned subsidiary of the Company and as the purchaser), entered into the Shipbuilding Agreement with Bonny Fair Development Ltd. ("Bonny Fair", an indirectly wholly-owned subsidiary of GNG and as the vendor), pursuant to which, Bonny Fair shall construct and sell a 64-meter long steel sightseeing cruise ship with a capacity of 500 passengers to Cotai Chu Kong Shipping at a consideration of HK$45,000,000. The sightseeing cruise ship shall be delivered to Cotai Chu Kong Shipping on or before 30th May 2019. The aforesaid transaction is subject to the reporting and announcement requirements but exempt from the circular, independent financial adviser's advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. For details of the transaction, please refer to the announcement of the Company dated 21st August 2018. The Group entered into the Shipbuilding Agreement in order to develop the Victoria Harbour Tour business which can not only generate more revenue to the Group but also strengthen the competitive advantages of the Group by building a local operation platform in Hong Kong.

3. On 12th September 2018, Chu Kong Transportation (H.K.) Limited ("Chu Kong Transportation", a wholly-owned subsidiary of the Company and as the vendor) entered into the Equity Transfer Agreement with Guangdong Chu Kong Shipping Co., Ltd. ("Guangdong Chu Kong", a wholly-owned subsidiary of GNG and as the purchaser), pursuant to which, Chu Kong Transportation agreed to transfer 49% of the equity interest in Guangdong Zhu Chuan Navigation Co., Ltd. ("Guangdong Zhu Chuan") for a consideration of RMB28,763,723.24 (equivalent to approximately HK$33,062,000) to Guangdong Chu Kong. The aforesaid transaction is subject to the reporting and announcement requirements but exempt from the circular, independent financial adviser's advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The transaction was completed during 2018, therefore, Chu Kong Transportation shall cease to hold any equity interest in Guangdong Zhu Chuan. For details of the transaction, please refer to the announcement of the Company dated 12th September 2018. It is expected that Guangdong Zhu Chuan will suffer a loss due to policy. Therefore, the Group entered into the Equity Transfer Agreement to avoid reduction of the Group's profit.

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$128,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2018 was HK$117,995,000.

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 for 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 2018 was HK$10,170,000.

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 integrated agency services, which include services for arranging ferries for regular maintenance and repairment, and emergency ad hoc repairment in Hong Kong) to those ferries for which such member of the Group was appointed 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 the 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 2018 was HK$7,606,000.

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 the 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 comprises (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 2018 was HK$5,400,000.

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 2018 was HK$6,049,000.

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 the 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 the 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 2018 was HK$3,788,000.

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 the 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 the 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 2018 was HK$16,558,000.

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 2018 was HK$29,310,000.

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 2018 was HK$2,670,000.

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 the 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$85,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2018 was HK$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 the 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 2018 was HK$61,243,000.

12. Management Agreement

On 28th June 2017, 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 2017 to 30th June 2020 and the management fees were determined after arm's length negotiation between the parties with reference to the total value of the assets concerned. The annual caps of the 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 2018 was HK$30,000,000.

13. Loan Extension Agreements

On 1st December 2017, the Company entered into the Dawang Cargo Terminals Loan Extension Agreement with Dawang Cargo Terminals, pursuant to which a shareholder's loan of RMB4,600,000 and US$6,750,000 expiring on 31st December 2018 was lent by the Company to Dawang Cargo Terminals; and the Company and Chu Kong Shipping (Guangdong) Logistics Co., Ltd. (a wholly-owned subsidiary of the Company) entered into the Dawang Logistics Loan Extension Agreement A and the Dawang Logistics Loan Extension Agreement B with Dawang Logistics, respectively, pursuant to which a shareholder's loan of RMB36,210,000 expiring on 31st December 2018 was lent by the Group to Dawang Logistics. As the equity transfers of the Dawang Cargo Terminals and the Dawang Logistics have been completed on 1st August 2018, Dawang Cargo Terminals and Dawang Logistics ceased to be the subsidiaries of the Company and became the wholly-owned subsidiaries of CKSE, and accordingly Dawang Cargo Terminals and Dawang Logistics are associates of a connected person of the Company. Therefore, the Loan Extension Agreements constitute continuing connected transactions for the Company upon completion of the equity transfers under Chapter 14A of the Listing Rules. Dawang Cargo Terminals and Dawang Logistics have repaid all the loans before 31st December 2018 in accordance with the agreements.

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) to (13) 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 2018 revised cap of item (1) of the above CCT was approved by the independent Shareholders at the general meeting held on 12th December 2018.

The aforesaid CCT have been reviewed by the 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 note 39 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 39 to the financial statements:

RPT Items	**For the year ended 31st December 2018** RPT Amount HK$'000	**For the year ended 31st December 2018** of which constitute CT/CCT HK$'000	For the year ended 31st December 2017 RPT Amount HK$'000	For the year ended 31st December 2017 of which constitute CT/CCT HK$'000
Revenues:				
Shipping agency, river trade cargo direct shipment and transshipment income	**9,251**	**70**	3,636	354
Passenger transportation agency fees	**17,219**	**4,887**	16,562	4,712
Ferry terminal operation service fees	**28,828**	**5,283**	28,856	5,832
Sub-baggage handling services fee	**6,049**	**6,049**	7,175	7,175
Management service fees	**35,621**	**32,547**	35,010	32,000
Vessel rental income	**2,605**	**2,605**	2,112	2,112
Interest income	**875**	**522**	278	—
Fuel supply income	**190,133**	**113,798**	151,626	90,025
Marine bunkering service	**4,434**	**4,197**	4,412	4,168
Consulting and software service	**268**	**222**	344	239
Wheel supply income	**1,684**	**1,340**	2,656	2,218
Agency service fee	**2,571**	**1,008**	—	—
Expenses:				
Shipping agency, river trade cargo direct shipment and transshipment expenses	**4,353**	**–**	1,463	—
Wharf cargo handling, cargo transportation and godown storage expenses	**72,686**	**61,243**	41,762	23,629
Agency fee expenses	**1,553**	**407**	1,174	199
Ferry terminal operation services fee	**7,606**	**7,606**	7,015	7,015
Luggage handling fee	**5,400**	**5,400**	5,373	5,373
Ferry rental expenses	**2,670**	**2,670**	3,497	3,497
Vessel rental expenses	**29,310**	**29,310**	34,026	34,026
GPS navigator rental expenses	**146**	**146**	—	—
Warehouse rental expenses	**5,000**	**5,000**	5,000	5,000
Office rental expenses	**7,125**	**7,125**	7,125	7,125
Staff quarter rental expenses	**2,700**	**2,700**	2,875	2,875
Property management fee expenses	**1,733**	**1,733**	2,992	2,992
Loan interest expenses	**437**	**–**	1,343	1,343
IT Management fee expenses	**3,788**	**3,788**	5,780	5,780
Vessel construction cost	**22,530**	**22,530**	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 Rule 14A.56 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules"). The auditor has 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 respective caps. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

In addition, items (1) to (5), (7) to (9) and (11) of the CCT above have expired on 31st December 2018. The Company has re-entered into the relevant agreements with GNG on 12th October 2018, with terms of three years from 1st January 2019 to 31st December 2021. Items (2) to (5), (7) to (9) and (11) above were CCT involved in the new agreements, subject to the reporting and announcement requirements and exempt from the independent Shareholders' approval requirement, while item (1) was CCT subject to the reporting, announcement and the independent Shareholders' approval requirements, which was approved by the independent Shareholders at the general meeting held on 12th December 2018.

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 2018, 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 (2017: nil).

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 59 to 77 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 2019 annual general meeting of the Company. A resolution to appoint KPMG as the auditor of the Company and to authorise the Directors to fix its remuneration will be proposed at the 2019 annual general meeting of the Company.

BY ORDER OF THE BOARD

Wu Qiang
Managing Director
Hong Kong, 27th March 2019

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Huang Liezhang, aged 51, was appointed as an 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 People's Republic of China. Mr. Huang has worked in the 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 Guangzhou WinKong Real Estate Co., Ltd. and Hong Kong International Airport Ferry Terminal Services Limited. Mr. Huang has more than 30 years of experience in navigation operation management and administration management.

Mr. Wu Qiang, aged 53, was appointed as an executive director and the general manager of the Company on 17th September 2018, responsible for the production and operation of the Group. Mr. Wu graduated from Wuhan Technical College of Communications, majoring in material management and is also a certified economist in the PRC. He joined the material management and navigation management sector since 1986 with over 30 years of working experience. Mr. Wu was successively appointed as deputy general manager and managing director of Chu Kong Air-Sea Union Transportation Company Limited from 2005 to 2012, chief marketing officer, deputy general manager and director of Chu Kong Transhipment & Logistics Company Limited from 2010 to 2012, appointed as managing director of Nansha Economic & Technological Development Zone Tung-Fat Cargo Terminal Ltd. from 2012 to 2014, executive deputy general manager and director of Guangdong Province Zhanjiang Navigation (Group) Co., Ltd. and chairman of Guangdong Xuwen Terminal and Shipping Co., Ltd. from 2014 to 2018 and appointed as executive deputy general manager of the Company on 18th July 2018. He is currently the director of CKSE and Guangdong Chu Kong Shipping Co. Ltd., the chairman of Chu Kong River Trade Terminal Co., Ltd. and the vice-chairman of Zhongshan-Hong Kong Passenger Shipping Co-op Co., Ltd.

Mr. Chen Jie, aged 53, was appointed as an executive director and a deputy general manager of the Company on 18th July 2018, mainly responsible for safety production, administration and logistics as well as legal affairs. Mr. Chen graduated from Adult Education College of Renmin University of China, majoring in business administration and is also a certified economist in the PRC. He joined the human resources management sector since 1984 with over 30 years of working experience. Mr. Chen worked successively as deputy general manager of human resources department, general manager of supervisory department and general manager of human resources department of Chu Kong Shipping Enterprises (Holdings) Company Limited from 2005 to 2013, deputy general manager and general manager of human resources department of Guangdong Province Navigation Group Company Limited from 2013 to 2018. He is currently the director of Guangdong Chu Kong Shipping Co. Ltd.

Mr. Leng Buli, aged 54, was appointed as an executive director and a deputy general manager of the Company on 18th July 2018, mainly responsible for fleet construction, ship building and repairing and brand building. Mr. Leng graduated from Northwestern Polytechnical University majoring in aircraft engineering in 1986 and also obtained a master degree in No.624 Institute of Ministry of Aviation & Aerospace in 1993. He joined Guangdong Province Navigation Group Company Limited in 1994 and was appointed as managing director of Yuet Hing Marine Supplies Company Limited from 2004 to 2010, president of Cotai Chu Kong Shipping Management Services Company Limited and Chu Kong High-Speed Ferry Company Limited from 2010 to 2015, chairman of Chu Kong High-Speed Ferry Management (Macau) Company Limited and director of Chu Kong Shipping Enterprises (Holdings) Company Limited from 2015 to 2018. He is currently the director of Guangdong Chu Kong Shipping Co. Ltd., Brodrene AA Shipyard in Norway, Guangdong New China Shipyard Ltd. and Guangdong Bonny Fair Heavy Industry Limited and the chairman of Guangdong Sinoway Composite Materials Co., Ltd.. Mr. Leng is a certified senior engineer in the PRC and has over 30 years of experience in navigation management and engineering technology.

Mr. Liu Wuwei, aged 47, was appointed as an executive director and a deputy general manager of the Company on 18th July 2018, mainly responsible for logistics segment operation of the port. Mr. Liu graduated from University of South Australia with a master degree in business administration and is also a certified economist in the PRC. Mr. Liu has joined the Group since 1992, worked successively as deputy general manager and managing director of Chu Kong Transhipment & Logistics Company Limited from 2006 to 2013 and director, deputy general manager of Chu Kong Shipping (Guangdong) Logistics Co., Ltd. from 2013 to 2018. Currently, he is also the director of Guangdong Chu Kong Shipping Co. Ltd., the deputy chairman of Heshan County Hekong Associated Forwarding Co., Ltd. and Heshan Port Construction & Development General Company. Mr. Liu has 26 years of experience in logistics, river trade terminal operation management and marketing.

Mr. Zeng He, aged 53, graduated successively from 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 and resigned on 18th July 2018. Mr. Zeng worked successively as the deputy managing director and managing director of Sun Kong Petroleum Company Limited and China Hong Kong Macau Duty Free Goods Limited from 2005 to 2010 and the deputy general manager and general manager of human resources department of GNG from 2010 to 2013.

Mr. Cheng Jie, aged 49, was appointed as an executive director and a deputy general manager of the Company on 1st March 2014, and resigned on 18th July 2018. 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.

NON-EXECUTIVE DIRECTORS

Ms. Ye Meihua, aged 48, was appointed as a non-executive director of the Company on 18th July 2018, participating in strategic planning and decision-making of the Group. Ms. Ye graduated from Jinan University, majoring in accounting and is also a certified senior accountant in the PRC. She joined the financial accounting, supervision and auditing and risk management sector since 1990 with 28 years of working experience. Ms. Ye worked successively as general manager of financial accounting department and financial planning department of Postal Savings Bank of China Co., Ltd., Foshan branch from 2008 to 2012 and successively as supervisor of supervision and auditing department, deputy general manager of risk management department and business management department of Guangdong Province Navigation Group Company Limited from 2012 to 2018. She is currently the director of CKSE and Guangdong Chu Kong Shipping Co. Ltd.

Mr. Fan Linchun, aged 53, has been appointed as a non-executive director of the Company since 17th November 2017, and resigned on 18th July 2018. 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, the director of Financial Settlement Center of GNG from 2014 to 2015 and the deputy general manager of the Company from 2015 to 2017.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Kay-cheung, FHKIB, aged 72, is a vice chairman of The Bank of East Asia (China) Limited. Mr. Chan was a senior advisor, an executive director and a deputy chief executive of The Bank of East Asia, Limited and the chairman of Shaanxi Fuping BEA Rural Bank Corporation. Mr. Chan joined The Bank of East Asia, Limited in 1965 and possesses extensive knowledge and experience in the banking industry. Mr. Chan is a fellow member of the Hong Kong Institute of Bankers, a member of the Committee of Overseers of Lee Woo Sing College, The Chinese University of Hong Kong, a member of The China Unionpay International Advisory Group and an international senior economic consultant of The People's Government of Shaanxi Province. Mr. Chan is also an independent non-executive director of China Electronics Corporation Holdings Company Limited, Dah Chong Hong Holdings Limited, Hong Kong Food Investment Holdings Limited and SOCAM Development Limited. Mr. Chan was appointed as independent non-executive director of the Company in April 1998.

Ms. Yau Lai Man, aged 55, 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 28 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 69, 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 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. Huang Wanan, aged 45, 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 26 years of experience in accounting, financial management and corporate management. Currently, Mr. Huang is also the chairman of Guangzhou Huagang Real Estate Co., Ltd., the vice-chairman of Guangzhou-Foshan Expressway Ltd., Doumen-Hong Kong Passenger Transportation Integrated Co., Ltd., Shenzhen Yantian Port Chu Kong Logistics Co., Ltd. and Foshan Nanhai Pinggang Passenger Transportation Co., Ltd., as well as the director of Chu Kong Passenger Transport Company Limited, Chu Kong River Trade Terminal Co., 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, GTF Maritime Financial Leasing Co., Ltd., Zhongshan Zhongshan-HongKong Passenger Shipping Co-op Co., Ltd. and Bonny Fair Development Limited.

Mr. Hujun, aged 46, 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 chairman of Guangzhou Pintu Internet Co., Ltd., Nansha Freight (Hong Kong) Limited, Guangzhou Nansha Economic & Technological Development Zone Tung-Fat Cargo Terminal Ltd. and Shenzhen Airport Hi-speed Passenger Transport Co., Ltd., the vice chairman of Chu Kong Cargo Terminals (Beicun) Co., Ltd., and the director of Guangzhou PanYu Lianhuashan Port Passenger Transport Co., Ltd., Chu Kong Godown Wharf & Transportation Company Limited, Chu Kong Infrastructure Investment Limited, Pazhou (Guangzhou) Hong Kong and Macau Passenger Transport Company Limited and Zhuhai High-speed Passenger Ferry Co., Ltd.. Mr. Hujun graduated from the University of South Australia with a master degree in business administration. Mr. Hu has over 26 years of experience in navigation operation and management and marketing and promotion.

Ms. Cheung Mei Ki, Maggie, aged 52, joined the Company in 2008, and was appointed as the company secretary on 1st April 2012, and appointed as deputy general manager of the capital operation department in 2018, responsible for the Group's capital planning, investor relations, company secretarial and corporate governance matters. Ms. Cheung served as general manager in assurance and deputy general manager of the internal audit department of the Company. 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. Xiong Gebing, aged 53, has been appointed as general manager of the Company since 26th March 2013, and resigned on 11th June 2018. 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. Mr. Xiong has 30 years of experience in vessel engineering and trading.

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 and risk management 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 2018, the Board consisted of nine members, namely five executive Directors (Mr. Huang Liezhang, Mr. Wu Qiang, Mr. Chen Jie, Mr. Leng Buli and Mr. Liu Wuwei), one non-executive Director (Ms. Ye Meihua) 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 54 to 58 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.

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 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 retired on rotation at the annual general meeting held on 15th May 2018, and being eligible, offered himself for re-election at the said meeting. Mr. Chan had already been re-appointed by separate resolution of the then Shareholders at the said meeting. Ms. Yau will retire on rotation, and will be eligible, offer herself for re-election at the forthcoming annual general meeting. The Company will, in accordance with the provisions of Code A.4.3, propose the re-appointment of Ms. Yau by separate resolution to be approved by the 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 has been revised on 1st January 2019 and 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 skills, knowledge, professional experience, age, gender, 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 78 to 83 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 2018, 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)	2/2	4/4	12/12	N/A	2/2	1/1
Mr. Wu Qiang (Managing Director, appointed on 17th September 2018)	1/2	1/4	4/12	N/A	N/A	N/A
Mr. Chen Jie (Executive Director, appointed on 18th July 2018)	1/2	3/4	6/12	N/A	N/A	N/A
Mr. Leng Buli (Executive Director, appointed on 18th July 2018)	0/2	3/4	6/12	N/A	N/A	N/A
Mr. Liu Wuwei (Executive Director, appointed on 18th July 2018)	1/2	3/4	6/12	N/A	N/A	N/A
Ms. Ye Meihua (Non-executive Director, appointed on 18th July 2018)	1/2	3/4	N/A	N/A	N/A	N/A
Mr. Chan Kay-cheung (Independent Non-executive Director)	2/2	4/4	N/A	2/2	2/2	1/1
Ms. Yau Lai Man (Independent Non-executive Director)	2/2	4/4	N/A	2/2	2/2	1/1
Mr. Chow Bing Sing (Independent Non-executive Director)	2/2	4/4	N/A	2/2	2/2	1/1
Mr. Zeng He (Executive Director, resigned on 18th July 2018)	1/2	1/4	6/12	N/A	N/A	N/A
Mr. Cheng Jie (Executive Director, resigned on 18th July 2018)	1/2	1/4	6/12	N/A	N/A	N/A
Mr. Fan Linchun (Non-executive Director, resigned on 18th July 2018)	1/2	1/4	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 of the Board or/and executive Directors.

The Executive Committee comprises:
Mr. Huang Liezhang (Chairman of the committee)
Mr. Wu Qiang (appointed on 17th September 2018)
Mr. Chen Jie (appointed on 18th July 2018)
Mr. Leng Buli (appointed on 18th July 2018)
Mr. Liu Wuwei (appointed on 18th July 2018)
Mr. Zeng He (resigned on 18th July 2018)
Mr. Cheng Jie (resigned on 18th July 2018)

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 2018 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 2018;
- 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, 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 2018 with an average attendance rate of 100%. Currently, the Remuneration Committee comprises three independent non-executive Directors and one executive Director and is chaired by an independent non-executive Director.

The Remuneration Committee comprises:
Mr. Chan Kay-cheung (Chairman of the committee)
Ms. Yau Lai Man
Mr. Chow Bing Sing
Mr. Huang Liezhang (Executive Director)

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

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

Remuneration of Executive Directors:

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

Remuneration of Non-executive Director:

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

Remuneration of Independent Non-executive Directors:

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

Nomination Committee

The committee was established in 2011 and it is mainly responsible for making recommendations to the Board on the appointment of Directors and senior management. The Nomination Committee held one meeting in 2018 with attendance rate of 100%. Currently, the committee comprises four Directors, of which three are independent non-executive Directors.

The Nomination Committee comprises:
Mr. Huang Liezhang (Chairman of the Committee and Executive Director)
Mr. Chan Kay-cheung
Ms. Yau Lai Man
Mr. Chow Bing Sing

Reference to the functions of the Nomination Committee is available under the terms of reference of Nomination Committee which have been published on the websites of the Company and the Stock Exchange. According to the terms of reference, the major duties of the Nomination Committee are as follows:

1. to make recommendations to the Board on the scale and composition of the Board according to the Company's operation activities, assets scale and structure of the equity interest;

2. to review the structure, size and composition (including the skills, knowledge and experience) of the Board and the senior executives on a regular basis and make recommendations to the Board regarding any proposed changes;

3. to identify individuals suitably qualified to become members of the Board and the senior executives and select or make recommendations to the Board on the selection of, individuals nominated for directorship and senior executive;

4. to assess the independence of independent non-executive directors;

5. to examine and make recommendations on the candidates for the position of directors and senior executives;

6. to make recommendations to the Board on relevant matters relating to the appointment or re-appointment of directors and succession planning for directors, in particular the chairman and the managing director;

7. where the Board proposes a resolution to elect an individual as an independent non-executive director at the general meeting, it should set out in the circular to shareholders and/or explanatory statement accompanying the notice of the relevant general meeting:

   - the process used for identifying the individual and why the Board believes the individual should be elected and the reasons why it considers the individual to be independent;

   - if the proposed independent non-executive director will be holding their seventh (or more) listed company directorship, why the Board believes the individual would still be able to devote sufficient time to the Board;

   - the perspectives, skills and experience that the individual can bring to the Board; and

   - how the individual contributes to the diversity of the Board.

8. to give due regard to the benefits of diversity on the Board against objective criteria in reference to the Board Diversity Policy when performing its duties;

9. to review the Board Diversity Policy as appropriate and to review the measurable objectives under the Board Diversity Policy and the progress of attainment, so as to ensure effective implementation;

10. to review the Nomination Policy as appropriate and to review the nomination procedures, process and criteria to select and recommend candidates for directorship; and

11. to exercise such other powers, authorities and discretions, and perform such other duties, of the directors in relation to the nomination of directors as the Board may from time to time delegate to it, having regard to the Hong Kong Companies Ordinance, the Listing Rules and the Articles of Association of the Company.

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 considers the Board Diversity Policy when nominating the Directors (see the "Board Diversity Policy" above). The Nomination Committee has also reviewed and revised the nomination policy in the year.

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 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, Ms. Yau Lai Man will retire at the forthcoming annual general meeting of the Company and, being eligible, offer herself for re-election. The Nomination Committee recommended to the Board that Ms. Yau Lai Man 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. Wu Qiang, Ms. Ye Meihua, Mr. Chen Jie, Mr. Leng Buli and Mr. Liu Wuwei 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. Wu Qiang, Ms. Ye Meihua, Mr. Chen Jie, Mr. Leng Buli and Mr. Liu Wuwei 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 annual general meeting for the year under the provision of Code A.4.2, but only one of the Directors is required to retire by rotation according to the provisions of the Articles of Association not being amended and the number of Directors required to retire by rotation. After careful consideration, it is determined that Ms. Yau Lai Man is unable to 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 at the forthcoming annual general meeting. 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 has proposed to amend Article 88(i) of the Articles of Association and which has been approved at the annual general meeting for the year.

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)	✓	✓	✓	✓
Mr. Wu Qiang (Managing Director, appointed on 17th September 2018)	✓	✓	✓	✓
Mr. Chen Jie (Executive Director, appointed on 18th July 2018)	✓	✓	✓	✓
Mr. Leng Buli (Executive Director, appointed on 18th July 2018)	✓	✓	✓	✓
Mr. Liu Wuwei (Executive Director, appointed on 18th July 2018)	✓	✓	✓	✓
Ms. Ye Meihua (Non-executive Director, appointed on 18th July 2018)	✓	✓	✓	✓
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. Zeng He (Executive Director, resigned on 18th July 2018)	✓	✓	✓	✓
Mr. Cheng Jie (Executive Director, resigned on 18th July 2018)	✓	✓	✓	✓
Mr. Fan Linchun (Non-executive Director, resigned on 18th July 2018)	✓	✓	✓	✓

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 2018 which needs to be disclosed.

Details of changes in the annual remuneration of Directors are set out in the note 41 to the financial statements.

REMUNERATION OF SENIOR MANAGEMENT

Number of senior management according to the level of remuneration:

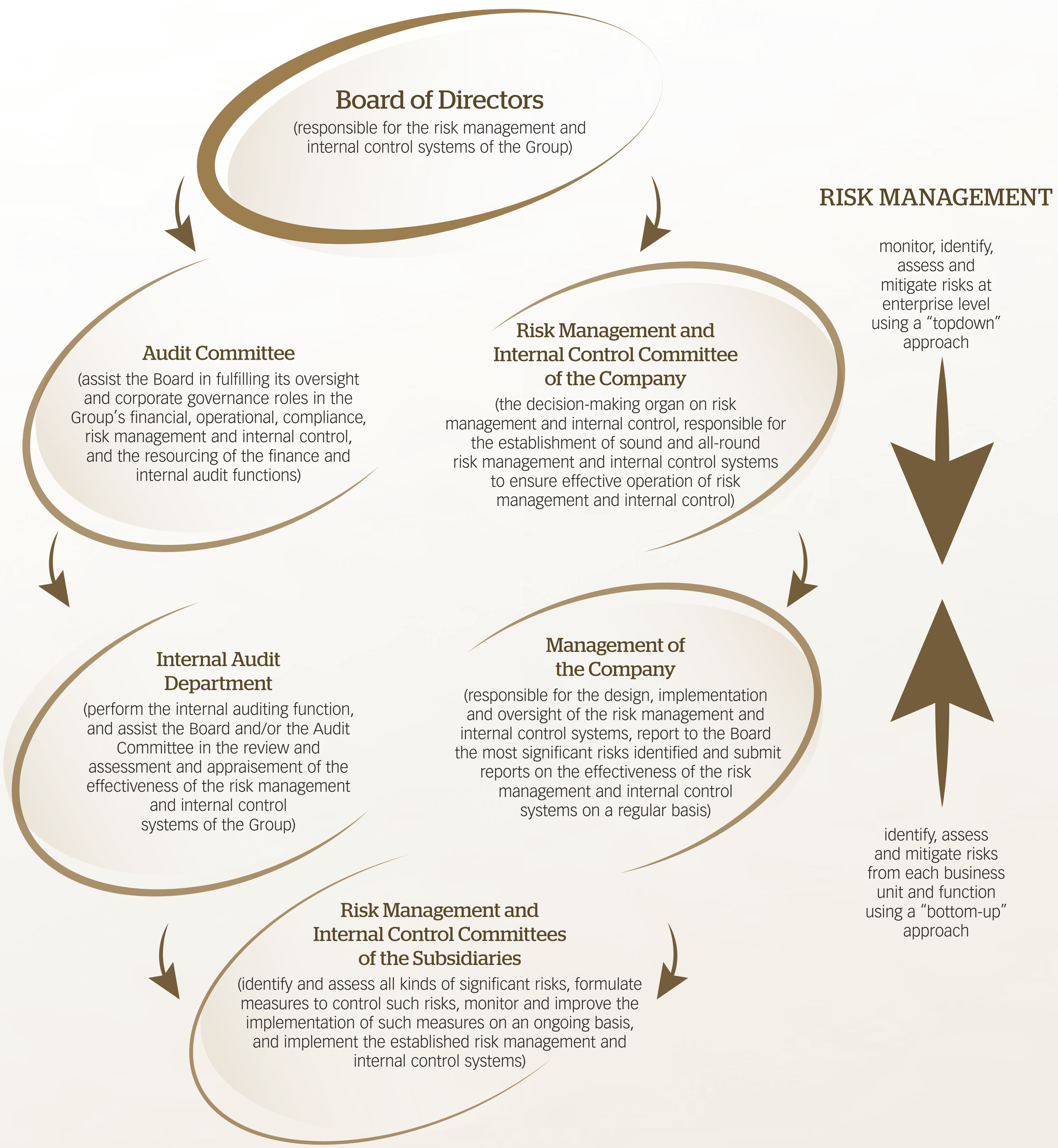
Level of remuneration	**Number of Senior Management**	
HK$'000	**2018**	2017
401-1,200	**4**	4
1,201-1,800	**0**	1

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 PROCEDURES



- the internal audit department of the Company ("Internal Audit Department") 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 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. Wu Qiang, Mr. Chen Jie, Mr. Liu Wuwei 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 and 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 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 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 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 for proper implementation. The Internal Audit Department 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 three 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 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 shall report directly to the Audit Committee. With the assistance of the Internal Audit Department, the management of the Group shall be responsible for the design, implementation and monitoring of the risk management and internal control systems. The Annual Self-assessment Form of Internal Controls and Risk Management (《內部控制及風險管理年度自評表》) are dispatched to all subsidiaries, which shall be collected and consolidated by the Company. Such results shall be assessed by the Internal Audit Department 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.

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

- completed the works related to the 2018 Comprehensive Risk Management Work Plan, developed management strategies and solutions in a timely manner for the 4 major risks assessed and confirmed in 2018, and implemented supervision, inspection and improvement. For the self-assessment of comprehensive risk management this year, there are a total of 7 items that did not get the full marks with no matter involving "one-vote veto". Meanwhile, the major risks of 2019 are identified as production and operational safety risks, which have been prevented and controlled through executing safety duties, strengthening safety inspections, implementing safety improvement works, conducting safety training, supplementing safety management personnel and carrying out specific investigations, etc.;

- reviewed and audited the technical function development, system maintenance and management, internal control processes and other aspects of the computer application systems such as passenger transportation system, cargo transportation system, Kingdee financial system and office system of the Company's information technology department;

- engaged an external professional company to complete the special audit on the implementation of the investment construction projects of one of the subsidiaries;

- organised the Company staff to carry out relevant training and cultural construction works to improve risk management and internal control awareness, including conducting risk management training and giving lectures on "leadership role in integrity of directors and managers of listed companies";

- during the year, a total of 16 internal financial audit reports were completed. In respect of the 50 audit comments and recommendations provided for the financial year of 2016, most of the improvement works for the audit comments and recommendations were completed with only few issues were under continuous improvement. 34 audit comments and recommendations were provided for the financial year of 2017, 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 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 2018, the Company paid the auditor of the Company the following fees for audit and non-audit services.

	2018 **HK$'000**	2017 HK$'000
Audit Services	**3,352**	3,112
Non-audit Services (including review of the interim report, continuing connected transactions, annual results announcement, tax consulting and tax compliance services)	**1,604**	830
	4,956	3,942

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.

In order to bring the existing Articles of Association 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 the Articles of Association with effect from the date of the passing of the relevant special resolution at the annual general meeting. At the annual general meeting held on 15th May 2018, the Shareholders have approved the amendment to Article 88(1) of the Articles of Association, which have been published on the websites of the Company and the Stock Exchange.

Independent Auditor's Report

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 84 to 178, which comprise:

- the consolidated balance sheet as at 31st December 2018;
- 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 2018, 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.

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Independence

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

KEY AUDIT 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 are 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 estimations and judgements – impairment of goodwill, property plant and equipment and land use rights to cargo handling and storage operations", and note 9 "Intangible assets – goodwill" to the consolidated financial statements. As at 31st December 2018, 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$1,913,055,000. 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	How our audit addressed the Key Audit Matter
An impairment assessment is required annually for goodwill and for other Terminal Assets where impairment indicators exist. Management conducted an impairment review by estimating the recoverable amounts of the relevant cash generating units ("CGUs") to which the Terminal Assets belong, using the value in use model. The key assumptions and judgments adopted by management in the relevant cash flow forecasts included revenue growth rates 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 2018 (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 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, 27th March 2019

Consolidated Balance Sheet

As at 31st December 2018

	Note	2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,664,039**	1,631,142
Investment property	7	**4,658**	4,715
Land use rights	8	**409,130**	440,255
Intangible assets	9	**44,112**	46,619
Investments in joint ventures	11	**414,379**	469,024
Investments in associates	11	**137,823**	107,795
Deposits	12	**4,778**	–
Deferred income tax assets	13	**4,840**	7,746
		2,683,759	2,707,296
Current assets			
Inventories	14	**1,265**	2,627
Trade and other receivables	15	**407,301**	546,201
Loans to joint ventures and fellow subsidiaries	15	**13,189**	13,509
Structured bank deposits	16	**320,703**	291,781
Cash and cash equivalents	17	**905,330**	769,152
		1,647,788	1,623,270
Assets of a disposal group classified as held for sale	21	**–**	134,192
		1,647,788	1,757,462
Total assets		**4,331,547**	4,464,758
EQUITY			
Share capital	18	**1,415,118**	1,376,295
Reserves	20	**1,663,934**	1,628,394
		3,079,052	3,004,689
Non-controlling interests		**287,410**	298,598
Total equity		**3,366,462**	3,303,287

	Note	2018 HK$'000	2017 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	13	**85,141**	90,451
Deferred income		**10,064**	3,188
Long term borrowings	24	**159,011**	270,851
		254,216	364,490
Current liabilities			
Trade payables, accruals and other payables	22	**515,308**	605,449
Loan from an associate	23(a)	**–**	1,053
Loan from a third party	23(a)	**1,004**	–
Amounts due to the non-controlling interests of subsidiaries	23(b)	**82,145**	82,806
Income tax payables		**8,429**	12,564
Short term borrowings	24	**–**	90,000
Current portion of long term borrowings	24	**103,983**	4,175
		710,869	796,047
Liabilities of a disposal group classified as held for sale	21	**–**	934
		710,869	796,981
Total liabilities		**965,085**	1,161,471
Total equity and liabilities		**4,331,547**	4,464,758

The notes on pages 90 to 178 are an integral part of these consolidated financial statements.

The financial statements on pages 84 to 178 were approved by the board of directors on 27th March 2019 and were signed on its behalf.

Huang Liezhang
Director

Wu Qiang
Director

Consolidated Income Statement

For the year ended 31st December 2018

	Note	2018 HK$'000	2017 HK$'000
Revenue	5	**2,404,496**	2,428,487
Cost of services rendered	25	**(2,004,387)**	(1,944,532)
Gross profit		**400,109**	483,955
Other income	26	**45,106**	39,481
Other gains, net	27	**46,749**	22,138
General and administrative expenses	25	**(311,196)**	(308,966)
Operating profit		**180,768**	236,608
Finance income	28	**20,852**	18,332
Finance cost	28	**(8,488)**	(6,127)
Share of profits less losses of:			
– Joint ventures	29	**55,946**	62,541
– Associates	29	**14,604**	14,289
Profit before income tax		**263,682**	325,643
Income tax expense	30	**(41,127)**	(49,308)
Profit for the year		**222,555**	276,335
Attributable to:			
Equity holders of the Company		**226,072**	268,988
Non-controlling interests		**(3,517)**	7,347
		222,555	276,335
Earnings per share (HK cents)			
Basic	32	**20.35**	24.68
Diluted	32	**20.35**	24.68

The notes on pages 90 to 178 are an integral part of these consolidated financial statements.

Consolidated Statement of Comprehensive Income

For the year ended 31st December 2018

	2018 HK$'000	2017 HK$'000
Profit for the year	**222,555**	276,335
Other comprehensive (loss)/income:		
Items that have been reclassified or may be reclassified subsequently to profit or loss		
Release of currency translation differences upon disposal of subsidiaries, joint ventures and an associate	**(15,689)**	–
Currency translation differences		
– Subsidiaries	**(68,740)**	97,958
– Joint ventures and associates	**(22,775)**	33,857
Other comprehensive (loss)/income for the year	**(107,204)**	131,815
Total comprehensive income for the year	**115,351**	408,150
Attributable to:		
Equity holders of the Company	**126,539**	390,271
Non-controlling interests	**(11,188)**	17,879
	115,351	408,150

The notes on pages 90 to 178 are an integral part of these consolidated financial statements.

Consolidated Statement of Changes in Equity
For the year ended 31st December 2018

	Attributable to owners of the Company				
	Share capital HK$'000	Total reserves HK$'000 (Note 20)	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1st January 2018	**1,376,295**	**1,628,394**	**3,004,689**	**298,598**	**3,303,287**
Total comprehensive income for the year	**–**	**126,539**	**126,539**	**(11,188)**	**115,351**
Transactions with owners					
Employee share option scheme:					
– Forfeiture of Share Option	–	(2,270)	(2,270)	–	(2,270)
2017 final dividend	–	(55,094)	(55,094)	–	(55,094)
2018 interim dividend	–	(33,635)	(33,635)	–	(33,635)
Shares issued in lieu of scrip dividend	38,823	–	38,823	–	38,823
Total transactions with owners	**38,823**	**(90,999)**	**(52,176)**	**–**	**(52,176)**
At 31st December 2018	**1,415,118**	**1,663,934**	**3,079,052**	**287,410**	**3,366,462**
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**

The notes on pages 90 to 178 are an integral part of these consolidated financial statements.

Consolidated Cash Flow Statement

For the year ended 31st December 2018

	Note	2018 HK$'000	2017 HK$'000
Cash flows from operating activities			
Cash generated from operations	35(a)	**245,976**	405,343
Hong Kong profits tax paid		**(18,537)**	(18,860)
Mainland China corporate income tax paid		**(18,973)**	(27,982)
Macau profits tax paid		**(3,818)**	(2,266)
Net cash generated from operating activities		**204,648**	356,235
Cash flows from investing activities			
Purchase of property, plant and equipment		**(172,265)**	(128,727)
Purchase of intangible asset		**(349)**	(464)
Proceeds from disposal of property, plant and equipment		**1,733**	1,362
(Payment)/refund of non-current deposits		**(4,778)**	9,414
Proceeds from disposal of joint ventures and an associate		**11,443**	–
Proceeds from disposal of subsidiaries		**90,081**	–
Proceeds from partial disposal of subsidiaries		**–**	27,679
Capital injection to an associate		**–**	(200)
Cash received from capital refund of a joint venture		**4,985**	–
Increase in amount due to an associate		**–**	(24,120)
Increase in structured bank deposits		**(28,922)**	(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
Received of loan repayment from fellow subsidiaries		**101,055**	–
Dividends received from joint ventures and associates		**80,076**	21,449
Interest received		**20,852**	18,332
Net cash generated from/(used in) investing activities		**103,911**	(390,308)
Cash flows from financing activities			
Dividends paid		**(49,906)**	(65,752)
Dividends paid to a non-controlling interest		**–**	(11,700)
Interest paid		**(8,488)**	(6,127)
Capital contribution by a non-controlling interest		**–**	3,457
Repayment of bank loans	35(b)	**(93,983)**	(61,558)
Drawdown of bank loans	35(b)	**–**	135,705
Net cash used in financing activities		**(152,377)**	(5,975)
Net increase/(decrease) in cash and cash equivalents		**156,182**	(40,048)
Cash and cash equivalents at the beginning of the year		**769,152**	817,669
Effect of exchange rate changes		**(20,004)**	(8,469)
Cash and cash equivalents at the end of the year	17	**905,330**	769,152

The notes on pages 90 to 178 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 27th March 2019.

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.

2.1 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 require 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)

2.1 Basis of preparation (Continued)

(ii) New and amended standards adopted by the Group

The Group has applied the following standards and amendments for the first time for their annual reporting period commencing 1st January 2018:

HKFRS 9	Financial Instruments
HKFRS 4 (Amendments)	Applying HKFRS 9 Financial instruments with HKFRS 4 Insurance contracts
HKFRS 15	Revenue from Contracts with Customers
HKFRS 15 (Amendments)	Clarifications to HKFRS 15
HKFRSs (Amendments)	Annual improvements to HKFRSs 2014-2016 Cycle
HKFRS 2 (Amendments)	Classification and Measurement of Share-based Payment Transactions
HKAS 40 (Amendments)	Transfers to Investment Property
HK(IFRIC)-Int22	Foreign Currency Transactions and Advance Consideration

The application of the above new standards, amendments and improvements to existing standards and interpretation in the current year has had no material impact on the Group's results and financial position, except HKFRS 9 "Financial Instruments" and HKFRS 15 "Revenue from Contracts with Customers". As a result of adopting the standards, the Group had to change its accounting policies. The impact of adoption are set out below:

HKFRS 9 Financial Instruments

HKFRS 9 replaces the provisions of HKAS 39 that related to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

Impairment of financial assets

While cash and cash equivalents are also subject to the impairment requirements of HKFRS 9, the identified impairment loss was immaterial.

The Group has only one type of financial assets that is subject to HKFRS 9's new expected credit loss model:

- Trade and other receivables

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(ii) New and amended standards adopted by the Group (Continued)

The Group applies the HKFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. The impact of the change in impairment methodology on the opening balance of retained earnings as at 1st January 2018 is insignificant. As trade receivables are mainly related to receivables from creditable companies with no recent history of default, the Group did not recognise loss allowance for trade receivables during the current reporting period.

There was no impact on the on the Group's accounting for the recognition, classification and measurement of financial assets.

There was no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities.

There was no impact on the Group's hedge accounting after adoption of HKFRS 9, as the Group does not adopt any hedge accounting in current and near periods.

HKFRS 15 Revenue from Contracts with Customers

The Group has adopted HKFRS 15 *Revenue from Contracts with Customers* from 1st January 2018. It has assessed the impact of the application of HKFRS 15 and based on its assessment, the adoption has no significant impact on the opening balance or retained earnings as at 1st January 2018 to the Group. Apart from having impacts on the presentations and disclosures of certain items, the adoption of HKFRS 15 has no significant impact on the Group's accounting.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(iii) New standards and amendments to existing standards which are not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for 31st December 2018 reporting periods and have not been early adopted by the Group.

HKFRS 16	Leases [1]
HK(IFRIC)-Int23	Uncertainty over Income Tax Treatments [1]
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation [1]
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures [1]
HKFRSs (Amendments)	Annual improvements to HKFRSs 2015-2017 Cycle [1]
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement [1]
HKAS 1 and HKAS 8 (Amendments)	Definition of material [2]
HKFRS 3 (Amendments)	Definition of a business [2]
HKFRS 17	Insurance Contracts [3]
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture [4]

Note:

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

(2) Effective for the Group for annual period beginning on 1st January 2020

(3) Effective for the Group for annual period beginning on 1st January 2021

(4) Effective date to be determined

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(iii) New standards and amendments to existing standards which are not yet effective (Continued)

The Group will adopt the above standards and amendments to existing standards as and when they become effective. None of the above is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

HKFRS 16 Leases

HKFRS 16 will result in almost all leases being recognised on the balance sheet, 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.

The Group will apply the standard from its mandatory adoption date of 1 January 2019. The Group intends to apply the simplified transition approach and will not restate comparative amounts for the year prior to first adoption. Right-of-use assets for asset leases will be measured on transition as if the new rules had always been applied. All other right-of-use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

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$77,526,000. Based on the preliminary assessment undertaken to date, it is estimated that the adoption of HKFRS 16 would result in recognition of right-of-use assets and financial liabilities in the consolidated balance sheet primarily arising from leases of land and buildings. The interest expenses on the lease liabilities and the depreciation expenses on the right-of-use assets under HKFRS 16 will replace the rental charge under HKAS 17 in the consolidated income statement.

The Group has already commenced the assessment of the impact to the Group and the impact of adoption will be disclosed in the interim report 2019.

2.2 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (Continued)

(i) Subsidiaries (Continued)

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)

2.2 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 joint ventures and associate 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 2.11.

(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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (Continued)

(v) Changes in ownership interests (Continued)

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.

2.3 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Business combinations (Continued)

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.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKFRS 9 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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 the income statement.

2.4 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 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)

2.5 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.

(iv) Disposal of foreign operation and partial disposal

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)

2.6 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)

2.6 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.

2.7 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.

2.8 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)

2.9 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Intangible assets (Continued)

(ii) Software (Continued)

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.

2.10 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 and fellow subsidiaries (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)

2.11 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). Nonfinancial 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.

2.12 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.

The Group assess on a forward-looking basis the expected credit losses associated. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applied the simplified approach permitted by HKFRS 9, which requires expected credit losses to be recognised from initial recognition of the receivables. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in other operating expenses in the consolidated income statement. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amount previously written off are credited against other operating expenses in the consolidated income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts.

2.14 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are measured at the lower of their carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of derecognition.

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the balance sheet. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 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.

2.16 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.

They are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

2.17 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)

2.18 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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (Continued)

(ii) Deferred income tax (Continued)

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.

2.19 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)

2.19 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.

2.20 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 recognizes 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 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.

2.22 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)

2.22 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)

2.23 Earning per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the company, excluding any costs of servicing equity other than ordinary shares

by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and

- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

2.24 Leases

Leases of property, plant and equipment where the Group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Group as lessee are classified as operating leases (note 37). Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Dividend distribution

Provision is made for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period.

2.26 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.

2.27 Interest income

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.28 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 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.

2.30 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 People Republic of China ("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.

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

At 31st December 2018, 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$11,454,000 (2017: HK$9,129,000) 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, 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 2018, 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$1,737,000 (2017: HK$569,000) higher or lower respectively, mainly as a result of higher or lower finance income from floating rate loans to joint ventures and short-term bank deposits.

As 31st December 2018, 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$1,155,000 (2017: HK$1,584,000) 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.

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(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.

(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.

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(c) Liquidity risk (Continued)

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

	Less than 1 year HK$'000	Between 1 and 2 years HK$'000	Between 2 and 5 years HK$'000	Over 5 years HK$'000	Total HK$'000
Group					
At 31st December 2018					
Bank borrowings	114,049	23,363	98,090	67,294	302,796
Amounts due to the non-controlling interests of subsidiaries	82,741	–	–	–	82,741
Loan from a third party	1,004	–	–	–	1,004
Trade payables, accruals and other payables	503,610	–	–	–	503,610
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
Loan from an associate	1,053	–	–	–	1,053
Trade payables, accruals and other payables	584,900	–	–	–	584,900

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.

3.2 CAPITAL RISK MANAGEMENT (CONTINUED)

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, return capital to shareholders, issue new shares or 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$1,913,055,000 ("Terminal Assets") as at 31st December 2018. 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 2.10. Determining whether goodwill is impaired requires an estimation of the recoverable amounts of cash generating units ("CGU") to which goodwill has been allocated. The recoverable amounts of CGUs have been determined based on value-in-use calculations.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

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

According to the accounting policies stated in Note 2.12, 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 growth rates and discount rates.

The key assumptions applied in the cash flow projections of value-in-use calculations are revenue growth rates and discount rates and are set out in note 9.

If the discount rates used in the calculations had been higher by 1%, or the revenue growth rates had been lower by 4%, the Group would have limited headroom between the carrying amounts and recoverable amounts.

(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.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(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 is changed.

5 REVENUE AND SEGMENT INFORMATION

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

	2018 **HK$'000**	2017 HK$'000
Cargo transportation	**1,284,378**	1,310,942
Cargo handling and storage	**297,478**	372,849
Passenger transportation	**198,513**	207,484
Fuel supply	**608,453**	492,098
Corporate and other business	**15,674**	45,114
	2,404,496	2,428,487

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.

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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 services

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

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

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Cargo transportation HK$'000	Cargo handling and storage HK$'000	Passenger transportation HK$'000	Fuel supply HK$'000	Corporate and other businesses HK$'000	Total HK$'000
Year ended 31st December 2018						
Total revenue	1,392,474	484,280	198,513	661,900	35,982	2,773,149
Inter-segment revenue	(108,096)	(186,802)	–	(53,447)	(20,308)	(368,653)
Revenue (from external customers)	1,284,378	297,478	198,513	608,453	15,674	2,404,496
Timing of revenue recognition						
At a point in time	–	–	52,324	608,453	1,684	662,461
Over time	1,284,378	297,478	146,189	–	13,990	1,742,035
	1,284,378	297,478	198,513	608,453	15,674	2,404,496
Segment profit before income tax expense	51,808	57,040	135,806	14,472	4,556	263,682
Income tax expense	(4,910)	(12,692)	(12,191)	(2,626)	(8,708)	(41,127)
Segment profit after income tax expense	46,898	44,348	123,615	11,846	(4,152)	222,555
Segment profit before income tax expense includes:						
Finance income	749	2,050	1,068	5	16,980	20,852
Finance cost	–	(7,845)	–	–	(643)	(8,488)
Depreciation and amortisation	(6,997)	(90,994)	(117)	(2,279)	(4,675)	(105,062)
Share of profits less losses of:						
Joint ventures	3,808	5,886	44,820	–	1,432	55,946
Associates	–	4,183	10,421	–	–	14,604
Gain/(loss) on disposal of subsidiaries	39,116	14,786	–	–	(111)	53,791

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
Timing of revenue recognition						
At a point in time	–	–	49,462	492,098	2,712	544,272
Over time	1,310,942	372,849	158,022	–	42,402	1,884,215
	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$'000	Inter segment elimination HK$'000	Total HK$'000
As at 31st December 2018							
Total segment assets	529,469	2,587,362	722,443	156,848	1,910,968	(1,575,543)	4,331,547
Total segment assets include:							
– Joint ventures	31,152	153,996	229,231	–	–	–	414,379
– Associates	–	51,458	86,365	–	–	–	137,823
Additions to non-current assets (excluding deferred income tax assets)	1,030	145,554	22,710	1,124	3,455	–	173,873
Total segment liabilities	(490,335)	(982,182)	(159,070)	(58,434)	(850,607)	1,575,543	(965,085)
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)

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:

	2018 HK$'000	2017 HK$'000
Non-current assets excluding joint ventures and associates and deferred income tax assets		
Hong Kong	**787,568**	693,352
Mainland China	**1,339,149**	1,429,343
Macau	**–**	36
	2,126,717	2,122,731
Joint ventures and associates		
Hong Kong	**61,632**	50,560
Singapore	**11,436**	8,332
Mainland China	**479,134**	517,927
	552,202	576,819
Deferred income tax assets	**4,840**	7,746
	2,683,759	2,707,296

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 2018	1,560,785	130,535	54,646	405,507	68,800	59,716	17,999	63,268	2,361,256
Exchange differences	(49,025)	(1,628)	(783)	(16,832)	(1,751)	(1,003)	(13)	–	(71,035)
Additions	10,923	106,356	3,011	49,032	2,629	841	133	599	173,524
Transfer	161,570	(185,029)	67	7,775	2,621	–	99	12,897	–
Disposals/write-off	(171)	–	(3,206)	(3,492)	(3,622)	(3,856)	(2,707)	–	(17,054)
At 31st December 2018	1,684,082	50,234	53,735	441,990	68,677	55,698	15,511	76,764	2,446,691
Accumulated depreciation									
At 1st January 2018	321,081	–	30,067	229,121	45,941	45,575	14,354	43,975	730,114
Exchange differences	(12,702)	–	(373)	(9,789)	(1,190)	(786)	(14)	–	(24,854)
Charge for the year	42,623	–	3,930	30,582	5,614	5,034	1,826	3,129	92,738
Disposals/write-off	(62)	–	(2,468)	(3,268)	(3,311)	(3,530)	(2,707)	–	(15,346)
At 31st December 2018	350,940	–	31,156	246,646	47,054	46,293	13,459	47,104	782,652
Net book value									
At 31st December 2018	1,333,142	50,234	22,579	195,344	21,623	9,405	2,052	29,660	1,664,039
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

Property, plant and equipment of the Group with net book value amounting to HK$187,558,000 (2017: HK$156,649,000) have been pledged as securities for the bank loans of the Group (note 24).

7 INVESTMENT PROPERTY

	2018 HK$'000	2017 HK$'000
Cost		
At 1st January and 31st December	**5,551**	5,551
Accumulated depreciation		
At 1st January	**836**	779
Charge for the year	**57**	57
At 31st December	**893**	836
Closing net book value as at 31st December	**4,658**	4,715

Independent valuations of the Group's investment property as at 31st December 2018 and 2017 were performed by the valuer, RHL Appraisal Limited. The fair values of the Group's investment properties were HK$59,696,000 (2017: HK$59,469,000).

8 LAND USE RIGHTS

	2018 HK$'000	2017 HK$'000
Opening net book value as at 1st January	**440,255**	448,244
Exchange difference	**(20,006)**	31,061
Amortisation	**(11,119)**	(11,577)
Transfer to assets of a disposal group classified as held for sale (note 21)	**–**	(27,473)
Closing net book value as at 31st December	**409,130**	440,255

Land use rights of the Group with net book value amounting to HK$189,151,000 (2017: HK$203,501,000) 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 2017			
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
Year ended 31st December 2018			
Opening net book amount	37,837	8,782	46,619
Exchange differences	(1,740)	32	(1,708)
Additions	–	349	349
Amortisation charge	–	(1,148)	(1,148)
Closing net book amount	36,097	8,015	44,112
At 31st December 2018			
Cost	36,097	9,344	45,441
Accumulated amortisation	–	(1,329)	(1,329)
Net book amount	36,097	8,015	44,112

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

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

9 INTANGIBLE ASSETS (CONTINUED)

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

	2018	2017
Revenue growth rates	**1%-21%**	1%-19%
Discount rates	**10%**	10%

10 SUBSIDIARIES

(a) Details of the subsidiaries as at 31st December 2018 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 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%**

10 SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries as at 31st December 2018 are as follows: (Continued)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held
Directly-held subsidiaries (Continued)				
Chu Kong Transhipment & Logistics Company Limited	Hong Kong	Transshipment and transportation in Hong Kong	100 ordinary shares 100,000 deferred shares (Note (b))	**100%**
Chu Kong Transportation (H.K.) Limited	Hong Kong	Wharf cargo handling and transportation in Hong Kong	100 ordinary shares 100,000 deferred shares (Note (b))	**100%**
Chu Kong Warehouse Properties Co., Ltd.	British Virgin Islands	Property holding in Hong Kong	100 ordinary shares of US$1 each 9,900 preferred shares of US$1 each (Note (c))	**100%**
Chu Kong Passenger Transport Company Limited	Hong Kong	Provision of agency services and management of ships in Hong Kong	300,000 ordinary shares	**100%**
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 Service 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	Hong Kong	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 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 2018 are as follows: (Continued)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held
Directly-held subsidiaries (Continued)				
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%**
Guangzhou Pintu Internet Company Limited	PRC, limited liability company	Information technology service	RMB10,000,000	**70%**
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%**
Chu Kong Cargo Terminals (Qingyuan) Co., Ltd.	PRC, limited liability company	Wharf cargo handling in the PRC	RMB27,460,000	**72%**
Chu Kong Cargo Terminals (Gaoming) Co., Ltd.	PRC, limited liability company	Cargo transportation and consolidation in the PRC	RMB74,969,730	**78.22%**
Chu Kong Cargo Terminals (Kangzhou) Co., Ltd.	PRC, limited liability company	Cargo handling and transportation in the PRC	RMB25,000,000	**80%**

10 SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries as at 31st December 2018 are as follows: (Continued)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held
Indirectly-held subsidiaries (Continued)				
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

	2018 **HK$'000**	2017 HK$'000
Investments in joint ventures	**417,223**	469,024
Provision for impairment of a joint venture (note 29)	**(2,844)**	–
	414,379	469,024
Investments in associates	**137,823**	107,795

(a) Details of the principal joint ventures and associates as at 31st December 2018 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%
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]
Heshan County Hekong Associated Forwarding Co., Ltd.	PRC	Wharf cargo handling, godown storage and river trade cargo transportation	40%[1]

11 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(a) Details of the principal joint ventures and associates as at 31st December 2018 are as follows: (Continued)

Name	Place of incorporation and operation	Principal activities	Percentage of interest in Ownership, voting power and profit sharing
Indirectly-held joint ventures (Continued)			
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 Service Limited	Hong Kong	Ferry linkage services between the Hong Kong International Airport and Pearl River Delta	60%
Zhongshan-Hong Kong Passenger Shipping Co-op Co., Ltd. ("ZHPS")	PRC	Passenger transportation	40%
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]

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 and an associate 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 a material joint venture

Set out below are the summarised financial information for 100% equity interest in a joint venture of the Group for the year ended 31st December 2018, which, in the opinion of the directors, is material to the Group.

The below summarised financial information is 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 2018 and 2017 and summarised statement of comprehensive income for the year ended 31st December 2018 and 2017

	ZHPS	
	2018	2017
	HK$'000	HK$'000
Current assets	**216,496**	218,016
Current liabilities	**(98,937)**	(61,842)
Non-current assets	**370,824**	263,982
Non-current liability	**(6,660)**	(7,459)
Revenue	**330,465**	295,819
Profit after income tax	**90,075**	87,187

Reconciliation of summarised financial information

	ZHPS	
	2018	2017
	HK$'000	HK$'000
Opening net assets 1st January	**412,697**	301,327
Profit for the year	**90,075**	87,187
Currency translation differences	**(21,049)**	24,183
Closing net assets as at 31st December	**481,723**	412,697
Interest in joint venture	**40.0%**	40.0%
Share of net assets	**192,689**	165,079
Carrying value	**192,689**	165,079

11 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(b) Summarised financial information for a material joint venture (Continued)

Reconciliation of summarised financial information (Continued)

There were no contingent liabilities relating to the Group's interests in the joint ventures and associates and no significant contingent liabilities of the joint ventures and associates themselves as at 31st December 2018.

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

	2018 HK$'000	2017 HK$'000
Profit for the year	**34,520**	41,959
Other comprehensive (loss)/income	**(14,355)**	24,151
Total comprehensive income	**20,165**	66,110

12 DEPOSITS

	2018 HK$'000	2017 HK$'000
Deposits for purchase of property, plant and equipment	**4,778**	–

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:

	2018 **HK$'000**	2017 HK$'000
Deferred income tax assets:		
To be recovered after more than 12 months	**(8,674)**	(5,788)
To be recovered within 12 months	**(878)**	(1,958)
	(9,552)	(7,746)
Deferred income tax liabilities:		
To be settled after more than 12 months	**86,971**	87,946
To be settled within 12 months	**2,882**	2,505
	89,853	90,451
Net deferred income tax liabilities	**80,301**	82,705

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

	2018 **HK$'000**	2017 HK$'000
At 1st January	**82,705**	74,283
Charged to income statement (note 30)	**2,161**	6,492
Transfer to current income tax payables	**(1,853)**	(1,217)
Exchange difference	**(2,712)**	3,147
At 31st December	**80,301**	82,705

13 DEFERRED INCOME TAX (CONTINUED)

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

Deferred income tax assets	Tax losses	Decelerated tax depreciation	Total
	HK$'000	HK$'000	HK$'000
At 1st January 2017	(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)
(Credited)/charged to income statement	(2,168)	90	(2,078)
Exchange difference	272	–	272
At 31st December 2018	(9,286)	(266)	(9,552)

Deferred income tax liabilities	Capital gain tax	Accelerated tax depreciation	Undistributed profits of PRC entities	Total
	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January 2017	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
Charged to income statement	–	2,202	2,037	4,239
Transfer to current income tax payables	–	–	(1,853)	(1,853)
Exchange difference	–	(1,566)	(1,418)	(2,984)
At 31st December 2018	11,950	48,394	29,509	89,853

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 2018, the Group have unrecognised tax losses of HK$166,600,000 (2017: HK$163,873,000) to carry forward. These tax losses have no expiry dates except for tax losses of HK$122,151,000 (2017: HK$119,509,000) of the Group which will expire in the period from 2019 to 2023 (2017: 2018 to 2022).

13 DEFERRED INCOME TAX (CONTINUED)

The Group's wholly owned PRC subsidiaries have undistributed earnings of RMB92,872,000 (equivalent to approximately HK$105,994,000) 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

	2018 **HK$'000**	2017 HK$'000
Diesel	**819**	2,312
Engine lubricant	**446**	315
	1,265	2,627

The cost of inventories recognised as expense and included in 'cost of services rendered' amounted to HK$565,175,000 (2017: HK$476,086,000).

15 TRADE AND OTHER RECEIVABLES AND LOANS TO JOINT VENTURES AND FELLOW SUBSIDIARIES

	2018 HK$'000	2017 HK$'000
Trade receivables		
– third parties	**209,019**	258,153
– joint ventures and an associate	**5,616**	5,364
– fellow subsidiaries	**18,174**	20,174
– other related companies	**15,416**	26,346
Trade receivables, net (note (a))	**248,225**	310,037
Other receivables:		
– third parties	**91,985**	88,107
– immediate holding company (note (b))	**11,223**	11,646
– fellow subsidiaries (note (b))	**32,071**	1,568
– joint ventures and associates (note (b))	**23,797**	121,779
– Non-controlling interests of a subsidiary (note (b))	**–**	13,064
	159,076	236,164
Total trade and other receivables	**407,301**	546,201
Loans to joint ventures and fellow subsidiaries (note (c))	**13,189**	13,509

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

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

	2018 **HK$'000**	2017 HK$'000
Within 3 months	**217,763**	282,088
4 to 6 months	**24,540**	19,688
7 to 12 months	**2,929**	9,216
Over 12 months	**7,788**	4,085
	253,020	315,077
Less: provision for impairment	**(4,795)**	(5,040)
	248,225	310,037

Trade receivables that are less than three months past due are not considered impaired. As of 31st December 2018, trade receivables of HK$30,462,000 (2017: HK$27,949,000) 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:

	2018 **HK$'000**	2017 HK$'000
Up to 3 months	**24,175**	19,688
4 to 6 months	**2,773**	8,254
Over 6 months	**3,514**	7
	30,462	27,949

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

(a) (Continued)

As of 31st December 2018, trade receivables of HK$4,795,000 (2017: HK$5,040,000) 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:

	2018 **HK$'000**	2017 HK$'000
4 to 6 months	**365**	–
7 to 12 months	**156**	962
Over 12 months	**4,274**	4,078
	4,795	5,040

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

	2018 **HK$'000**	2017 HK$'000
At 1st January	**5,040**	5,084
Reversal for impairment (note 27)	**(258)**	(61)
Bad debt written-off	**13**	17
At 31st December	**4,795**	5,040

The release of provision for impaired receivables have been included in "other gains – net" in the consolidated income statement (note 27). 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 FELLOW SUBSIDIARIES (CONTINUED)

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

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

	2018 **HK$'000**	2017 HK$'000
Unsecured loans		
– interest-free	**4,495**	4,396
– at floating rate (note)	**8,694**	9,113
	13,189	13,509

Note:

The loans bear interest at the base lending rate announced by the People's Bank of China ("PBOC") (2017: base lending rate announced by the PBOC).

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

	2018 **HK$'000**	2017 HK$'000
Hong Kong dollar	**288,330**	327,705
Renminbi	**74,742**	178,594
United States dollar	**33,461**	22,004
Macau pataca	**10,768**	17,898
	407,301	546,201

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

16 STRUCTURED BANK DEPOSITS

As at 31st December 2018, 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

	2018 **HK$'000**	2017 HK$'000
Cash at bank and on hand	**492,148**	639,536
Short-term bank deposits	**413,182**	129,616
	905,330	769,152

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

	2018 **HK$'000**	2017 HK$'000
Hong Kong dollar	**549,218**	407,222
Renminbi	**263,865**	286,157
United States dollar	**80,183**	53,482
Macau pataca	**12,031**	22,289
Euro	**33**	2
	905,330	769,152

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 31st December 2017 and 1st January 2018	1,101,890	1,376,295
Issue of scrip dividend shares (note (a))	19,277	38,823
At 31st December 2018	1,121,167	1,415,118

Note:

During the year ended 31st December 2018, 19,277,000 new shares were issued at an issue price of HK$2.01 per share pursuant to the scrip dividend scheme in relation to the final dividend for the year ended 31st December 2017. HK$38,823,000 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:

	2018		2017	
	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	6,863	2.33	8,254
Forfeited	2.33	(5,182)	2.33	(1,391)
At 31st December	2.33	1,681	2.33	6,863

19 SHARE-BASED PAYMENTS (CONTINUED)

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

Expiry date	Exercise price in HK$ per share option	Number of share options ('000) 2018	2017
2022	2.33	–	2,287
2023	2.33	–	2,288
2024	2.33	**1,681**	2,288
		1,681	6,863

The weighted average fair value of options granted determined using the Binomial Option Pricing Model was HK$0.67 per option. The total expense reversed in the income statement for share options granted to directors and employees was HK$2,270,000 (2017: charged in the income statement HK$1,135,000).

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 2018	93,917	23,009	167,717	96,507	2,270	(871,425)	2,116,399	1,628,394
Profit for the year	–	–	–	–	–	–	226,072	226,072
Release of currency translation differences upon disposal of subsidiaries, joint ventures and an associate	(15,689)	–	–	–	–	–	–	(15,689)
Currency translation differences								
– subsidiaries	(62,670)	–	–	–	–	–	–	(62,670)
– joint ventures and associates	(21,174)	–	–	–	–	–	–	(21,174)
Transfer of reserves	–	–	–	4,758	–	–	(4,758)	–
Employee share option scheme								
– Forfeiture of share option	–	–	–	–	(2,270)	–	–	(2,270)
2017 final dividend	–	–	–	–	–	–	(55,094)	(55,094)
2018 interim dividend	–	–	–	–	–	–	(33,635)	(33,635)
At 31st December 2018	(5,616)	23,009	167,717	101,265	–	(871,425)	2,248,984	1,663,934
Representing:								
2018 final dividend proposed								67,270
Reserves								1,596,664
								1,663,934

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 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)	–
Employee 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

(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.

20 RESERVES (CONTINUED)

(b) Statutory reserve

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

(c) Merger reserve

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

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 associated assets and liabilities were consequently presented as held for sale in the 2017 financial statements. These two companies were disposed during year ended 31st December 2018, as a result of the disposal, a gain of HK$54,034,000 was recognized in the consolidated income statement.

(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

	2018 **HK$'000**	2017 HK$'000
Trade payables (notes (a) and (c)):		
– third parties	**210,283**	258,902
– immediate holding company	**34,173**	28,689
– fellow subsidiaries	**5,660**	665
– joint ventures and associates	**17,572**	17,283
– other related companies	**3,568**	2,924
	271,256	308,463
Accruals and other payables:		
– third parties	**207,085**	200,061
– immediate holding company (note (c))	**653**	615
– fellow subsidiaries (note (c))	**4,286**	9,126
– joint ventures and associates (note (c))	**19,521**	66,067
– other related companies (note (c))	**809**	568
Receipt in advance (note(e))	**–**	20,549
Contract liabilities (note(e))	**11,698**	–
	244,052	296,986
	515,308	605,449

22 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES (CONTINUED)

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

	2018 HK$'000	2017 HK$'000
Within 3 months	**269,840**	306,716
4 to 6 months	**23**	364
7 to 12 months	**225**	14
Over 12 months	**1,168**	1,369
	271,256	308,463

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

	2018 HK$'000	2017 HK$'000
Hong Kong dollar	**348,851**	437,502
Renminbi	**143,575**	144,459
United States dollar	**21,526**	20,549
Macau pataca	**1,356**	2,939
	515,308	605,449

(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.

(e) The contract liabilities primarily relate to the advance consideration received from customers, or the Group has unconditional right to considerations before the goods or services are delivered.

Receipt in advance of HK$20,549,000 included in the balance as at 31st December 2017 were recognised as revenue during the year ended 31st December 2018.

As the contracts are for periods of one year or less or the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date, as permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

23 LOAN FROM AN ASSOCIATE, LOAN FROM A THIRD PARTY, AMOUNTS DUE TO THE NON-CONTROLLING INTERESTS OF SUBSIDIARIES AND AMOUNT DUE TO A RELATED PARTY

(a) Breakdown of loan from an associate and loan from a third party

	2018 HK$'000	2017 HK$'000
Current		
– interest-free (note)	**1,004**	1,053

Note:

The amount is denominated in Renminbi, unsecured and repayable on demand. The loan was due to an associate of the Group as at 31st December 2017, which was disposed by the Group and subsequently became a third party during the year ended 31st December 2018. There was no repayment and change of terms of the loan after the disposal.

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

	2018 HK$'000	2017 HK$'000
Current		
– at floating rate (note (i))	**13,695**	14,356
– interest-free (note (ii))	**68,450**	68,450
	82,145	82,806

Notes:

(i) The amounts are denominated in Renminbi, unsecured and interest-bearing at the base lending rate announced by the PBOC (2017: base lending rate announced by the PBOC).

(ii) The amounts are denominated in Hong Kong dollars, unsecured and repayable in 2019 (2017: repayable in 2018).

24 BORROWINGS

	2018 HK$'000	2017 HK$'000
Unsecured, short term bank loans	–	90,000
Long term bank loans:		
– secured	162,994	175,026
– unsecured	100,000	100,000
	262,994	365,026

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

	2018 HK$'000	2017 HK$'000
Repayable within one year	103,983	4,175
Repayable within one to two years	3,983	104,175
Repayable within two to five years	93,445	73,462
Repayable more than five years	61,583	93,214
	262,994	275,026
Current portion included in current liabilities	(103,983)	(4,175)
	159,011	270,851

The secured bank loan is 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 of 3.2% (2017: 1.9%) per annum.

25 COSTS AND EXPENSES BY NATURE

	2018 HK$'000	2017 HK$'000
Amortisation of land use rights	**11,119**	11,577
Auditor's remuneration		
– audit services	**3,352**	3,112
– non-audit services	**1,604**	830
Depreciation of property, plant and equipment	**92,738**	91,990
Depreciation of investment properties	**57**	57
Depreciation of intangible assets	**1,148**	1,041
Operating lease rental expenses		
– vessels and barges	**150,123**	147,300
– buildings	**25,839**	31,430
– properties that generated rental income	**5,000**	5,000
Staff costs (including directors' emoluments) (note 33)	**385,033**	432,568

26 OTHER INCOME

	2018 HK$'000	2017 HK$'000
Management fee income from CKSE (note 39(a)(ii))	**30,000**	30,000
Property rental income	**1,726**	1,473
Subsidies income	**12,458**	6,984
Others	**922**	1,024
	45,106	39,481

27 OTHER GAINS – NET

	2018 HK$'000	2017 HK$'000
Exchange (losses)/gains, net	**(9,339)**	21,476
Gain on disposal of subsidiaries, net	**53,791**	–
Gain on disposal of interests in joint ventures and an associate, net	**2,156**	–
Loss on write-off of property, plant and equipment	**(142)**	(478)
Gain on disposals of property, plant and equipment	**25**	1,079
Reversal for impairment of trade receivables, net (note 15)	**258**	61
	46,749	22,138

28 FINANCE INCOME AND COSTS

	2018 HK$'000	2017 HK$'000
Finance income		
Interest income on loan to a joint venture	**1,963**	278
Interest income on short-term, structured bank deposits and bank balances	**18,889**	18,054
	20,852	18,332
Finance cost		
Interest expense on bank borrowings	**(11,524)**	(11,479)
Interest expense on loan from an associate	**–**	(396)
Interest expense on amount due to a related party	**–**	(82)
Interest expense on amount due to non-controlling interests	**(437)**	(865)
Less: amounts capitalised on qualifying assets	**3,473**	6,695
	(8,488)	(6,127)

The capitalisation rate applied to funds borrowed is 3.5% (2017: 2.9%) per annum.

29 SHARE OF PROFITS LESS LOSSES OF JOINT VENTURES AND ASSOCIATES

	2018 HK$'000	2017 HK$'000
Share of profits less losses before income tax of		
– joint ventures	**78,138**	83,759
– associates	**19,501**	19,535
	97,639	103,294
Share of income tax of		
– joint ventures	**(19,348)**	(21,218)
– associates	**(4,897)**	(5,246)
	(24,245)	(26,464)
Provision for impairment of a joint venture (note 11)	**(2,844)**	–
	70,550	76,830

30 INCOME TAX EXPENSE

	2018 HK$'000	2017 HK$'000
Current income tax		
– Hong Kong profits tax	**20,589**	20,730
– PRC corporate income tax	**14,200**	23,821
– Macau profits tax	**2,681**	3,812
– Under/(over) provision in prior years	**1,496**	(5,547)
Deferred income tax expense (note 13)	**2,161**	6,492
	41,127	49,308

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 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% (2017: 25%). Macau profits tax has been provided at the applicable tax rate (2017: 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).

30 INCOME TAX EXPENSE (CONTINUED)

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:

	2018 HK$'000	2017 HK$'000
Profit before share of profits less losses of joint ventures and associates, and income tax expense	**193,132**	248,813
Calculated at a tax rate of 16.5% (2017: 16.5%)	**31,867**	41,054
Effect of different tax rates applicable to the subsidiaries in the PRC and Macau	**(676)**	5,699
Income not subject to income tax	**(117,970)**	(108,665)
Expenses not deductible for income tax purposes	**116,125**	108,579
Tax losses not recognised	**8,024**	6,476
Under/(over) provision in prior years	**1,496**	(5,547)
Utilisation of previously unrecognised tax loss	**(200)**	(2,540)
	38,666	45,056
Withholding income tax on undistributed profits of PRC enterprises and loan interest income from PRC	**2,461**	4,252
Income tax expense	**41,127**	49,308

31 DIVIDENDS

	2018 HK$'000	2017 HK$'000
Interim, paid, of HK3 cents (2017: HK3 cents) per ordinary share	**33,635**	33,057
Interim special, paid, of HK nil cent (2017: HK1 cent) per ordinary share	**–**	11,019
Final, proposed, of HK6 cents (2017: HK5 cents) per ordinary share	**67,270**	55,094
	100,905	99,170

On 27th March 2019, the board of directors proposed a final dividend of HK6 cents per ordinary share (2017: HK5 cents per ordinary share). 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 2017 and the interim dividends for the year 2018, amounting to HK$88,729,000 (2017: HK$108,876,000).

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.

	2018	2017
Profit attributable to equity holders of the Company (HK$'000)	**226,072**	268,988
Weighted average number of ordinary shares in issue ('000)	**1,110,710**	1,089,836
Basic earnings per share (HK cents)	**20.35**	24.68

Diluted

The potential ordinary shares in respect of the Company's share options were anti-dilutive for the year ended 31st December 2018. The basic earnings per share for the year ended 31st December 2018 was equal to the diluted earnings per share.

Diluted earnings per share for the years ended 31st December 2018 and 2017 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)

	2018 HK$'000	2017 HK$'000
Salaries and allowances	**365,339**	408,963
Share options (forfeited)/granted to directors and employees	**(2,270)**	1,135
Retirement benefit costs – defined contribution plans (note)	**21,964**	22,470
	385,033	432,568

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 2018 include three (2017: three) directors whose emoluments are reflected in the analysis shown in note 39. The emoluments payable to the remaining two (2017: two) highest paid individuals during the year are as follows:

	2018 **HK$'000**	2017 HK$'000
Basic salaries, bonuses, housing allowances, other allowances and benefits in kind	**2,003**	2,396
Retirement benefit costs – defined contribution plans	**36**	35
Share options (forfeited)/granted	**(93)**	60
	1,946	2,491

The emoluments of the two (2017: two) highest paid individuals fell within the following bands:

	Number of individuals	
	2018	2017
Emolument bands		
Less than HK$1,000,000	**2**	–
HK$1,000,001 – HK$1,500,000	**–**	2

(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

(a) Reconciliation of operating profit to cash generated from operations

	2018 HK$'000	2017 HK$'000
Operating profit	**180,768**	236,608
Amortisation of land use rights	**11,119**	11,577
Amortisation of intangible asset	**1,148**	1,041
Depreciation of property, plant and equipment and investment properties	**92,795**	92,047
Gain on disposals of property, plant and equipment, net	**(25)**	(1,079)
Gain on disposal of subsidiaries	**(53,791)**	–
Gain on disposal of interests in joint ventures and an associate	**(2,156)**	–
Reversal for impairment of trade receivables, net	**(258)**	(61)
Share-based payments	**(2,270)**	1,135
Government grants	**4,324**	(2,552)
Operating profit before working capital changes	**231,654**	338,716
Decrease in inventories	**1,362**	2,066
Decrease in trade and other receivables	**87,150**	43,908
(Decrease)/increase in trade payables, accruals and other payables	**(74,190)**	20,653
Cash generated from operations	**245,976**	405,343

35 NOTE TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Liabilities from financing activities				
	Short term borrowings HK$'000	Long term borrowings HK$'000	Loan from an associate/ Loan from a third party HK$'000	Amount due to the non-controlling interests of subsidiaries HK$'000	Total HK$'000
As at 31st December 2017	90,000	275,026	1,053	82,806	448,885
Cash flows	(90,000)	(3,983)	–	–	(93,983)
Foreign exchange difference	–	(8,049)	(49)	(661)	(8,759)
As at 31st December 2018	–	262,994	1,004	82,145	346,143

36 GAIN ON DISPOSAL OF SUBSIDIARIES AND A JOINT VENTURE

(a) Gain on disposal of subsidiaries

During the year ended 31st December 2018, the Group disposed of its entire equity interests in two of its subsidiaries, Zhaoqing Chu Kong Cargo Terminals (Dawang) Co., Ltd. and Zhaoqing Chu Kong Logistics (Dawang) Co., Ltd. at a total consideration of RMB72,499,000 (equivalent to approximately HK$90,624,000). The principal activities of these two companies were cargo transportation and provision of logistics services. As a result of the disposal, a gain of HK$54,034,000 was recognised in the consolidated income statement. The effect of the disposal is summarised as follows:

	2018 HK$'000
Assets	
Property, plant and equipment and land use right	133,430
Trade and other receivables	20,387
	153,817
Liabilities	
Trade and other payables	(107,513)
Net assets disposed	46,304
Expenses attributable to the disposal	555
Release of exchange difference	(10,269)
Gain on disposal of subsidiaries	54,034
Total consideration	90,624
Total consideration satisfied by cash	90,624
Net cash flows arising from the disposal	
Cash consideration received	90,624
Direct cost of disposal	(555)
	90,069

36 GAIN ON DISPOSAL OF SUBSIDIARIES AND A JOINT VENTURE (CONTINUED)

(b) Gain on disposal of a joint venture

During the year ended 31st December 2018, the Group disposed of its 49% equity interests in one of its joint ventures, Guangdong Zhu Chuan Navigation Co., Ltd. at consideration of RMB28,764,000 (equivalent to approximately HK$33,062,000), payable in two installments. The principal activity of joint venture was cargo transportation and vessel leasing. As a result of the disposal, a gain of HK$3,843,000 was recognised in the consolidated income statement. The effect of the disposal is summarised as follows:

	2018 **HK$'000**
Interest in joint venture disposed	**34,280**
Expenses attributable to the disposal	**169**
Release of exchange difference	**(5,230)**
Gain on disposal of joint venture	**3,843**
Total consideration	**33,062**
Net cash flows arising from disposal	
Cash consideration received	**9,848**
Direct cost of disposal	**(169)**
	9,679
Cash consideration to be received (note)	**23,214**
	32,893

Note: The amount has been fully settled as at the date of this report.

37 COMMITMENTS

(a) Capital commitments

	2018 **HK$'000**	2017 HK$'000
Contracted but not provided for		
– Property, plant and equipment	**79,704**	104,562

37 COMMITMENTS (CONTINUED)

(b) Commitments under operating leases

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

	2018 HK$'000	2017 HK$'000
Land and buildings:		
Not later than one year	**31,764**	20,773
Later than one year and not later than five years	**31,586**	26,316
	63,350	47,089
Vessels and barges:		
Not later than one year	**14,176**	35,211
	77,526	82,300

38 FUTURE OPERATING LEASE ARRANGEMENTS

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

	2018 HK$'000	2017 HK$'000
Land and buildings:		
Not later than one year	**17,878**	26,122
Later than one year and not later than five years	**4,195**	9,356
	22,073	35,478

39 RELATED PARTY TRANSACTIONS

The directors of the Group regard CKSE as the immediate holding company, which owns 70% (2017: 68%) 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 2018 and 2017, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government, mainly include most of its bank deposits and the corresponding interest income and part of sales and purchases of goods and services. The price and other terms of such transactions are set out in the underlying agreements, based on market prices or as mutually agreed.

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

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

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties

	Note	2018 HK$'000	2017 HK$'000
Revenues:			
Shipping agency, river trade cargo direct shipment and transshipment income	(i)		
– fellow subsidiaries		**15**	118
– joint ventures and an associate		**8,910**	3,280
– other related companies		**326**	238
Passenger transportation agency fees	(i)		
– fellow subsidiaries	(xi)	**3,047**	2,832
– joint ventures and an associate		**12,332**	11,850
– other related companies	(xi)	**1,840**	1,880
Ferry terminal operation service fees	(i)		
– fellow subsidiaries	(xi)	**4,927**	5,236
– a joint venture and an associate		**23,545**	23,024
– other related companies	(xi)	**356**	596
Sub-baggage handling services fee			
– a related company	(xi)	**6,049**	7,175
Management service fees			
– immediate holding company	(ii), (xi)	**30,000**	30,000
– fellow subsidiaries	(iii)	**2,015**	1,736
– joint ventures and associates	(iii)	**3,342**	3,010
– a related company	(iii)	**264**	264
Vessel rental income	(i)		
– other related companies		**2,086**	2,112
– a fellow subsidiary		**519**	–
Interest income	(iv)		
– fellow subsidiaries		**585**	–
– a joint venture		**290**	278
Fuel supply income	(i)		
– fellow subsidiaries	(xi)	**47,357**	44,749
– joint ventures and an associate		**71,623**	61,601
– other related companies	(xi)	**71,153**	45,276

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

	Note	2018 HK$'000	2017 HK$'000
Revenues: (Continued)			
Marine bunkering service	(i)		
– fellow subsidiaries	(xi)	**381**	427
– an associate		**237**	244
– related companies	(xi)	**3,816**	3,741
Consulting and software service	(iii)		
– a fellow subsidiary		**17**	105
– joint ventures and an associate		**251**	239
Wheel supply income	(i)		
– fellow subsidiaries		**530**	440
– a joint venture and an associate		**1,154**	2,161
– a related company		**–**	55
Agency fee income	(i)		
– fellow subsidiaries		**1,872**	–
– a joint venture		**640**	–
– other related companies		**59**	–

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

	Note	2018 HK$'000	2017 HK$'000
Expenses:			
Shipping agency, river trade cargo direct shipment and transshipment expenses	(i)		
– a joint venture and an associate		**4,353**	1,463
Wharf cargo handling, cargo transportation and godown storage expenses	(i)		
– a fellow subsidiary	(xi)	**4,950**	–
– an associate	(xi)	**12,218**	13,743
– joint ventures		**51,065**	18,133
– a related company	(xi)	**4,453**	9,886
Agency fee expenses	(i)		
– fellow subsidiaries		**407**	199
– a joint venture and an associate		**1,146**	975
Ferry terminal operation services fee	(i), (xi)		
– a fellow subsidiary		**7,606**	7,015
Luggage handling fee	(v), (xi)		
– a related company		**5,400**	5,373
Ferry rental expenses	(i), (xi)		
– a fellow subsidiary		**2,670**	3,497
Vessel rental expenses	(i), (xi)		
– a joint venture		**29,205**	34,026
– a fellow subsidiary		**105**	–
Warehouse rental expenses	(vi), (xi)		
– immediate holding company		**5,000**	5,000
GPS navigator rental expenses	(i)		
– a fellow subsidiary		**146**	–

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

	Note	2018 HK$'000	2017 HK$'000
Expenses: (Continued)			
Office rental expenses	(i), (xi)		
– immediate holding company		**5,965**	5,944
– fellow subsidiaries		**1,040**	1,181
– a related company		**120**	–
Staff quarter rental expenses	(i), (xi)		
– immediate holding company		**2,700**	2,875
Property management fee expenses	(i), (xi)		
– fellow subsidiaries		**1,555**	2,992
– other related companies		**178**	–
Loan interest expenses			
– an associate	(viii)	**–**	396
– non-controlling interests	(ix)	**437**	865
– a related party	(x)	**–**	82
IT Management fee expenses	(vii), (xi)		
– immediate holding company		**3,788**	5,780
Vessel construction cost	(i)		
– fellow subsidiaries		**22,530**	11,412

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

Notes:

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

(ii) 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 contract period is from 30th July 2017 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 fellow subsidiaries and a joint venture in respect of loans at the base lending rate announced by the PBOC (2017: base lending rate announced by the PBOC), pursuant to the agreements entered into between the Group and the fellow subsidiaries and joint venture.

(v) Luggage handling fee was charged from HK$0.84 to HK$2.2 (2017: HK$0.84 to HK$2.2) 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) Management fee expenses were charged at HK$316,000 per month (2017: HK$600,000 from January to July 2017 and HK$316,000 from August to December 2017) per month for IT services and HK$187,500 per month for property management service provided by CKSE as set out in the agreement governing these transactions.

(viii) Loan interest was charged by an associate at the base deposit rate announced by the PBOC in 2017 pursuant to the agreement entered into between the Group and the associate.

(ix) Loan Interest was charged by the non-controlling interests in respect of loans bearing interest rates at the base lending rate announced by PBOC (2017: base lending rate announced by PBOC).

(x) Interest was charged by the related party at the base lending rate announced by the PBOC in 2017.

(xi) The transactions represent continuing connected transactions which has 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").

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

	2018 HK$'000	2017 HK$'000
Salaries and allowances	**7,852**	9,533
Directors' fees	**720**	720
Share options (forfeited)/granted	**(465)**	205
Retirement benefit scheme contributions	**110**	126
Housing benefit	**1,244**	1,172
	9,461	11,756

(c) Loans to joint ventures and fellow subsidiaries

	2018 HK$'000	2017 HK$'000
At 1st January	**13,509**	16,675
Loan advancement	**–**	2,365
Loan repayment	**–**	(6,350)
Exchange differences	**(320)**	819
At 31st December	**13,189**	13,509

40 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31st December 2018 HK$'000	2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**77,775**	81,105
Investment properties		**37,203**	37,634
Land use rights		**32,231**	33,133
Investments in subsidiaries		**1,509,524**	1,574,619
Investments in joint ventures		**113,775**	89,430
		1,770,508	1,815,921
Current assets			
Trade and other receivables		**903,328**	982,210
Cash and cash equivalents		**460,796**	182,836
		1,364,124	1,165,046
Total assets		**3,134,632**	2,980,967
EQUITY			
Share capital		**1,415,118**	1,376,295
Reserves	(a)	**1,185,120**	1,099,736
Total equity		**2,600,238**	2,476,031

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

Balance sheet of the Company (Continued)

		As at 31st December	
		2018	2017
		HK$'000	HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**4,213**	4,213
Long term borrowing		**–**	100,000
		4,213	104,213
Current liabilities			
Trade payables, accruals and other payables		**426,531**	310,723
Tax payable		**3,650**	–
Short term borrowings		**–**	90,000
Current portion of long term borrowings		**100,000**	–
		530,181	400,723
Total liabilities		**534,394**	504,936
Total equity and liabilities		**3,134,632**	2,980,967

The balance sheet of the Company was approved by the Board of Directors on 27th March 2019 and was signed on its behalf.

Huang Liezhang
Director

Wu Qiang
Director

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

Balance sheet of the Company (Continued)

Note (a) Reserve movement of the Company

	Share option reserve HK$'000	Retained profits HK$'000	Total HK$'000
At 1st January 2018	2,270	1,097,466	1,099,736
Profit for the year	–	176,383	176,383
Employee share option scheme			
– Forfeiture of share options	(2,270)	–	(2,270)
2017 final dividend	–	(55,094)	(55,094)
2018 interim dividend	–	(33,635)	(33,635)
At 31st December 2018	–	1,185,120	1,185,120
Representing:			
2018 final dividend proposed			67,270
Reserves			1,117,850
			1,185,120

	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 options	(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

41 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 2018:

Name	Fees	Salary and discretionary bonuses (Note (iv))	Allowances and benefits in kind (Note (v))	Employers contributions to retirement benefit scheme	Other emoluments paid or receivable in respect of directors other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Chairman/managing director						
Mr. Huang Liezhang	–	1,203	390	18	–	1,611
Mr. Xiong Gebing (note(ii))	–	648	(79)	6	–	575
Executive directors						
Mr. Zeng He (note(ii))	–	972	129	9	–	1,110
Mr. Cheng Jie (note(ii))	–	971	128	9	–	1,108
Mr. Chen Jie (note(i))	–	273	–	60	–	333
Mr. Leng Buli (note(i))	–	308	293	8	–	609
Mr. Liu Wuwei (note(i))	–	273	(54)	56	–	275
Mr. Wu Qiang (note(iii))	–	298	105	6	–	409
Non-executive director						
Mr. Fan Linchun (note(ii))	–	–	–	–	–	–
Ms. Ye Meihua (note(i))	–	–	–	–	–	–
Independent non-executive directors						
Mr. Chan Kay-cheung	320	–	–	–	–	320
Ms. Yau Lai Man	200	–	–	–	–	200
Mr. Chow Bing Sing	200	–	–	–	–	200
Total	720	4,946	912	172	–	6,750

Notes:

(i) Appointed on 18th July 2018

(ii) Resigned on 18th July 2018

(iii) Appointed on 17th September 2018

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

(v) Includes share options and housing benefit

41 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 2017:

Name	Fees	Salary and discretionary bonuses (Note (iii))	Allowances and benefits in kind (Note (iv))	Employers contributions to retirement benefit scheme	Other emoluments paid or receivable in respect of directors other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Chairman/managing director						
Mr. Huang Liezhang (note(i))	–	84	43	2	–	129
Mr. Xiong Gebing (note(ii))	–	1,464	472	16	–	1,952
Executive directors						
Mr. Zeng He	–	1,423	333	18	–	1,774
Mr. Cheng Jie	–	1,420	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	4,391	1,218	54	–	6,383

Notes:

(i) Appointed on 17th November 2017

(ii) Resigned on 17th November 2017

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

(iv) Includes share options and housing benefit

41 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	
2018	2017	**2018**	2017	**2018**	2017
HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
6,750	6,383	**–**	–	**6,750**	6,383

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 2018 and 2017.

(C) Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended 31st December 2018 and 2017.

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

During the years ended 31st December 2018 and 2017, 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 2018 and 2017, 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.

RESULTS

	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000 (restated)	2014 HK$'000
Revenue	**2,404,496**	2,428,487	2,381,891	2,507,427	1,828,912
Operating profit	**180,768**	236,608	278,598	239,323	208,892
Finance income	**20,852**	18,332	11,875	8,454	4,667
Finance cost	**(8,488)**	(6,127)	(7,513)	(10,852)	(9,793)
Net finance income/(cost)	**12,364**	12,205	4,362	(2,398)	(5,126)
Share of profits less losses					
– joint ventures	**55,946**	62,541	74,723	74,325	67,765
– associates	**14,604**	14,289	17,925	19,825	16,781
Profit before income tax	**263,682**	325,643	375,608	331,075	288,312
Income tax expense	**(41,127)**	(49,308)	(49,167)	(60,592)	(58,377)
Profit for the year	**222,555**	276,335	326,441	270,483	229,935
Attributable to: :					
Equity holders of the Company	**226,072**	268,988	321,771	265,004	221,268
Non-controlling interests	**(3,517)**	7,347	4,670	5,479	8,667
	222,555	276,335	326,441	270,483	229,935
Basic earning per share (HK cents)	**20.35**	24.68	29.79	26.25	24.59

ASSETS AND LIABILITIES

	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000 (restated)	2014 HK$'000
Non-current assets	**2,683,759**	2,707,296	2,637,723	2,602,070	2,689,371
Current assets	**1,647,788**	1,623,270	1,386,462	1,645,179	1,044,586
Assets held for sale	**–**	–	–	1,367	–
Assets of a disposal group classified as held for sale	**–**	134,192	–	–	–
Total assets	**4,331,547**	4,464,758	4,024,185	4,248,616	3,733,957
Non-current liabilities	**254,216**	364,490	153,883	188,294	248,371
Current liabilities	**710,869**	796,047	956,213	956,111	1,038,713
Liabilities of a disposal group classified as held for sale	**–**	934	–	–	–
Total liabilities	**965,085**	1,161,471	1,110,096	1,144,405	1,287,084
Total equity	**3,366,462**	3,303,287	2,914,089	3,014,211	2,446,873

Notes:

(a) The financial information for the years ended 31st December 2017 and 2018 were extracted from the 2018 financial statements.

(b) The financial information for the years ended 31st December 2014, 2015 and 2016 were extracted from the 2017 Annual Report.

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