CHU KONG SHIPPING ENTERPRISES (GROUP) COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

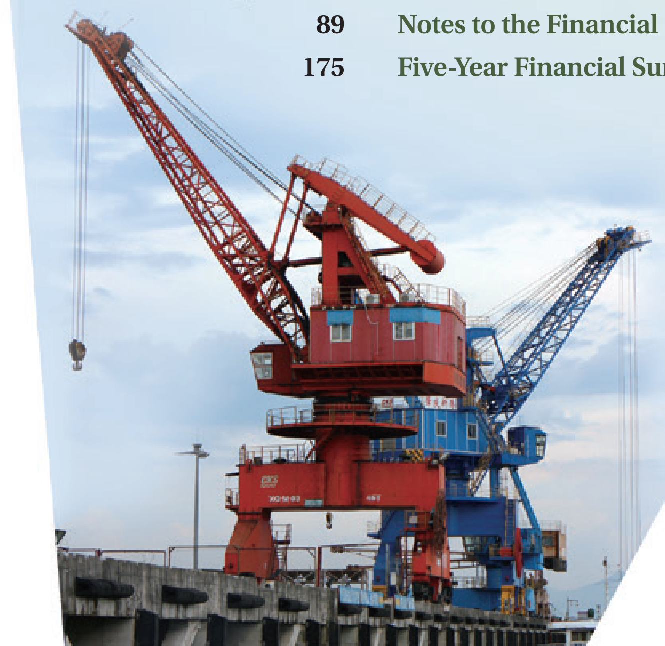
Stock Code : 00560

Embrace challenges

Forge ahead

ANNUAL REPORT **2019**

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-Macao 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-Macao Great Bay Area. In active response to the national initiatives of "Guangdong-Hong Kong-Macao 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-Macao 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

		2019	2018	Change
Results				
Revenue	*HK$Million*	**2,147.9**	2,404.5	–10.7%
Operating profit	*HK$Million*	**114.9**	180.8	–36.4%
Profit attributable to the equity holders of the Company	*HK$Million*	**214.1**	226.1	–5.3%
Operating profit margin	*(%)*	**5.3**	7.5	-29.3%
Financial Position				
Total assets	*HK$Million*	**4,373.9**	4,331.6	1.0%
Total liabilities	*HK$Million*	**926.8**	965.1	–4.0%
Total equity	*HK$Million*	**3,447.1**	3,366.5	2.4%
Structured bank deposits, cash and cash equivalents	*HK$Million*	**1,278.7**	1,226.0	4.3%
Current ratio		**2.5**	2.3	8.7%
Debt ratio	*(%)*	**21.2**	22.3	–4.9%

Corporate Information

Executive Directors

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

Non-executive Director

Ms. Ye Meihuai

Independent Non-executive Directors

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

KPMG
Certified Public Accountants
Public Interest Entity Auditor registered in accordance with the Financial Reporting Council Ordinance

Principal Banks

Bank of China (Hong Kong)
Nanyang Commercial Bank
Bank of East Asia
Taishin International Bank
HSBC
Bank of Communications
Standard Chartered

Registrar

Tricor Tengis Limited
Level 54, 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

Chairman's Statement

Build Up Five Platforms
Promote Five Growth Drivers

On behalf of the board of the directors of Chu Kong Shipping Enterprises (Group) Company Limited (the "Company") (the "Board"), I hereby present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2019 to the shareholders. The Group recorded a consolidated revenue of HK$2,147,876,000 (2018: HK$2,404,496,000), representing a decrease of 10.7% as compared with last year. Profit attributable to the shareholders of the Company amounted to HK$214,078,000 (2018: HK$226,072,000), representing a decrease of 5.3% as compared with last year.

REVIEW

In 2019, capricious Sino-US trade friction, instable global financial markets and the escalating geopolitical tensions challenged the global economy and slowed down the recovery of shipping industries. Being affected by various negative factors, the container throughput of Hong Kong port decreased by 6.6% year on year. The social instability in Hong Kong severely impacted the tourism industry, there was an obvious decline in the number of visitors from the Mainland China starting from July 2019. Also, the opening of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge in 2018, as well as the opening of the Nansha Bridge in 2019, have significant and negative impacts on the high-speed waterway passenger transportation business in Guangdong, Hong Kong and Macao of the Group. Facing incremental challenges, the Group has proactively merged itself into the economic development of the Guangdong-Hong Kong-Macao Greater Bay Area and highly leveraged on the "five platforms", namely cross-border passenger transportation, Hong Kong local transportation, terminal logistics, "Belt and Road" investment and capital operation, and by making concerted efforts to exploit the "five growth drivers", namely the Greater Bay Area airports, the Hong Kong-Zhuhai-Macao Bridge, development of Nansha, cross-border e-commerce and overseas investment. Meanwhile, the Group stabilised the business and operation by optimising routes and sailings, adjusting the deployment of terminals, exploring new business opportunities, implementing costs reduction and improving efficiency.

Regarding the cross-border passenger transportation business, in response to the market condition and demand, the Group took a series of effective measures to optimise the route between Guangdong and Hong Kong by increasing the sails between Guangzhou Nansha and Hong Kong urban area and the Hong Kong International Airport to 18 sails as well as extending the service hours of the sails between Zhuhai and Hong Kong. The Group assisted ship owners to invest in three new high-speed ferries and lease ferries so as to tackle the shortfall of transportation capacity and ensure normal operation of routes. By launching various packages with flexible fares and providing concessions as well as strengthening the advertisement and promotions, the Group made great effort to explore high-end passenger source of waterway route between Mainland China and the Hong Kong International Airport.

Regarding terminal logistics business, the Group proactively adopted innovative business mode for terminals and successfully expanded a number of growing businesses. While strengthening the import and export container services, the Group also enhanced domestic container services, leading to a significant increase in domestic container handling volume annually. New cargo sources were successfully introduced to a number of terminals so as to achieve a diversified business development. The strategic co-operation between the Group and the China Railway Guangzhou Group Co., Ltd. boosted the rail-water union transportation business under its cargo terminals, of which Zhaoqing New Port, Gaoming Port and Sanbu Port had been launched successfully.

Regarding Hong Kong local transportation and complementary business, the Group comprehensively push forward its airport strategy. Chu Kong Passenger Transport Company Limited ("CKPT"), a subsidiary of the Group, successfully won the bid for the baggage self-service consignment project of the Hong Kong International Airport; Hong Kong International Airport Ferry Terminal Services Limited, which was held by the Group, successfully won the bid for the new business license for the SkyPier. CKPT proactively carried out the passenger terminal business for the Hong Kong International Airport within the Guangdong-Hong Kong-Macao Greater Bay Area service area. CKPT entered into framework agreement for the route cooperation with Sunwah Group in order to jointly promote the launch of waterway passenger transportation route connecting Huangpu, Guangzhou, the Hong Kong International Airport and Hong Kong urban areas. Chu Kong Transhipment & Logistics Company Limited ("CKTL"), a subsidiary of the Group, started the business of supplying sand and was qualified as an oversea sand supplier for the Third Runway project of the Hong Kong International Airport. The new quay and the container yard of Tuen Mun Godown Wharf were put into operation and the construction of new warehouse project had commenced. The infrastructure of the terminal was expected to finish by 2020. Sun Kong Petroleum Company Limited ("Sun Kong Petroleum"), a subsidiary of the Group, actively expanded the marine lubricant transportation business, and introduced two lubricant suppliers to provide them comprehensive wharf handling, warehousing, land and sea transportation logistic chain services. Through promoting the brand by service enhancement, it consolidated the existing business and explored new customer groups which established new business growth drivers.

Regarding the investment of "Belt and Road", the Group proactively extended the Southeast-Asian logistic network to Vietnam, and continued to keep a close eye on the potential acquisition opportunities in countries such as Philippines, Thailand, Singapore, etc.

While successfully expanding a number of major projects, the Group also implemented strict control over operational costs, revitalised assets and optimised resource allocation.

OUTLOOK

In 2020, the global economy is expected to recover slowly due to the ease of Sino-US trade friction, however, the global outbreak of COVID-19 and uncertainties in Hong Kong social environment will further hit the navigation and tourism industry. The business of the Group will encounter a lot of pressure and persistent negative impact. As a navigation enterprise focusing on the Guangdong-Hong Kong-Macao Greater Bay Area, the Group will persistently drive forward the "Second Venture" strategy and exploit business and investment opportunities in the development of the Guangdong-Hong Kong-Macao Greater Bay Area so as to transform and upgrade the core business with sustainable growth.

Firstly, the Group will implement cost reduction and enhance the effectiveness. It will adjust the business development strategy and dispose those assets that could not be revitalised, with low effectiveness and poor prospects.

Secondly, the Group will boost the core business. It will further innovate the marketing mode of its passenger transportation business, explore the school and community market; optimise routes and sailings, replicate and promote the "air-sea passenger union transportation" mode as well as establish new routes between the Greater Bay Area, the Hong Kong International Airport and the Hong Kong urban area. The Group will also further develop the integrated logistics and extend the service chain as well as boost both domestic and foreign trade container transportation services, rail-water union transportation business and contract logistics.

Thirdly, the Group will accelerate the transformation and upgrade of the business. It will expedite the airport strategy persistently by expanding the related businesses for the Hong Kong International Airport and enhancing the capability of sand supply for the Third Runway of the Hong Kong International Airport. Also, it will boost the investment in warehousing business, ensure the new Tuen Mun Godown Wharf to be completed as planned and transform the Tuen Mun warehouse towards high yield goods. Moreover, the Zhuhai Civet Port will be built as a logistic center of frozen food in Zhuhai Gongbei District. By leveraging on the Group's warehouse resources, the Group will develop the Greater Bay Area air cargo logistic business as well as the cross-border e-commerce by connecting the airports in Guangzhou, Shenzhen and Hong Kong as an international airport hub. The Group will increase the pace of outbound investments and enlarge the investment in Hong Kong local passenger transportation business with an aim to build a local waterway transportation platform in Hong Kong. An outbound investment platform will be set up in Singapore in an attempt to acquire the warehouse logistic and passenger transportation business in countries associated with the "Belt and Road" initiatives.

Fourthly, the Group will strengthen the capital operation. It will explore the acquisition or swapping quality business from the substantial shareholder as well as seeking for external acquisition opportunities in order to optimise the business structure and improve the profitability. The Group will also continue to make stable dividend payouts and increase its enterprise value.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my heartfelt thanks to all of our investors and business partners who have shown tremendous support to the Group, as well as to our management and staff who have worked hard to strive toward better results for the Group. We are "Committed to The Guangdong-Hong Kong-Macao Area, Setting Sail for The New Silk Road" as we strive to create value for shareholders, and make further contributions toward the prosperity of Guangdong, Hong Kong and Macao.

Huang Liezhang
Chairman

Hong Kong, 26th March 2020

Report of the Directors

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 2019.

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 Macao, 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. The fuel supply business of the Group mainly covers the 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 Macao.

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 2019, the Group recorded a consolidated revenue of HK$2,147,876,000, representing a decrease of 10.7% over the same period last year. Profit attributable to the shareholders of the Company amounted to HK$214,078,000, representing a decrease of 5.3% over the same period last year.

The international trade and navigation market faced a harsh blow in 2019 due to the continued slowdown of the global economy, weakening manufacturing industry momentum, the unconcluded Sino-US trade negotiation and the slowdown of economic growth in Mainland China. Meanwhile, the number of visitors to Hong Kong reduced largely due to continuous social unrest. The Group witnessed decrease in some indicators of its terminal navigation logistics business and a significant decrease in its high-speed waterway passenger transportation business which was under pressure due to the gradual improvement of the cross-border road-bridge-rail transportation network. In face of the challenging environment, the Group made vigorous efforts to implement its strategy transition and took a series of measures including enhancing connection and cooperation with peers in the industry, expediting the transformation and upgrade of the logistics business segment, promoting the diversified development of the port and wharf business and optimising the passenger transportation route services to cope with the unfavorable operation environment.

Regarding the freight business, the Group is at full strength building a new supply chain operation platform to align with the Guangdong-Hong Kong-Macao Greater Bay Area Strategy, launching the rail-water union transportation mode, increasing the cargo source by developing both domestic and foreign trade and expediting the construction of professional and featured ports and wharves to increase profit sources. During the year, the container transportation volume reached 1,422,000 TEU, representing a year-on-year decrease of 7.1%, while break bulk cargo transportation volume reached 566,000 tons, representing a year-on-year increase of 31.6%. As for the cargo handling business, the container handling volume reached 1,125,000 TEU, representing a year-on-year decrease of 6.6%, while the break bulk cargo handling volume reached 8,009,000 tons, representing a year-on-year increase of 133.8%, and the container hauling and trucking volume amounted to 219,000 TEU, representing a year-on-year decrease of 2.2%.

Regarding the passenger transportation business, being directly impacted by several negative factors such as the gradual improvement of the land transportation system in the Guangdong-Hong Kong-Macao Greater Bay Area and the large reduction in the number of visitors to Hong Kong, the passenger transportation indicators recorded noticeable decreases. During the year, the total number of passengers for agency services was 4,339,000, representing a year-on-year decrease of 34.0%. The number of passengers for terminal services was 4,102,000, representing a year-on-year decrease of 34.0%.

The terminal navigation logistics business contributed a profit of HK$149,526,000 to the Group, representing an increase of 63.9% as compared with HK$91,246,000 of the corresponding period last year. The passenger transportation business contributed a profit of HK$29,615,000 to the Group, representing a decrease of 76.0% as compared with HK$123,615,000 of the corresponding period last year. The fuel supply business contributed a profit of HK$12,598,000 to the Group, representing an increase of 6.3% as compared with HK$11,846,000 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	**2019**	2018	**Change**
Container transportation volume (TEU)	**1,422,000**	1,530,000	–7.1%
Break bulk cargoes transportation volume (revenue tons)	**566,000**	430,000	31.6%
Volume of container hauling and trucking on land (TEU)	**219,000**	224,000	–2.2%

Subsidiaries

During the year, the business of CKTL was affected by the closure of Foshan New Port Ltd. and the container factory at Machong. The container transportation volume for the year recorded 1,422,000 TEU, representing a year-on-year decrease of 7.1%. Benefiting from the new sand transportation business for the airport reclamation project, the break bulk cargo transportation volume for the year reached 566,000 tons, representing a year-on-year increase of 31.6%.

CKTL took measures to optimise operation process, accelerate the replacement of vessels, assist the setup of designated ports and wharves as professional and featured ones, jointly develop 'port-to-port' express settlement services with Hong Kong Kwai Tsing Container Terminals, such as 'Gaoming Port – HIT' and 'Shunde – HIT' routes, establish the domestic trade forwarding department, promote the development of new business at each terminal and diversify the cargo portfolio. Meanwhile, CKTL enhanced cooperation with the Hong Kong International Airport, expanded its air freight and freight forwarding business and won the bid for the sand transportation for the Third Runway project of the Hong Kong International Airport. Furthermore, CKTL has reached the intention with a number of large paper recycling companies in Hong Kong, in an effort to expand into the container transportation market for transporting waste paper to the PRC. Regarding the freight forwarding business, CKTL expedited the process of oversea market expansion. Its Thailand branch started operation in April 2019 and recognised monthly profit in September 2019. To further enhance the business network in the ASEAN region, CKTL plans to set up a branch in Vietnam.

Regarding the air freight business, CKTL recorded a year-on-year decrease of 21.1% in air cargo transportation volume during the year. CKTL expanded the air freight business by looking for innovative development projects related to with the "The Airport Economy" and "The Bridge Economy". Apart from establishing the e-commerce business department focusing mainly on developing e-commerce logistics and related businesses, CKTL also explored the introduction of strategic partnerships with experienced and resourceful corporations to further expand its air freight business. Meanwhile, Tuen Mun Godown Wharf obtained the qualification to conduct the X-ray inspection business of air freight cargo in Hong Kong and is scheduled to commence operation in 2020. Its business is mainly X-ray machine inspection, complement with air cargo palletisation and land-based surveillance distribution to meet the demand of CKTL's existing customers.

2. Cargo Handling and Storage Business

Business Operation Indicators

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

	For the year ended 31st December		
Indicators	**2019**	2018	**Change**
Container handling volume (TEU)	**1,125,000**	1,205,000	–6.6%
Volume of break bulk cargoes handled (revenue tons)	**8,009,000**	3,426,000	133.8%

Subsidiaries

During the year, despite the overall decrease in the container handling volume, each subsidiary of the Group still strived to explore and develop various new businesses to eliminate the significant negative impacts such as tightened policies on the import of renewable resources in Mainland China, weak foreign trade market and the Sino-US trade war. Meanwhile, the Group stepped up to promote the water-rail union transportation business by setting up "trackless railway stations" at ports, providing one-stop water transportation and rail transportation services. The new transportation mode connected the Pearl River water transport network with the national rail network.

The subsidiaries located in Zhaoqing region have proactively transformed by adjusting their business structures and achieved substantial progress in the break bulk cargo handling business. The overall break bulk cargo handling volume in Zhaoqing region amounted to 6,936,000 tons, representing a year-on-year increase of 177.0%. Impacted by regional environmental issues and the Sino-US trade friction, the overall container handling volume in Zhaoqing region amounted to 188,000 TEU, representing a year-on-year decrease of 25.3%. During the year, Zhaoqing New Port achieved diversified developments in areas such as domestic trade, foreign trade, container, break bulk and lighterage of goods businesses and successfully launched the businesses in bulk domestic steel transportation and sand transportation to Hong Kong. The break bulk cargo handling volume recorded a year-on-year increase of 673.3%. Sihui Port is committed to developing the businesses of exporting tiles and ceramics and importing rubber pellets. Gaoyao Port achieved an increase in break bulk cargo transportation volume by establishing an additional loading point in Yunfu to obtain more orders from manufacturers supplying goods to Hong Kong and exploring the emerging business for export of ceramics products from Northwest Guangdong. Kangzhou Port successfully introduced the domestic slag container transhipment business in Fujian and Guangxi, cooperated with several barge companies to carry out domestic waterway transfer business and launched the break bulk marble shipment business, coal import supply business and stone powder and stone transportation business in Guangxi Hezhou.

The overall container handling volume in Foshan amounted to 407,000 TEU, representing a year-on-year increase of 19.9%. The container handling volume of Foshan Gaoming Port amounted to 368,000 TEU during the year, representing a year-on-year growth of 19.2%. Foshan Gaoming Port positioned domestic trade and trailer businesses as key breakthrough points, adopted a diversified business strategy, optimised the company's cargo source composition, broadened the scope of business operations, initiated closer connections between domestic and foreign trades and joined hands with the China Railway Guangzhou Group Co., Ltd. to launch a new mode of water-rail union transportation, to complete its business upgrade to transform into a port enterprise providing customers with integrated logistics services. Meanwhile, the company pushed forward the cooperation with ZTO Express in respect of e-commerce logistics projects.

The container handling volume of Qingyuan Port was 39,000 TEU during the year, representing a year-on-year increase of 27.6%. Apart from Introducing a number of logistics partners to increase domestic trade container handling volume, Qingyuan Port also provided its customers with tailor-made logistics plans to reduce clients' transportation costs in order to increase the demand at the port.

The overall container handling volume of Zhuhai region amounted to 225,000 TEU, representing a year-on-year decrease of 9.7%. The container handling volumes of Civet Port and Doumen Port were 171,000 TEU and 54,000 TEU respectively during the year, representing year-on-year decreases of 10.4% and 7.1% respectively. Civet Port and Doumen Port seized the opportunities brought by "The Airport Economy" and "The Bridge Economy", continued to cultivate and develop new businesses. Civet Port continued to developing air freight storage business, expanding in storage and cold chain businesses as well as exploring to develop in the e-commerce sector. Civet Port successfully launched the frozen meat business and it is the only designated port for imported meat in Zhuhai as approved by the Zhuhai Government. Doumen Port seized the opportunities of land freight transportation subsequent to the opening of the Hong Kong-Zhuhai-Macao Bridge to launch the "All-in-one Bridge Transportation" logistic business in Doumen Port so as to set up the business connecting the Hong Kong HIT Terminal with Doumen Port. Meanwhile, the new business of sand lighterage also brought a new profit source to the company. Doumen Port also reached out to a number of e-commerce companies to explore the intention of business development so as to develop e-commerce business and proceed the plan in 2020.

Zhongshan Huangpu Port exerted proactive efforts on the exploration of various major clients such as Galanz and Hisense and enhanced cooperation with major liners and freight forwarding companies in Shenzhen. It also spent constant efforts on the exploration of various clients in Nantou and Ronggui regions and launched the domestic steel coil business. During the year, the container handling volume of Zhongshan Huangpu Port was 35,000 TEU, representing a year-on-year increase of 33.5%. Zhongshan Huangpu Port will continue expanding the domestic trade market and introducing sources of scrap iron and timber to maintain business stability.

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 270,000 TEU, representing a year-on-year decrease of 20.2%. During the year, CKTL completed the transition of the temporary site of Tuen Mun wharf. The new wharf has been put into operation smoothly and the operation workflow has been continuously revamped and optimised. The service quality of ports and wharves demonstrated continuous improvements. Smart terminal equipment is used in conjunction with the container yard location system which improved the efficiency of container settlement. Some warehouses of the godown at Tuen Mun have been renovated into alcoholic liquors and tobacco public bonded warehouses in May 2019 and were officially put into operation. Bid on bonded warehouse business was won, while a number of bonded warehouse clients are developed which expect to generate rewarding results.

Joint Ventures and Associates

The terminals in Jiangmen region included Guangdong Sanbu Passenger and Freight Transportation Co., Ltd. and Heshan County Hekong Associated Forwarding Co., Ltd. Jiangmen region recorded a total container handling volume of 269,000 TEU, representing a year-on-year increase of 20.8%. During the year, Heshan Port recorded the container handling volume of 89,000 TEU, representing a year-on-year increase of 35.9%. Heshan Port gradually expanded its domestic trading business by cooperating with "COSCO SHIPPING" to successfully introduce bulk import goods and introduced high-yield goods such as rubber wood and frozen food for its foreign trade container transportation business. The container handling volume of Sanbu Port for the year was 180,000 TEU, representing a year-on-year increase of 14.6%. Sanbu Port joined hands with China Railway Guangzhou Group in developing the rail-water union transportation to improve the cargo transportation volume in the Southwest China region and cooperated with large-scale liners to explore the ceramics cargo business in the region.

The three terminals in Foshan region, namely Foshan Nankong Terminal Co., Ltd., Chu Kong Cargo Terminals (Beicun) Co., Ltd. and Foshan New Port Ltd., achieved a total container handling volume of 217,000 TEU, representing a decrease of 46.6% as compared with last year. Foshan Nankong Port recorded a container handling volume of 122,000 TEU, representing a year-on-year increase of 4.3%. Foshan Nankong Port recorded an increase in the throughput as a result of the launch of domestic trade container transportation business. Foshan Beicun Port recorded a container handling volume of 27,000 TEU, representing a year-on-year increase of 30.7%. Foshan Beicun Port, with an open and innovative attitude, continuously introduced well-established rice importers to the port, strived to make itself a grain import and distribution base in the Pearl River Delta and committed to specialise as a wharf for grain loading. Meanwhile, Beicun Port also expanded domestic trade container and factory trade business, extended the service chain to provide comprehensive logistics services so as to increase the handling volume at the port. Due to the expropriations of the lands for wharves and buildings erected on the land at the Foshan New Port, its operation was suspended. As a result, the Foshan New Port only recorded a container handling volume of 68,000 TEU during the year, representing a year-on-year decrease of 74.4%. All business operations of Sanshui Sangang Containers Wharf Co., Ltd. continued to be suspended under the environmental protection policies.

II. Passenger Transportation Business

Business Operation Indicators

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

	For the year ended 31st December Number of Passengers (in thousands)		
Indicators	**2019**	2018	**Change**
Number of passengers for agency services	**4,339**	6,571	–34.0%
Number of passengers for terminal services	**4,102**	6,218	–34.0%

Subsidiaries

The passenger transportation business of the Group was impacted by several negative factors such as the gradual improvement of the land transportation system in the Guangdong-Hong Kong-Macao Greater Bay Area, the openings of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Hong Kong-Zhuhai-Macao Bridge and the Nansha Bridge and the social unrest in Hong Kong. During the year, the total number of passengers for agency services of CKPT was 4,339,000, representing a year-on-year decrease of 34.0%; the number of passengers for terminal services was 4,102,000, representing a year-on-year decrease of 34.0%.

Regarding urban routes, the total number of passengers for agency services during the year was 2,346,000, representing a significant year-on-year decrease of 45.2%. The openings of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Nansha Bridge have dealt a harsh blow to the business of Panyu, Nansha and Shunde routes. Affected by the diversion of the Hong Kong-Zhuhai-Macao Bridge, the number of passengers for urban routes transportation of Zhuhai and Zhongshan routes both recorded a decrease. Furthermore, reduction in sails for Shunde route due to insufficient transport capacity as a result of the retirement of obsolete vessel also contributed to the decrease in passenger transportation volume.

Regarding airport routes, the number of passengers served during the year was 1,993,000, representing a year-on-year decrease of 12.9%. Given that outbound travel was affected by several factors such as the Sino-US trade war, worsening macro-economic environment in Mainland China and the depreciation of Renminbi, there was an overall decrease in the number of passengers of all routes. Among which, Zhuhai and Macao routes recorded a substantial decrease in the number of passengers due to the traffic diversion impact brought by the Hong Kong-Zhuhai-Macao Bridge which offers more convenient land transportation. The growth in the number of passengers of Nansha airport route was more than doubled for the year as the route continued to facilitate integrated operation within the region and launched additional sails.

During the year, in order to cope with the direct impact on the Group's core businesses from the openings of the Hong Kong-Zhuhai-Macao Bridge and the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Group pushed ahead of the airport strategy to mitigate the risks brought by the decrease in the traditional businesses. During the year, the Group won the bids for the baggage self-service consignment project of the departure level of Terminal 1 of the Hong Kong International Airport and the new business license for the Skypier at the Hong Kong International Airport. Speeding up efforts to improve the deployment of domestic lounges for the Hong Kong International Airport, the Group aims to transform into a comprehensive passenger transportation provider in the Greater Bay Area offering both waterway and road transportation services. Continuing with the deeper cooperation with airline companies, the brand new "All-in-one ticket" product was developed. The Group adjusted the sails and routes based on market conditions and passenger needs, including increasing the sails for Nansha and Shekou routes, assisting Dongguan Humen to launch the Humen – Taipa, Macao route, adjusting the berthing arrangement of Zhuhai route and extending the service hours of the sails. CKPT joined hands with Sunwah Group to launch the Guangzhou Huangpu route, in an effort to create new business growth driver. CKPT assisted the ship owners to invest and build new high-speed carbon fiber ferries, with an aim to set up a benchmark ferry fleet. It stepped up efforts to build its passenger transportation brand, improved service training and set up additional self-service facilities at the terminals, so as to promote its passenger transportation services and enhance the traveling experience of the tourists.

Due to the social unrest in Hong Kong, Cotai Chu Kong Shipping Management Services Company Limited suspended the project of tours for Victoria Harbour on the sightseeing cruise "Oriental Pearl".

Joint Ventures and Associates

The number of passengers served by each joint venture and associate recorded a decrease to a different extent due to the combined impact from the opening of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the openings of the Hong Kong-Zhuhai-Macao Bridge and the Nansha Bridge and the decrease in the number of visitors to Hong Kong. During the year, the number of passengers served by SkyPier (operated by Hong Kong International Airport Ferry Terminal Services Limited) recorded a year-on-year decrease of 16.2%. The total number of passengers of Zhongshan – Hong Kong Passenger Shipping Coop Co. Ltd. and Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd. decreased by 26.6% and 51.7% respectively.

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, recorded a passenger volume of 1,002,000 during the year, maintaining a growth momentum in the overall passenger volume. While continuing to generate strong social and economic benefits, the business contributed a profit to the Group.

III. Fuel Supply Business

As to the fuel supply business, diesel sales of Sun Kong Petroleum decreased due to fewer consumptions from both passenger ferries and cargo vessels. Sun Kong Petroleum recorded a sales volume of 100,000 tons for diesel during the year, representing a year-on-year decrease of 16.7%. The sales volume of engine oil was 590,000 litres, representing a year-on-year increase of 40.5%. To cope with the unfavorable situation, Sun Kong Petroleum took precautious measures including marketing new 500-ton lubricant tanker to proactively explore new businesses and new clients and leveraging on the combined advantages of the company's brand and the resources at Tuen Mun Godown Wharf to promote new business on lubricant logistics chain (including storage, transportation and distribution), so as to identify new business growth drivers. Sun Kong Petroleum also proactively explored agency business to expand the market share and signed transportation agency agreements with new customers, including lubricants agency agreements for a number of ocean cargo vessels and diesel clients.

IV. Corporate and Other Businesses

As to the corporate and other businesses, the Company entered into the sales and purchase agreement with Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE") on 28th June 2019, pursuant to which the Company agreed to sell the whole 23rd floor of the property located at Chu Kong Shipping Tower, 143 Connaught Road Central, Hong Kong to CKSE at a consideration of HK$60,400,000. The transaction was completed during the year and recorded a gain from the disposal of approximately HK$55,751,000.

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

In this century, corporates need to face the challenges of climate change, pollutions and resource scarcity. The Group recognises the importance of sustainable development for its growth to overcome the challenges. Meanwhile, the Group is aware that these challenges not only impose risk, but also provide opportunity for corporates to assess themselves whether the businesses are on the right track. We believe that being environmentally and socially responsible could enhance our performance and contribute to the overall sustainable development of the society.

The Company established Governance and Working Groups for the Environment, Society And Governance ("ESG") Report on 29th October 2019 with written terms of reference. The Governance Group for ESG Report is headed by one of the executive Directors and is accountable to the Board. Its main duties are to assist the Board in fulfilling its oversight functions in environmental, social and governance and to comply with and perform the obligations under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the 'Listing Rules') and applicable laws and regulations. Meanwhile, the Governance Group for ESG Report formulated the environmental, social and governance strategies which was approved and adopted by the Board so as to align with the Group's long-term strategic development and enhance shareholders' value as well as to contribute to the overall sustainable development of the society.

The Group has gradually incorporated corporate social responsibility into its operation. Building on the stringent internal compliance practices, various sustainable operation practices have been implemented to promote the Group's sustainable development in environmental and social aspects. The Group highly considers the ESG Report as an important channel for all its stakeholders and is dedicated to improving the effectiveness and quality of this channel continuously.

Regarding environmental protection, the Group strictly abided by the laws and regulations that are related to environmental protection and have a significant impact on the Group. The Group attaches foremost importance to environmental compliance in each operating location and subsidiaries of the Group formulated policies, management systems, practices and measures according to their business natures and actual circumstances, managing their environmental impacts on the environment. 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 formulated the Environmental Emergency Response Plan (《環境應急響應預案》) to outline the potential environmental impacts in the usual course of business, the identification and evaluation of possible environmental risks and the established emergency prevention and response mechanism, ensuring that the subsidiaries possess adequate capacity to react efficiently and orderly in the event of major environmental pollution incidents, so that damage on the environment can be minimised. 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 inspected machinery and equipment to ensure compliance with 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 Macao 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 Listing Rules 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, procedural rules and the Governance Group for ESG Report, 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 the 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 Group strives to protect employees' rights by strictly complying with the laws and regulations related to employment and labour practices that have a significant impact on the Group. The Group formulated policies, practices and management standards to manage the procedures pertaining to compensation and dismissal, recruitment and promotion, working hours, period of leave, equal opportunity, diversity, anti-discrimination, benefits and welfare and prevention of child and forced labour.

As for operation, safety is always our utmost priority. Ensuring work safety is of paramount importance to the Group in its usual course of business. The Group established a safety culture and emphasised on improving its management relating to occupational risk, health and safety and enhancing employees' knowledge of job risk and safety. A robust safety management system is implemented in the Group to ensure that the highest standard of occupational health and safety is embedded in every business segment of the Group. Policies, operating procedures and guidelines such as the "Safety Operation Management System" (《安全運營管理制度》) and the "Equipment and Facilities Safety Management System" (《設備設施安全管理制度》) were formulated to govern our operation so as to eliminate potential risks and protect our employees. Different safety precaution measures were implemented thoroughly in every business segment of the Group. One of the priorities of the Group is to raise employees' awareness of occupational safety and health. Training was provided to employees to equip them with comprehensive knowledge of safety operation to ensure they possess requisite safety skills for the jobs.

The customers and suppliers, as the Group's important stakeholders, have always kept good cooperative relationships with the Group. As a corporate citizen, through establishing a 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. Meanwhile, as a responsible service provider, the Group strives to deliver excellent services to its customers and provide customers with accurate information about its services. The Group protected customer privacy and strictly prevented abuse of customer information. The Group strictly complied with the laws and regulations related to health and safety, advertisement, and privacy matters that have a significant impact on the Group. With regard to the selection of suppliers, the Group set stringent screening criteria and established a comprehensive tendering process. The Group established the "Management Measures for Tendering and Bidding" (《招標及投標管理辦法》) to govern the tendering and bidding process, ensuring that the process is conducted in a fair and equal manner. For supplier management, the Group followed the "Procedures of Procurement Management" (《採購管理流程》) and periodically performed evaluations on suppliers in terms of their quality, delivery and service to ensure that their products and services conform to the standards. If the conditions of any supplier are found to be incompatible with the requirements, the Group shall suspend its cooperation with the supplier and require the supplier to carry out rectification.

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, the 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 2019, net trade receivables of the Group amounted to HK$249,567,000, representing an increase of 0.5% as compared with last year, of which 90.6% of trade receivables was aged within 3 months. 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$214,078,000, representing a decrease of HK$11,944,000 or 5.3% as compared with last year, details of which are as follows:

	2019	2018	Change
	HK$'000	HK$'000	HK$'000
Net operating profit*	**76,875**	155,522	–78,647
Share of profits less losses of joint ventures and associates	**137,203**	70,550	66,653
Profit attributable to equity holders of the Company	**214,078**	226,072	–11,994

* 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 increased by HK$66,653,000 or 94.5% from last year to HK$137,203,000. Among these, profit after taxation attributable to terminal navigation logistics business was HK$115,403,000 (2018: HK$13,877,000) and profit after taxation attributable to passenger transportation business was HK$21,800,000 (2018: HK$55,241,000).

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 2019, the Group secured a total credit facilities of HK$1,184,000,000 and RMB260,000,000 (equivalent to approximately HK$290,243,000) (2018: HK$975,000,000 and RMB260,000,000 (equivalent to approximately HK$296,736,000)) granted by bona fide banks.

As at 31st December 2019, the current ratio of the Group, calculated by dividing current assets by current liabilities, was 2.5 (2018: 2.3).

As at 31st December 2019, the Group's cash and cash equivalents amounted to HK$869,271,000 (2018: HK$905,330,000), which represented 19.9% (2018: 20.9%) of the total assets.

As at 31st December 2019, the gearing ratio of the Group, represented by bank borrowings divided by total equity and bank borrowings, was 5.3% (2018: 7.3%) and the debt ratio, representing total liabilities divided by total assets, was 21.2% (2018: 22.3%).

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 2019**	As at 31st December 2018
Banks located in Hong Kong (note 1)		
– Hong Kong Dollar	**50,000,000**	100,000,000
Bank located in China (note 2)		
– Renminbi	**129,526,000 (equivalent to approximately HK$144,592,000)**	142,815,000 (equivalent to approximately HK$162,994,000)

Notes:

1. The loans from banks located in Hong Kong in 2019 borne floating interest rate and were unsecured, the relevant terms of which are identical with those set out in 2018 Annual Report.

2. The loans from banks located in China in 2019 borne floating interest rate and were 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 2018 Annual Report.

3. Detailed analysis on bank loans is set out in note 25 to the financial statements.

Currency Structure

As at 31st December 2019, the Group deposited its cash and cash equivalents with several reputable banks, of which 56.3% (2018: 60.7%) were denominated in Hong Kong dollar ("HKD"), 30.8% (2018: 29.1%) in Renminbi ("RMB"), 12.8% (2018: 8.9%) in United States dollar ("USD"), and a small amount (2018: 1.3%) in Macao pataca and in Euro (2018: small amount). Details are as follows:

	Amount HK$'000	**Percentage** %
HKD	488,341	56.3
RMB	268,072	30.8
USD	111,593	12.8
Macao pataca	1,243	0.1
Euro	22	0.0
	869,271	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 include 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 11 and 12 to the financial statements respectively.

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

SIGNIFICANT INVESTMENT

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

CONTINGENT LIABILITIES

As at 31st December 2019, the Group had no material contingent liabilities (2018: Nil).

FINANCIAL SUMMARY

A summary of the financial information of the Group for the last five financial years is set out on pages 175 to 176 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 Board has declared during the year an interim dividend of HK3 cents (2018: HK3 cents) per ordinary share, totaling HK$33,635,000 (2018: HK$33,635,000) and was paid on 15th October 2019. The Board has proposed a final dividend of HK3 cents (2018: HK6 cents) per ordinary share for the year ended 31st December 2019, totaling HK$33,635,000 (2018: HK$67,270,000) to Shareholders whose names appeared on the register of members on 29th May 2020. 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 2019 was HK3 cents per share, the percentage of total dividends over the profit attributable to equity holders of the Company (the "Dividend Payout Ratio") decreased 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
2015 (restated)	0.10	108,000	265,004	40.75%
2016	0.09	97,200	321,771	30.21%
2017	0.09	99,170	268,988	36.87%
2018	0.09	100,905	226,072	44.63%
2019*	0.06	67,270	214,078	31.42%

* Dividends per share for the year included a proposed final dividend of HK3 cents per share.

EMPLOYEES AND REMUNERATION

As at 31st December 2019, the Group employed 1,878 employees (2018: 1,998) 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$379,493,000 (2018: HK$385,033,000), 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 2019, 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 and the policy on importation of renewable resources in China, etc., 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. The Group watched closely developments of all major shipping companies and actively carried out communications with our clients and stepped up efforts in exploring the industrial park market in the hinterland of the terminals. Besides, the Group initiated business innovations in certain ports by signing agreements on launching of the "water-rail union transportations" between the 13 port enterprise subsidiaries and China Railway Guangzhou Group Co., Ltd. and launching of domestic trade businesses in Gaoming Port, Qingyuan Port, Huangpu Port and Doumen Port. Each port has proactively expanded integrated logistics service projects to attract customers. 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 Group's passenger transportation business is mainly engaged in the Pearl River Delta and Macao cross-border high-speed waterway passenger transportation to and from Hong Kong. In 2019, the slowdown in domestic economic growth and the depreciation of Renminbi diminished consumers' enthusiasm in travelling to Hong Kong, leading 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 had advance demands for convenience, time and diverse alternatives for transportation. Secondly, the land transportation network in Guangdong Province was refining in 2019, the passenger transportation market underwent drastic changes. Affected by the noticeable diversions of alternative land routes, drops in demands for waterway passengers in Guangdong, Hong Kong and Macao were clearly observed. In addition, due to the social unrest for months in Hong Kong, the business environment in Hong Kong was severely hampered since June 2019. The tourism industry in Hong Kong bore the brunt, the number of visitors to Hong Kong fell sharply and Hong Kong residents also traveled less frequently. Apart from diversions from alternative transportations, the waterway passenger market in Guangdong, Hong Kong and Macao alone also demonstrated a shrinkage, implying an unpromising future. In response to such situations, the Group has taken proactive measures. First, 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. Second, the Group kept abreast of policy trends, took initiatives to communicate with the Government, analysed new policies and assessing their impacts on the business, made timely adjustments to the market strategies and operational arrangements, as well as explored new markets and optimised the structure of passenger sources. Third, by strengthening market research and data mining, exploring and launching floating pricing mechanisms in a timely manner, developing more new travel packages, the Group aimed to make going onboard more appealing to passengers. Fourth, to make up for the decline in cross-border high-speed waterway passenger transportation business, the Group will develop local ferry business in Hong Kong in a timely manner.

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 continued to understand the needs of its customers, adjust services and prices on a timely basis, compare the advantages and weaknesses over the competitors, enhance its quality of service and customer satisfaction and replace price competitiveness with services. The Group also strengthened the cooperation of the overall supply chain with customers, provided one-stop storage and transportation services and offered customers with convenient and efficient logistics services to increase customer stickiness. By upgrading the port business system, establishing a smart container yard, optimising container yard management and business processes, speeding up container handling, terminal operation efficiency has been improved. The Group took the initiative to communicate with the joint inspection authorities, cooperated with the General Administration of Customs to fulfill the requirements of customs clearance integration to continuously optimise the customs clearance environment of the terminals. The Group proactively explored new clients in the industrial parks and successfully closed deals with 228 new enterprises in the industrial park, recording a freight volume of over 100,000 TEU. As for barge transportation, capacities were increased to aid competitions. As for trailer transportation, three ports have started new trailer business. Meanwhile, a trailer development plan was implemented. Multiple trailers were acquired to provide additional capacities and enhanced the segment's overall competitiveness.

The Group's passenger transportation business is mainly engaged in the Pearl River Delta and cross-border high-speed waterway passenger transportation between Hong Kong and Macao. There are three aspects of major competitive risks in 2019. First, after the opening of high-speed rail and Hong Kong-Zhuhai-Macao Bridge in the fourth quarter of 2018, the shorter interval times and broader coverages of buses and high-speed rail have caused a severe passenger diversion on the Group's cross-border waterway high-speed passenger transportation business. This led to a significant decline in the number of cross-border waterway passengers and posed significant challenges to the business. Second, the traditional ticket agency business is gradually shrinking, and the ongoing low-end Victoria Harbour Tour and Hong Kong-Zhuhai-Macao Bridge Tour returned lower-than-expected profits and did not present sufficient competitiveness. The Group enhanced its competitive strengths and stabilised the development of its principal businesses 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 sailing time and optimising the ticket-purchasing experience. It has further cut short the sailing time by increasing the speed of the new ferries, and meanwhile stepped up the effort on developing information technology, constantly updating and optimising official website, upgrading the mobile ticketing application and increasing the number of self-service ticket collecting machines, so as to enhance tourists' travel convenience and optimise tourists' ticket-purchasing experience. Thirdly, the Group strove to strengthen the brand building, create differentiated services and promote personalised services to improve customer satisfaction.

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 ad-hoc 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. At the same time, the Group organised regular training and drills on emergency plans for production safety accidents to raise safety awareness and improve self-rescue capabilities.

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 Macao, 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. In 2019, 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-Macao 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. Moreover, the Group will also explore the market in greater depth, broaden its sales channels, develop new routes under agency service. It will also proactively carry out material strategic equity investments with an aim to improve profitability.

In 2020, the Group will continue to firmly seize the new development opportunities arising from the Guangdong-Hong Kong-Macao Greater Bay Area and the "Belt and Road" initiative. Based on its five platforms for cross-border passenger transportation, transportation in Hong Kong, terminal logistics, "Belt and Road" investment and capital operation, the Group accelerates business transformation and upgrading, focusing on waterway passenger transportation business and terminal logistics business, supplemented by auxiliary businesses to achieve overall improvements in the principal business of the Group. The Group strives to innovate enterprise development models by developing the Hong Kong Airport, local ferries, environmental protection, air freight logistics, storage logistics and other financial services. 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

There were no changes in the share capital of the Company during the year. Details of the Company's capital during the year are set out in note 19 to the financial statements.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity and note 40 to the financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31st December 2019, the Company's distributable reserves, calculated in accordance with Part 6 of Hong Kong Companies Ordinance, amounted to HK$1,298,685,000 (2018: HK$1,185,120,000), of which HK$33,635,000 (2018: HK$67,270,000) has been proposed as final dividend for the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31st December 2019, 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 2019.

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)
Mr. Chen Jie
Mr. Leng Buli
Mr. Liu Wuwei

Non-executive Director:

Ms. Ye Meihua

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"), Mr. Chan Kay-cheung and Mr. Chow Bing Sing shall retire by rotation at the forthcoming annual general meeting and, being eligible, shall offer themselves for re-election at the meeting.

DIRECTORS OF SUBSIDIARIES

The names of all directors who have served on the boards of the subsidiaries of the Company (as included in the consolidated financial statements of the Company for the year ended 31st December 2019) from 1st January 2019 up to 26th March 2020 (being the date of approval of the Company's 2019 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 2019, neither the Company nor any of its subsidiary undertakings were 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 2019, 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 2019, 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 2019 (Note 2)	Granted during the year	Exercised during the year	Lapsed during the year	Cancelled during the year	Held on 31st December 2019
Staff of the Group	18th December 2015	2.33	19th December 2017 to 18th December 2024	1,681,038	–	–	(1,681,038) (Note 3)	–	0
Total				1,681,038	–	–	(1,681,038)	–	0

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 that had not been accepted by the eligible persons were not included in the number of share options held on 1st January 2019.

3. During the year, share options entitling the holders to subscribe for 1,681,038 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 98,608,000 shares, representing approximately 8.8% 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 2019, 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 2019, 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 2019.

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 2019, 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 Transaction (the "CT")

1. On 28th June 2019, the Company (as the vendor) entered into a sales and purchase agreement with CKSE (an immediate holding company of the Company and as the purchaser), pursuant to which, the Company agreed to sell and CKSE agreed to purchase a property for a consideration of HK$60,400,000. 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 in June 2019. For details of the transactions, please refer to the announcement of the Company dated 28th June 2019.

Continuing Connected Transactions (the "CCT")

1. Master Passenger Transportation Agency Services Agreement

On 12th October 2018, 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 2019 to 31st December 2021. 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 2019, 2020 and 2021 are HK$15,000,000, HK$16,000,000 and HK$17,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2019 was HK$6,558,000.

2. Master Ferry Technical Support Agency Services Agreement

On 12th October 2018, 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 2019 to 31st December 2021. 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 2019, 2020 and 2021 are HK$10,000,000, HK$11,000,000 and HK$12,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2019 was HK$3,949,000.

3. Master Ferry Terminal Luggage Facilities and Handling Services Agreement

On 12th October 2018, 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 includes (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 2019 to 31st December 2021. 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 2019, 2020 and 2021 are HK$6,000,000, HK$6,500,000 and HK$7,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2019 was HK$3,801,000.

4. Master Sub-baggage Handling Services Agreement

On 12th October 2018, the Company (on behalf of the Group, as a service provider) entered into a master sub-baggage handling services agreement (the "Master Sub-baggage Handling Services Agreement") with GNG (the Company's parent company, on behalf of the GNG Group, as a service recipient) in respect of appointing any member of the Group as the sub-contractor of any member of the GNG Group (who is appointed and authorised by the relevant government authorities to provide terminal luggage facilities and handling services at the relevant terminal) for the provision of the baggage handling services to all ferry service carriers who stop their ferries at the relevant terminal for passengers departing from and arriving in Hong Kong (including but not limited to the Group itself) at the relevant terminal directly. The provision of baggage handling services includes, 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 2019 to 31st December 2021. 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 2019, 2020 and 2021 are HK$8,000,000, HK$8,500,000 and HK$9,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2019 was HK$4,414,000.

5. Master Rental Agreement

On 12th October 2018, 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 2019 to 31st December 2021. 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 2019, 2020 and 2021 are HK$22,000,000, HK$22,000,000 and HK$22,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2019 was HK$16,324,000.

6. Master Vessels Rental Agreement

On 12th October 2018, 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 2019 to 31st December 2021. 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 2019, 2020 and 2021 are HK$35,000,000, HK$37,000,000 and HK$39,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2019 was HK$28,772,000.

7. Master Ferries Rental Agreement

On 12th October 2018, 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 2019 to 31st December 2021. 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 2019, 2020 and 2021 are HK$3,500,000, HK$3,800,000 and HK$4,100,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2019 was HK$379,000.

8. Master Transportation Agreement

On 12th October 2018, 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 2019 to 31st December 2021. 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 2019, 2020 and 2021 are HK$63,000,000, HK$66,000,000 and HK$70,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2019 was HK$58,516,000.

9. Master Fuel Supply Agreement

On 12th October 2018, the Company (on behalf of the Group, as a supplier) entered into a master fuel supply agreement (the "Master Fuel Supply Agreement") with GNG (the parent company of the Company, on behalf of the GNG Group, as a customer) in respect of supplying 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 Charge Agreement is from 1st January 2019 to 31st December 2021. 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 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 2019, 2020 and 2021 are HK$145,000,000, HK$166,000,000 and HK$182,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2019 was HK$84,792,000.

10. Management Agreement

On 28th June 2017 and 1st August 2019, the Company (as a service provider) entered into an asset management agreement (the "Management Agreement") and a supplementary agreement (the "Supplementary Agreement") respectively 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 term of the Supplementary Agreement was 1 year from 1st July 2019 to 30th June 2020 (the Management Agreement and the Supplementary Agreement shall be considered and interpreted as a single agreement). 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 2019 was HK$30,000,000.

The above CCT were beneficial for the operations of the Group and/or provided stable income and profit to the Group. The items (1) to (8) and (10) above were CCT subject to the reporting and announcement requirements and exempt from the independent Shareholders' approval requirement, while item (9) was CCT subject to the reporting, announcement requirement and the independent Shareholders' approval requirements which 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 38 to the financial statements are the CT/CCT under Chapter 14A of the Listing Rules. The table below shows the amounts of the CT/CCT as defined in Chapter 14A of the Listing Rules among the RPT as disclosed in note 38 to the financial statements:

RPT Items	**For the year ended 31st December 2019** RPT Amount HK$'000	**For the year ended 31st December 2019** of which constitute CT/CCT HK$'000	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
Revenues:				
Shipping agency, river trade cargo direct shipment and transshipment income	**4,482**	**69**	9,251	70
Passenger transportation agency fees	**12,102**	**3,754**	17,219	4,887
Ferry terminal operation service fees	**19,123**	**2,804**	28,828	5,283
Sub-baggage handling services fee	**4,414**	**4,414**	6,049	6,049
Management service fees	**37,567**	**30,583**	35,621	32,547
Vessel rental income	**2,720**	**2,720**	2,605	2,605
Interest income	**349**	**–**	875	522
Fuel supply income	**140,580**	**80,505**	190,133	113,798
Marine bunkering service	**4,446**	**4,287**	4,434	4,197
Consulting and software service	**250**	**250**	268	222
Wheel supply income	**–**	**–**	1,684	1,340
Agency service fee	**3,496**	**2,677**	2,571	1,008
Expenses:				
Shipping agency, river trade cargo direct shipment and transshipment expenses	**3,919**	**3,919**	4,353	–
Wharf cargo handling, cargo transportation and godown storage expenses	**92,599**	**54,597**	72,686	61,243
Agency fee expenses	**809**	**62**	1,553	407
Ferry terminal operation services fee	**3,949**	**3,949**	7,606	7,606
Luggage handling fee	**3,801**	**3,801**	5,400	5,400
Ferry rental expenses	**379**	**379**	2,670	2,670
Vessel rental expenses	**28,772**	**28,772**	29,310	29,310
Warehouse rental expenses	**5,000**	**5,000**	5,000	5,000
GPS navigator rental expenses	**–**	**–**	146	146
Office rental expenses	**8,265**	**8,265**	7,125	7,125
Staff quarter rental expenses	**2,520**	**2,520**	2,700	2,700
Property management fee expenses	**538**	**538**	1,733	1,733
Loan interest expenses	**576**	**–**	437	–
IT Management fee expenses	**2,948**	**2,948**	3,788	3,788
Vessel construction cost	**19,125**	**19,125**	22,530	22,530

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.

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 the 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 2019, 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 (2018: 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 58 to 76 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 the 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

KPMG will retire on the expiry of its term at the 2020 annual general meeting of the Company. A resolution to reappoint KPMG as the auditor of the Company and to authorise the Directors to fix its remuneration will be proposed at the 2020 annual general meeting of the Company.

BY ORDER OF THE BOARD

Wu Qiang
Managing Director
Hong Kong, 26th March 2020

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Huang Liezhang, aged 52, was appointed as executive director of the Company and 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 (Macao) 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 GNG and the chairman of Guangdong Province Zhujiang Shipping Co., Ltd. from May 2013 to November 2017. He is currently the director of CKSE and Guangdong Chu Kong Shipping Co., Ltd. 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 54, was appointed as executive director and 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 People's Republic of China. He joined the material management and navigation management sector since 1986 with over 30 years of working experience. Mr. Wu was successively appointed as the deputy general manager and the managing director of Chu Kong Air-Sea Union Transportation Company Limited from 2005 to 2012, the chief marketing officer, the deputy general manager and the director of CKTL from 2010 to 2012, the managing director of Nansha Economic & Technological Development Zone Tung-Fat Cargo Terminal Ltd. from 2012 to 2014, the executive deputy general manager and director of Guangdong Province Zhanjiang Navigation (Group) Co., Ltd. and the chairman of Guangdong Xuwen Terminal and Shipping Co., Ltd. from 2014 to 2018 and appointed as an 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 54, was appointed as executive director and 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 People's Republic of China. He joined the human resources management sector since 1984 with over 30 years of working experience. Mr. Chen worked successively as the deputy general manager of human resources department, the general manager of supervisory department and the general manager of human resources department of CKSE from 2005 to 2013, deputy general manager and general manager of human resources department of GNG from 2013 to 2018. He is currently the chief representative of Guangzhou representative office of CKSE and the director of Guangdong Chu Kong Shipping Co. Ltd and Chu Kong Maritime Consultant Company Limited.

Mr. Leng Buli, aged 55, was appointed as executive director and 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 GNG in 1994 and was appointed as the managing director of Yuet Hing Marine Supplies Company Limited from 2004 to 2010, the president of Cotai Chu Kong Shipping Management Services Company Limited and Chu Kong High-Speed Ferry Company Limited from 2010 to 2015, the chairman of Chu Kong High-Speed Ferry Management (Macau) Company Limited and the director of CKSE 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 People's Republic of China and has over 30 years of experience in navigation management and engineering technology.

Mr. Liu Wuwei, aged 48, was appointed as executive director and deputy general manager of the Company on 18th July 2018, mainly responsible for logistics segment operation of terminals. Mr. Liu graduated from University of South Australia with a master degree in business administration and is also a certified economist in the People's Republic of China. Mr. Liu has joined the Group since 1992, and worked successively as the deputy general manager and the managing director of CKTL from 2006 to 2013 and the 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. and Chu Kong River Trade Terminal Co. Ltd, the deputy chairman of Heshan County Hekong Associated Forwarding Co., Ltd. and Heshan Port Construction & Development General Company. Mr. Liu has 27 years of experience in logistics, river trade terminal operation management and marketing.

NON-EXECUTIVE DIRECTOR

Ms. Ye Meihua, aged 49, was appointed as 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 People's Republic of China. She joined the financial accounting, supervision and auditing and risk management sector since 1990 with 29 years of working experience. Ms. Ye worked successively as the 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 the supervisor of supervision and auditing department, deputy general manager of risk management department and business management department of GNG from 2012 to 2018. She is currently the director of CKSE and Guangdong Chu Kong Shipping Co. Ltd.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Kay-cheung, FHKIB, aged 73, 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 and a member of The China Unionpay International Advisory Group. Mr. Chan is also an independent non-executive director of China Electronics Corporation Holdings Company 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 56, 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 29 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 70 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 the chartered member of the Hong Kong Chartered Institute of Logistics and Transport and the member of Hong Kong Logistics Association.

SENIOR MANAGEMENT

Mr. Huang Wanan, aged 46, was appointed as financial controller of the Company in 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 People's Republic of China. 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 CKTL. 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 CKSE from 2013 to August 2016. Mr. Huang has more than 27 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. and Foshan Nanhai Pinggang Passenger Transportation Co., Ltd., as well as the director of CKPT, 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. Hu Jun, aged 47, was appointed as development officer of the Company in January 2013, responsible for the development and investments of the Group. Mr. Hu joined CKS in 1992, successively worked in Waibert Steamship Company Limited, CKTL, Chu Kong (Guangdong) International Freight Forwarding Co., Ltd., Chu Kong Agency Company Limited, and served as the 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. and the director of Guangzhou PanYu Lianhuashan Port Passenger Transport Co., Ltd., Chu Kong Infrastructure Investment Limited, Pazhou (Guangzhou) Hong Kong and Macao Passenger Transport Company Limited, Zhuhai High-speed Passenger Ferry Co., Ltd. and Zhuhai Jiuzhou Public Utilities Co., Ltd. Mr. Hujun graduated from the University of South Australia with a master degree in business administration. Mr. Hu has over 27 years of experience in navigation operation and management and marketing and promotion.

Mr. Lin Shengqi, aged 44, was appointed as development officer, general manager of investment & development department (research department) and capital operation department of the Company in May 2019, responsible for the investment development and capital operation of the Group. Mr. Lin graduated from Sun Yat-Sen University in 1996, majoring in international finance and Jinan University in 2006 with a master degree in business administration. Mr. Lin has been working in the investment development management sector since 1998, he was successively appointed as the deputy general manager and the general manager of investment development department of CKSE from 2008, the general manager of investment development department of the Company from 2011, the managing director of Guangzhou Nansha International Logistics Park Development Co., Ltd. from 2012 and the deputy general manager of strategic development department of GNG from 2016. Mr. Lin is currently the chairman of China Ferry Terminal Services Limited and the director of Guangzhou Nansha Feeders Terminal Co., Ltd., Chu Kong Shipping (Guangdong) Investment Limited and Chu Kong Infrastructure Investment Limited. Mr. Lin has over 21 years of experience in warehouse logistics management and investment development.

Ms. Cheung Mei Ki Maggie, aged 53, joined the Company in 2008, and was appointed as the company secretary on 1st April 2012, and appointed as the 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 the general manager in assurance and the 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.

Corporate Governance Report

The Company strives to maintain a high standard of corporate governance practices and procedures to safeguard the interests of its shareholders. The corporate governance level is constantly improved and enhanced by establishing an internal control 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 inquiry 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. On 1st October 2019, the Board approved and adopted the "Management Measures for the Board of Directors" (《董事會管理辦法》) to regulate the operation of the Board.

Composition of the Board

As at 31st December 2019, 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 57 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 the 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 policymaking 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 Director without other executive Directors' presence.

Independent Non-executive Directors

In order to ensure the independence of the policymaking 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, Ms. Yau Lai Man and Mr. Chow Bing Sing have served as independent non-executive Directors for over nine years. During their years of service with the Company, Mr. Chan, Ms. Yau and Mr. Chow 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, Ms. Yau and Mr. Chow have the character, integrity, ability and experience to continue to fulfill his/her role as required effectively. The Company believes that Mr. Chan, Ms. Yau and Mr. Chow 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. Ms. Yau retired on rotation at the annual general meeting held on 20th June 2019, and being eligible, offered herself for re-election at the said meeting. Ms. Yau had already been re-appointed by separate resolution of the then Shareholders at the said meeting. Mr. Chan and Mr. Chow will retire on rotation, and will be eligible, offer themselves 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-appointments of Mr. Chan and Mr. Chow by separate resolutions 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 77 to 81 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 2019, 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)	1/1	4/4	12/12	N/A	2/2	1/1
Mr. Wu Qiang (Managing Director)	1/1	4/4	12/12	N/A	N/A	N/A
Mr. Chen Jie (Executive Director)	1/1	4/4	12/12	N/A	N/A	N/A
Mr. Leng Buli (Executive Director)	1/1	3/4	12/12	N/A	N/A	N/A
Mr. Liu Wuwei (Executive Director)	1/1	3/4	12/12	N/A	N/A	N/A
Ms. Ye Meihua (Non-executive Director)	1/1	4/4	N/A	N/A	N/A	N/A
Mr. Chan Kay-cheung (Independent Non-executive Director)	1/1	4/4	N/A	2/2	2/2	1/1
Ms. Yau Lai Man (Independent Non-executive Director)	1/1	4/4	N/A	2/2	2/2	1/1
Mr. Chow Bing Sing (Independent Non-executive Director)	1/1	4/4	N/A	2/2	2/2	1/1

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

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 2019 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 2019;
- 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 2019 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 2019 with attendance rate of 100%. Currently, the committee comprises four Directors, of which three are independent non-executive Directors. On 1st October 2019, the Board approved and adopted the Nomination Policy which was proposed by the Nomination Committee.

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. 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 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, Mr. Chan Kay-cheung and Mr. Chow Bing Sing will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election. The Nomination Committee recommended to the Board that Mr. Chan Kay-cheung and Mr. Chow Bing Sing be nominated for re-election at the forthcoming annual general meeting of the Company.

Training for Directors and Company Secretary

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest in shares and business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors. All Directors have also been updated on the latest development regarding the Listing Rules and other applicable regulatory requirements to ensure compliance with relevant regulations and enhance their awareness of good corporate governance practices. During the year, the Company organised seminars presented by professionals for Directors and executives to explain the 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)	✓	✓	✓	✓
Mr. Chen Jie (Executive Director)	✓	✓	✓	✓
Mr. Leng Buli (Executive Director)	✓	✓	✓	✓
Mr. Liu Wuwei (Executive Director)	✓	✓	✓	✓
Ms. Ye Meihua (Non-executive Director)	✓	✓	✓	✓
Mr. Chan Kay-cheung (Independent Non-executive Director)	✓	✓	✓	✓
Ms. Yau Lai Man (Independent Non-executive Director)	✓	✓	✓	✓
Mr. Chow Bing Sing (Independent Non-executive Director)	✓	✓	✓	✓

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

Changes in Information of Directors

Save as disclosed in this annual report, pursuant to Rule 13.51B(1) of the Listing Rules, following specific enquiry of all Directors by the Company, all Directors have confirmed that there is no any other changes in information of Directors of the Company during 2019 which needs to be disclosed.

Details of changes in the annual remuneration of Directors are set out in the note 42 to the financial statements.

REMUNERATION OF SENIOR MANAGEMENT

Number of senior management according to the level of remuneration:

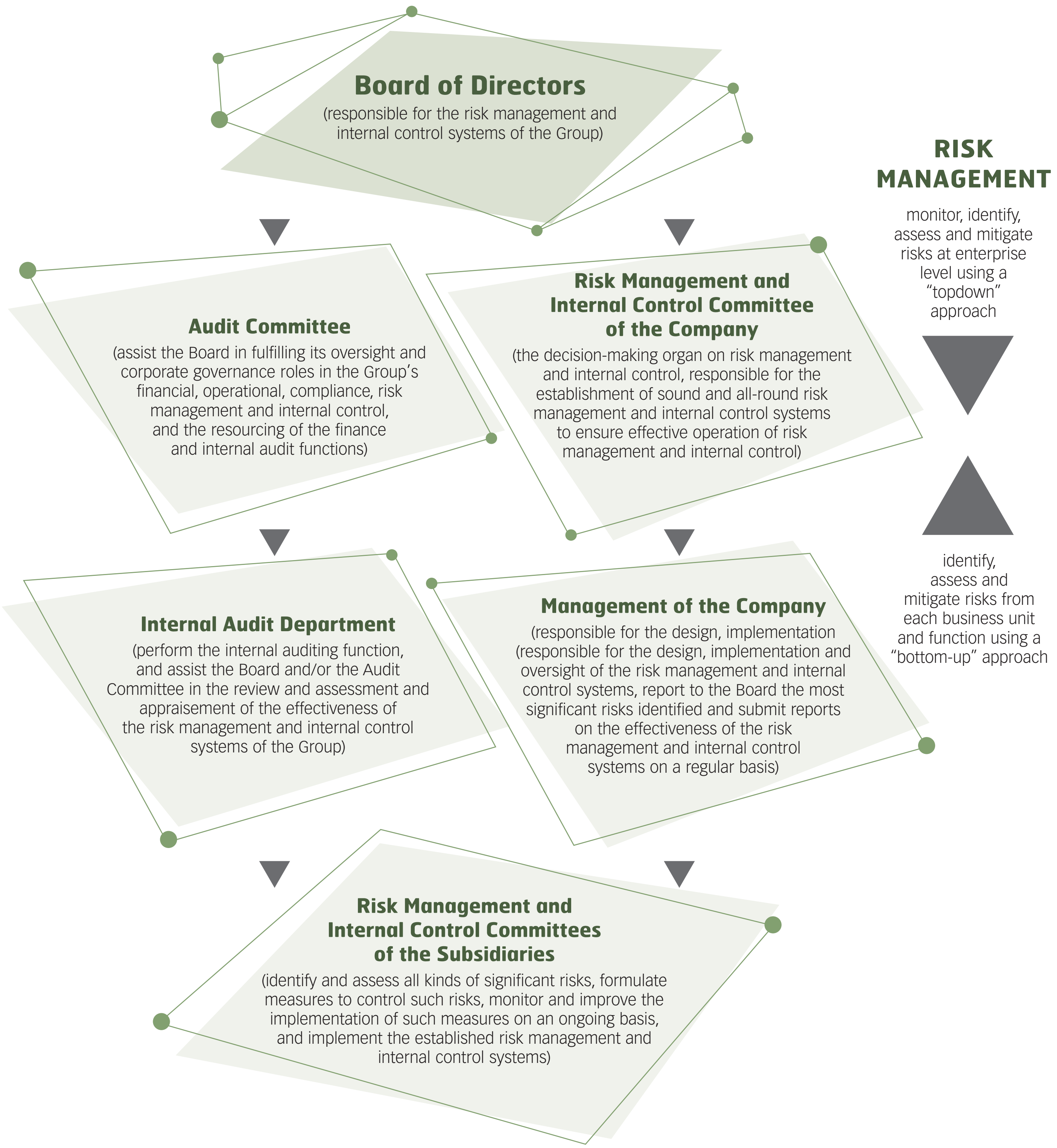
Level of remuneration	**Number of Senior Management**	
HK$'000	**2019**	2018
401-1,000	**2**	2
1,001-1,800	**2**	2

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》) in 2013 (as revised in 2015), 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 2019 Risk Management Assessment, further implemented comprehensive risk management measures specific to the 4 major risks assessed and confirmed last year, ensured the relevant measures for those work associated with risk to be in place effectively. For the self-assessment of comprehensive risk management this year, there is no matter involving "One-vote Veto". Meanwhile, key controls on the major risks of 2019, which were identified as production and operational safety risks, were put in place, mainly through executing safety duties, strengthening safety inspections, implementing safety improvement works, conducting safety training, supplementing safety management personnel and carrying out specific investigations, etc., there was no major safety duties incident took place in the Group throughout the year;

- the 2019/20 Internal Audit Plan was properly organised and implemented so as to enhance the standard of the internal control and risk management of all subsidiaries. This was accomplished by ways of 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》) submitted by each subsidiary and the major risks of the Group confirmed through the Group's Risk Summary Form 《風險總滙表》 together with enhancing the management's goal of reducing costs and increasing efficiency by the management of the Company;

- conducted review and audit of the Group finance management department in relation to the execution of the delegation system of finance managers, management of large fund settlements and compliance of expenses approval, etc;

- organised the Company staff to carry out relevant training and cultural construction works to improve risk management and internal control awareness, including sending internal auditors to attend practical audit training, assisting in conducting internal risk management training for management and participating in "Corporate Risk Management and Internal Control" courses, etc.;

- during the year, the year 19/20 audit plan was fully completed, a total of 13 internal audit reports were issued. In respect of the 34 audit comments and recommendations provided for the financial year of 2019, improvement works on addressing audit-related issues were in progress, of which 16 were completed, All subsidiaries had been asked to make improvements according to such recommendations;

- in respect of the 35 audit comments and recommendations provided for the financial year of 2018, 33 improvement works were completed and 2 were under continuous improvement;

- the revised Whistle Blowing Policy was approved and adopted by the Board on 1st October 2019;

- the Profit Alert Policy was approved and adopted by the Board on 1st October 2019.

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 2019, the Company paid the auditor of the Company the following fees for audit and non-audit services.

	2019 **HK$'000**	2018 HK$'000
Audit Services	**2,026**	3,352
Non-audit Services (including review of the interim report, continuing connected transactions, annual results announcement, tax consulting and tax compliance services)	**1,209**	1,604
	3,235	4,956

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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

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

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

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

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

3. Enquiries to the Board

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

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

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

The Company welcomes shareholders to attend general meetings in person and express their opinions and raised their enquiries to the Directors and management.

INVESTOR RELATIONS AND COMMUNICATIONS

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

During 2019, there was no amendment to the Articles of Association of the Company.

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

OPINION

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 82 to 174, which comprise the consolidated statement of financial position as at 31st December 2019, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2019 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements* section of our report. We 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, 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.

Assessing impairment of property, plant and equipment, land use rights, intangible assets and goodwill

Refer to accounting policies 2.5, 2.7 and 2.8 and notes 6, 7, 9 and 10 to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
The Group has significant balances of property, plant and equipment ("PP&E"), land use rights, intangible assets and goodwill which primarily attributable to port and warehouse facilities, with an aggregated carrying value of HK$2,163,437,000 as at 31st December 2019. Management performs impairment testing of PP&E, land use rights and intangible assets when indicators of impairment are identified. In addition, goodwill impairment assessment is performed by management annually whether or not there is any indication of impairment. In performing impairment assessments, management compared carrying value of each of the separately identifiable cash generating units ("CGU") with respective recoverable amount, which is estimated by preparing a discounted cash flow forecast, to determine the amount of impairment loss, if any.	Our audit procedures to assess impairment of PP&E, land use rights, intangible assets and goodwill included the following: • assessing the management's evaluation of indicators of impairment, identification of CGU, the allocation of PP&E, land use rights, intangible assets and goodwill to each CGU and the methodology adopted by management in the preparation of the discounted cash flow forecasts with reference to our understanding of the Group and the requirements of prevailing accounting standards; • assessing the management's cash flow forecasts by comparing the key assumptions adopted by management, in particular, forecast revenue growth rates, forecast operating costs and expenses and the discount rates applied, with reference to our understanding of the Group's business and industry and available market data;

Assessing impairment of property, plant and equipment, land use rights, intangible assets and goodwill

Refer to accounting policies 2.5, 2.7 and 2.8 and notes 6, 7, 9 and 10 to the consolidated financial statements

The Key Audit Matter	How the matter was addressed in our audit
The preparation of discounted cash flow forecasts involves the exercise of significant management judgement in determining the relevant inputs to the discounted cash flow forecasts and the assumptions adopted therein, including forecast revenue growth rates, forecast operating costs and expenses, and the discount rates applied. We identified the assessment of impairment of PP&E, land use rights, intangible assets and goodwill as a key audit matter because the assessments involves significant management judgement, particularly in forecasting revenue growth rates, operating costs and expenses and in determining appropriate discount rates, all of which could be subject to management bias in their selection.	• assessing the historical accuracy of management's forecasting process by comparing the actual results for the current year with management's forecast prepared in the previous year; • performing sensitivity analyses on the discount rates applied and other key assumptions adopted by management to assess the impact of changes on the conclusion reached in management's impairment assessments and considering whether there were any indicators of management bias in the key assumptions adopted; and • assessing the disclosures in the consolidated financial statements in respect of the impairment assessment with reference to the requirements of the prevailing accounting standards.

INFORMATION OTHER THAN THE CONSOLIDATED FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON

The directors are responsible for the other information. The other information comprises all 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 THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors 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 directors are assisted by the Audit Committee in discharging their responsibilities 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. This report is made 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 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 Lee Wai Shun, Wilson.

KPMG
Certified Public Accountants

8th Floor, Prince's Building
10 Chater Road
Central, Hong Kong
26th March 2020

Consolidated Statement of Financial Position

As at 31st December 2019

	Note	2019 HK$'000	2018 (note) HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**1,733,898**	1,664,039
Investment properties	8	**33,593**	4,658
Land use rights	9	**385,927**	409,130
Intangible assets	10	**43,612**	44,112
Investments in joint ventures	12	**387,006**	414,379
Investments in associates	12	**114,198**	137,823
Deposits	13	**–**	4,778
Deferred income tax assets	14	**4,494**	4,840
		2,702,728	2,683,759
Current assets			
Inventories	15	**1,814**	1,265
Trade and other receivables	16	**386,211**	407,301
Loans to joint ventures and fellow subsidiaries	16	**4,465**	13,189
Structured bank deposits	17	**409,441**	320,703
Cash and cash equivalents	18	**869,271**	905,330
		1,671,202	1,647,788
Total assets		**4,373,930**	4,331,547
EQUITY			
Share capital	19	**1,415,118**	1,415,118
Reserves	21	**1,734,922**	1,663,934
		3,150,040	3,079,052
Non-controlling interests		**297,047**	287,410
Total equity		**3,447,087**	3,366,462

	Note	2019 HK$'000	2018 (note) HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	14	**82,739**	85,141
Deferred income		**6,438**	10,064
Lease liabilities	23	**32,171**	–
Long term borrowings	25	**140,696**	159,011
		262,044	254,216
Current liabilities			
Trade payables, accruals and other payables	22	**494,333**	515,308
Loan from a third party	24(a)	**–**	1,004
Amounts due to the non-controlling interests	24(b)	**77,939**	82,145
Income tax payables		**20,438**	8,429
Lease liabilities	23	**18,193**	–
Short-term borrowings	25	**50,000**	–
Current portion of long-term borrowings	25	**3,896**	103,983
		664,799	710,869
Total liabilities		**926,843**	965,085
Total equity and liabilities		**4,373,930**	4,331,547
Net current assets		**1,006,403**	936,919
Total assets less current liabilities		**3,709,131**	3,620,678

Approved and authorised by the board of directors on 26th March 2020.

Huang Liezhang
Director

Wu Qiang
Director

Note: The Group has initially applied HKFRS 16 at 1st January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.1(ii).

The notes on pages 89 to 174 form part of these financial statements.

Consolidated Statement of Profit or Loss

For the year ended 31st December 2019

	Note	2019 HK$'000	2018 (note) HK$'000
Revenue	5	**2,147,876**	2,404,496
Cost of sales/services rendered	26	**(1,844,009)**	(2,004,387)
Gross profit		**303,867**	400,109
Other income	27	**56,298**	45,106
Other gains, net	28	**51,159**	46,749
General and administrative expenses	26	**(296,397)**	(311,196)
Operating profit		**114,927**	180,768
Finance income	29	**26,755**	20,852
Finance cost	29	**(12,402)**	(8,488)
Share of profits less losses of:			
– Joint ventures	12	**130,443**	55,946
– Associates	12	**6,760**	14,604
Profit before income tax		**266,483**	263,682
Income tax expense	30	**(34,335)**	(41,127)
Profit for the year		**232,148**	222,555
Attributable to:			
Equity holders of the Company		**214,078**	226,072
Non-controlling interests		**18,070**	(3,517)
		232,148	222,555
Earnings per share (HK cents)			
Basic	32	**19.09**	20.35
Diluted	32	**19.09**	20.35

The notes on pages 89 to 174 form part of these financial statements.

Consolidated Statement of
Profit or Loss and Other Comprehensive Income

for the year ended 31st December 2019

	2019 HK$'000	2018 (note) HK$'000
Profit for the year	**232,148**	222,555
Other comprehensive loss:		
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	**(32,479)**	(68,740)
– Joint ventures and associates	**(12,539)**	(22,775)
Other comprehensive loss for the year	**(45,018)**	(107,204)
Total comprehensive income for the year	**187,130**	115,351
Attributable to:		
Equity holders of the Company	**171,893**	126,539
Non-controlling interests	**15,237**	(11,188)
	187,130	115,351

Note: The Group has initially applied HKFRS 16 at 1st January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.1(ii).

The notes on pages 89 to 174 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2019

	Attributable to owners of the Company										
	Share capital HK$'000	Exchange reserve HK$'000	Revaluation reserve HK$'000	Capital reserve HK$'000 (note 21(a))	Statutory reserves HK$'000 (note 21(b))	Share option reserve HK$'000	Merger reserves HK$'000 (note 21(c))	Retained profits HK$'000 (note)	Total HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1st January 2019	**1,415,118**	**(5,616)**	**23,009**	**167,717**	**101,265**	**–**	**(871,425)**	**2,248,984**	**3,079,052**	**287,410**	**3,366,462**
Profit for the year	–	–	–	–	–	–	–	214,078	214,078	18,070	232,148
Other comprehensive income:											
Currency translation differences											
– Subsidiaries	–	(30,597)	–	–	–	–	–	–	(30,597)	(1,882)	(32,479)
– Joint ventures and associates	–	(11,588)	–	–	–	–	–	–	(11,588)	(951)	(12,539)
Transfer of reserves	–	–	–	–	3,948	–	–	(3,948)	–	–	–
Total comprehensive income for the year	**–**	**(42,185)**	**–**	**–**	**3,948**	**–**	**–**	**210,130**	**171,893**	**15,237**	**187,130**
Transactions with owners:											
2018 final dividend	–	–	–	–	–	–	–	(67,270)	(67,270)	–	(67,270)
2019 interim dividend	–	–	–	–	–	–	–	(33,635)	(33,635)	–	(33,635)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	–	(5,600)	(5,600)
At 31st December 2019	**1,415,118**	**(47,801)**	**23,009**	**167,717**	**105,213**	**–**	**(871,425)**	**2,358,209**	**3,150,040**	**297,047**	**3,447,087**
At 1st January 2018	**1,376,295**	**93,917**	**23,009**	**167,717**	**96,507**	**2,270**	**(871,425)**	**2,116,399**	**3,004,689**	**298,598**	**3,303,287**
Profit for the year	–	–	–	–	–	–	–	226,072	226,072	(3,517)	222,555
Other comprehensive income:											
Release of currency translation differences upon disposal of subsidiaries	–	(15,689)	–	–	–	–	–	–	(15,689)	–	(15,689)
Currency translation differences											
– Subsidiaries	–	(62,670)	–	–	–	–	–	–	(62,670)	(6,070)	(68,740)
– Joint ventures and associates	–	(21,174)	–	–	–	–	–	–	(21,174)	(1,601)	(22,775)
Transfer of reserves	–	–	–	–	4,758	–	–	(4,758)	–	–	–
Total comprehensive income for the year	**–**	**(99,533)**	**–**	**–**	**4,758**	**–**	**–**	**221,314**	**126,539**	**(11,188)**	**115,351**
Transactions with owners:											
Employee share option scheme:											
– Value of employee services	–	–	–	–	–	164	–	–	164	–	164
– Forfeiture of share option	–	–	–	–	–	(2,434)	–	–	(2,434)	–	(2,434)
2018 interim dividend	–	–	–	–	–	–	–	(33,635)	(33,635)	–	(33,635)
2017 final dividend	–	–	–	–	–	–	–	(55,094)	(55,094)	–	(55,094)
Shares issued in in lieu of scrip dividend	38,823	–	–	–	–	–	–	–	38,823	–	38,823
At 31st December 2018	**1,415,118**	**(5,616)**	**23,009**	**167,717**	**101,265**	**–**	**(871,425)**	**2,248,984**	**3,079,052**	**287,410**	**3,366,462**

Note: The Group has initially applied HKFRS 16 at 1st January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.1(ii).

The notes on pages 89 to 174 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31st December 2019

	Note	2019 HK$'000	2018 (note) HK$'000
Cash flows from operating activities			
Cash generated from operations	35(a)	**189,642**	245,976
Hong Kong profits tax paid		**(7,750)**	(18,537)
Mainland China corporate income tax paid		**(12,953)**	(18,973)
Macao profits tax paid		**(2,681)**	(3,818)
Net cash generated from operating activities		**166,258**	204,648
Cash flows from investing activities			
Purchase of property, plant and equipment		**(152,022)**	(172,265)
Purchase of intangible asset		**(1,605)**	(349)
Purchase of investment properties		**(29,559)**	–
Proceeds from disposal of property, plant and equipment		**71,476**	1,733
Payment/(refund) of non-current deposits		**4,778**	(4,778)
Proceeds from disposal of joint ventures and an associate		**–**	11,443
Proceeds from disposal of subsidiaries		**–**	90,081
Cash received from capital refund of a joint venture		**–**	4,985
Increase in structured bank deposits		**(88,738)**	(28,922)
Receipt of loan repayment from fellow subsidiaries		**8,586**	101,055
Dividends received from joint ventures and associates		**176,213**	80,076
Interest received		**26,755**	20,852
Net cash generated from investing activities		**15,884**	103,911

	Note	2019 HK$'000	2018 (note) HK$'000
Cash flows from financing activities			
Dividends paid		**(106,505)**	(49,906)
Interest paid		**(10,452)**	(8,488)
Capital element of lease rentals paid	35(b)	**(22,521)**	–
Interest element of lease rentals paid	35(b)	**(1,950)**	–
Repayment of bank loans	35(b)	**(115,000)**	(93,983)
Proceed from new bank loans	35(b)	**50,000**	–
Repayment of loan from a third party	35(b)	**(1,004)**	–
Repayment of amount due to non-controlling interests	35(b)	**(4,206)**	–
Net cash used in financing activities		**(211,638)**	(152,377)
Net (decrease)/increase in cash and cash equivalents		**(29,496)**	156,182
Cash and cash equivalents at the beginning of the year		**905,330**	769,152
Effect of exchange rate changes		**(6,563)**	(20,004)
Cash and cash equivalents at the end of the year	18	**869,271**	905,330

Note: The Group has initially applied HKFRS 16 at 1st January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.1(ii).

The notes on pages 89 to 174 form part of these 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 Macao; 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 Macao.

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 26th March 2020.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all 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 all applicable Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance ("HKCO"). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below. 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) Changes in accounting policies

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, Leases

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

HKFRS 16 also introduces additional qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity.

The Group has initially applied HKFRS 16 as from 1st January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1st January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(ii) Changes in accounting policies (Continued)

HKFRS 16, Leases (Continued)

(a) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1st January 2019. For contracts entered into before 1st January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases. Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

(b) Lessee accounting and transitional impact

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 7. For an explanation of how the Group applies lessee accounting, see note 2.22.

At the date of transition to HKFRS 16 (i.e. 1st January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1st January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 3% for leases denominated in Hong Kong Dollar and 5% for leases denominated in Renminbi.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(ii) Changes in accounting policies (Continued)

HKFRS 16, Leases (Continued)

(b) Lessee accounting and transitional impact (Continued)

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31st December 2019;

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment); and

(iii) when measuring the right-of-use assets at the date of initial application of HKFRS 16, the group relied on the previous assessment for onerous contract provisions as at 31st December 2018 as an alternative to performing an impairment review.

The following table reconciles the operating lease commitments as disclosed in note 37(b) as at 31st December 2018 to the opening balance for lease liabilities recognised as at 1st January 2019:

	As at 1st January 2019 HK$'000
Operating lease commitments at 31st December 2018	77,526
Less: commitments relating to leases exempt from capitalisation	
– short-term leases and other leases with remaining lease term ending on or before 31st December 2019	(21,360)
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	8,279
	64,445
Less: total future interest expenses	(3,256)
Total lease liabilities recognised at 1st January 2019	**61,189**

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(ii) Changes in accounting policies (Continued)

HKFRS 16, Leases (Continued)

(b) Lessee accounting and transitional impact (Continued)

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31st December 2018.

(c) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1st January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element (see note 35(b)). These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement (see note 35(c)).

(d) Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not leave a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40, Investment properties, to account for all of its leasehold properties that were held for investment purposes as at 31st December 2018. Consequentially, these leasehold investment properties continue to be carried at cost less accumulated depreciation and impairment losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(ii) Changes in accounting policies (Continued)

HKFRS 16, Leases (Continued)

(e) Lessor accounting

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

(iii) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31st December 2019

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31st December 2019 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, *Definition of a business*	**1st January 2020**
Amendments to HKAS 1 and HKAS 8, *Definition of material*	**1st January 2020**

The Group is in the process of making an assessment of what the impact of these developments is expected to be in the period of initial application. So far it has concluded that the adoption of them is unlikely to have a significant impact on the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. Investments in associates are accounted for using the equity method of accounting (see (iv) below), after initially being recognised at cost.

(iii) Joint ventures

A joint venture is an arrangement whereby the Group or Company and other parties contractually agree to share control of the arrangement, and have rights to the net assets of the arrangement.

Investments in joint ventures are accounted for using the equity method (see (iv) below), after initially being recognised at cost.

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 2.10.

(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 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment (see note 2.10). 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.

2.4 Foreign currency translation

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 currency and the Group's presentation currency.

Foreign currency transactions during the year are translated at the foreign exchange rates ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the foreign exchange rates ruling at the end of the reporting period. Exchange gains and losses are recognised in profit or loss.

Non-monetary assets and liabilities that are measured in terms of historical cost in a foreign currency are translated using the foreign exchange rates ruling at the transaction dates. The transaction date is the date on which the Group initially recognises such non-monetary assets or liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Foreign currency translation (Continued)

The results of foreign operations are translated into Hong Kong dollars at the exchange rates approximating the foreign exchange rates ruling at the dates of the transactions. Statement of financial position items, including goodwill arising on consolidation of foreign operations are translated into Hong Kong dollars at the closing foreign exchange rates at the end of the reporting period. The resulting exchange differences are recognised in other comprehensive income and accumulated separately in equity in the exchange reserve. Goodwill arising on consolidation of a foreign operation acquired before 1st January 2005 is translated at the foreign exchange rate that applied at the date of acquisition of the foreign operation.

On disposal of a foreign operation, the cumulative amount of the exchange differences relating to that foreign operation is reclassified from equity to profit or loss when the profit or loss on disposal is recognised.

2.5 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) Property, plant and equipment

Property, plant and equipment, including right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest and right-of-use assets arising from leases of underlying plant and equipment (see note 2.22), are stated at historical cost less accumulated depreciation and impairment losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, Plant and equipment (Continued)

(ii) Property, plant and equipment (Continued)

Depreciation is calculated to write off the cost or valuation of items of property, plant and equipment, less their estimated residual value, if any, using the straight-line method over their estimated useful lives as follows:

Buildings	20 – 50 years
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 profit or loss. Improvements are capitalised and depreciated over their expected useful lives.

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 – net', in the profit or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2.22) to earn rental income and/or for capital appreciation. These include land held for a currently undetermined future use and property that is being constructed or developed for future use as investment property.

Investment properties are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation on investment properties is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives of 50 to 97 years. Rental income from investment properties is accounted for as described in note 2.20.

2.7 Land use rights

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

2.8 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets (Continued)

(ii) Software

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

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

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

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

The Group amortises software with a limited useful life using the straight-line method over 5 – 10 years. Both the period and method of amortisation are reviewed annually.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Financial assets

(i) Classification

The Group categories financial assets into three principal classification: measured at amortised cost, at fair value through other comprehensive income ("FVOCI") and at fair value through profit or loss ("FVPL"). The classification of financial assets is based on the business model under which the financial asset is managed ad its contractual cash flow characteristics.

The Group's financial assets include trade and other receivables excluding deposit (note 13), loans to joint ventures and fellow subsidiaries (note 16), structured bank deposits (note 17) and cash and cash equivalents (note 18).

(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 less allowance for credit losses.

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business when the Group has an unconditional right to receive consideration. 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 stated at amortised cost using the effective interest method less allowance for credit losses.

The Group assess on a forward-looking basis the expected credit loss 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 statement of profit or loss. 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 statement of profit or loss.

2.12 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. Cash and cash equivalents are assessed for expected credit losses.

2.13 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 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.

2.15 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 profit or loss 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 profit or loss in the financial period in which they are incurred.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 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 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 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)

2.16 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.

2.17 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)

2.17 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.

2.18 Share-based payments

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

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

At the end of each reporting period, the Group revises its estimates of the number of options that are expected to vest based on the non-marketing performance and service conditions. It recognises the impact of the revision to original estimates, if any, in the statement of profit or loss, 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)

2.19 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.

2.20 Revenue and other income

Income is classified by the Group as revenue when it arises from the sale of goods, the provision of services or the use by others of the Group's assets under leases in the ordinary course of the Group's business.

Revenue is recognised when control over a product or service is transferred to the customer, or the lessee has the right to use the asset, at the amount of promised consideration to which the Group is expected to be entitled, excluding those amounts collected on behalf of third parties. Revenue excludes value added tax or other sales taxes and is after deduction of any trade discounts.

Further details of the Group's revenue and other income recognition policies are as follows:

(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)

2.20 Revenue and other income (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) Travel agency service

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

(vii) Interest income

Interest income is recognised using the effective interest method.

(viii) Dividend income

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

(ix) Rental income

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

(x) Passenger and maintenance services income

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

(xi) Oil trading

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

(xii) Marine bunkering services

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 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.

2.22 Leased assets

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

(i) As a lessee

(A) Policy applicable from 1st January 2019

Where the contract contains lease component and non-lease component, the Group has elected not to separate non-lease components and accounts for each lease component and any associated non-lease components as a single lease component for all leases.

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability, except for short-term leases that have a lease term of 12 months or less and leases of low-value assets which, for the Group are primarily laptops and office furniture. When the Group enters into a lease in respect of a low-value asset, the Group decides whether to capitalise the lease on a lease-by-lease basis. The lease payments associated with those leases which are not capitalised are recognised as an expense on a systematic basis over the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leased assets (Continued)

(i) As a lessee (Continued)

(A) Policy applicable from 1st January 2019 (Continued)

Where the lease is capitalised, the lease liability is initially recognised at the present value of the lease payments payable over the lease term, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, using a relevant incremental borrowing rate. After initial recognition, the lease liability is measured at amortised cost and interest expense is calculated using the effective interest method. Variable lease payments that do not depend on an index or rate are not included in the measurement of the lease liability and hence are charged to profit or loss in the accounting period in which they are incurred.

The right-of-use asset recognised when a lease is capitalised is initially measured at cost, which comprises the initial amount of the lease liability plus any lease payments made at or before the commencement date, and any initial direct costs incurred. Where applicable, the cost of the right-of-use assets also includes an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, discounted to their present value, less any lease incentives received. The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses (see notes 2.5 and 2.10).

The lease liability is remeasured when there is a change in future lease payments arising from a change in an index or rate, or there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or there is a change arising from the reassessment of whether the Group will be reasonably certain to exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

The Group presents right-of-use assets that do not meet the definition of investment property in 'property, plant and equipment' and presents lease liabilities separately in the consolidated statement of financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Leased assets (Continued)

(i) As a lessee (Continued)

(B) Policy applicable prior to 1st January 2019

In the comparative period, leases which did not transfer substantially all the risks and rewards of ownership to the Group were classified as operating leases.

Payments made under the leases were charged to profit or loss in equal instalments over the accounting periods covered by the lease term, except where an alternative basis was more representative of the pattern of benefits to be derived from the leased asset. Lease incentives received were recognised in profit or loss as an integral part of the aggregate net lease payments made. Contingent rentals were charged to profit or loss in the accounting period in which they were incurred.

(ii) As a lessor

When the Group acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to the ownership of an underlying assets to the lessee. If this is not the case, the lease is classified as an operating lease.

The rental income from operating leases is recognised in accordance with note 2.20.

2.23 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.

2.24 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 profit or loss 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 profit or loss on a straight-line basis over the expected lives of the related assets.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 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.

2.26 Inventories

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

2.27 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.

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 program 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.

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

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

At 31st December 2019, 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$11,664,000 (2018: HK$11,454,000) 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, 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 2019, if interest rates on financial assets had been 150 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$5,173,000 (2018: HK$5,211,000) 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 2019, if interest rates on financial liabilities had been 150 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$3,068,000 (2018: HK$3,465,000) 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.

The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables, cash and cash equivalents, structured bank deposits and loans to joint ventures and fellow subsidiaries.

The Group does not provide any guarantees which would expose the Group to credit risk.

For cash and cash equivalents and structured bank deposits, 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.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. 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.

Individual credit evaluations are performed on all customers requiring credit over a certain amount. These evaluations focus on the customer's past history of making payments when due and current ability to pay, and take into account information specific to the customer as well as pertaining to the economic environment in which the customer operates. Trade receivables are due within seven days to three months from the date of billing. Normally, the Group does not obtain collateral from customers.

The Group measures loss allowances for trade and other receivables at an amount equal to lifetime expected credit losses, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. The Group considered that there is no significant loss allowance recognised in accordance with HKFRS 9 as at 31st December 2019 and 31st December 2018, and no expected credit loss rate has therefore been disclosed.

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (Continued)

(i) Trade and other receivables (Continued)

Movement in the loss allowance account in respect of trade receivables during the year is as follows:

	2019 $'000	2018 $'000
Balance at 1st January	**4,795**	5,040
Amounts written off during the year	**–**	13
Reversal for impairment	**(37)**	(258)
Impairment losses recognised during the year	**194**	–
Balance at 31st December	**4,952**	4,795

(ii) Credit risk arising from loans to joint ventures and fellow subsidiaries

Loans to joint ventures and fellow subsidiaries are granted taken into account of their financial position, past experience and other factors. The Group monitors the credibility of joint ventures and fellow subsidiaries continuously by monitoring the operation and financial position of joint ventures and fellow subsidiaries and considers that the credit risk arising from the loans is insignificant.

(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
At 31st December 2019					
Bank borrowings	62,207	21,834	60,693	84,132	228,866
Amounts due to the non-controlling interests	78,346	–	–	–	78,346
Trade payables, accruals and other payables	485,587	–	–	–	485,587
At 31st December 2018					
Bank borrowings	114,049	23,363	98,090	67,294	302,796
Amounts due to the non-controlling interests	82,741	–	–	–	82,741
Loan from a third party	1,004	–	–	–	1,004
Trade payables, accruals and other payables	503,610	–	–	–	503,610

3.2 CAPITAL RISK MANAGEMENT

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

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

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 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 is 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

The Group's goodwill, property plant and equipment and land use rights amounted to HK$2,163,437,000 as at 31st December 2019. Management has performed impairment assessment on these 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 2.8. Determining whether goodwill is impaired requires an estimation of the recoverable amounts of CGUs 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 (Continued)

According to the accounting policies stated in Note 2.10, 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 10.

If the discount rates used in the calculations had been higher by 0.5%, or the revenue growth rates had been lower by 0.7%, 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) Loss allowance for trade and other receivables

Management measures the loss allowance for expected credit losses of trade and other receivables based on the credit history of its customers, the current market situation and forecasts of future economic conditions. 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, Macao and the PRC. Significant judgement is required in determining the provision for income taxes in Hong Kong, Macao 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.

Revenue from contracts with customers within the scope of HKFRS 15	**2019 HK$'000**	2018 HK$'000
Cargo transportation	**1,235,498**	1,284,378
Cargo handling and storage	**297,534**	297,478
Passenger transportation	**116,541**	198,513
Fuel supply	**479,403**	608,453
Corporate and other business	**18,900**	15,674
	2,147,876	2,404,496

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

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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 statement of profit or loss.

	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 2019						
Total revenue	1,337,079	445,675	116,541	536,870	39,527	2,475,692
Inter-segment revenue	(101,581)	(148,141)	–	(57,467)	(20,627)	(327,816)
Revenue (from external customers)	1,235,498	297,534	116,541	479,403	18,900	2,147,876
Timing of revenue recognition						
At a point in time	–	–	34,155	479,403	1,623	515,181
Over time	1,235,498	297,534	82,386	–	17,277	1,632,695
	1,235,498	297,534	116,541	479,403	18,900	2,147,876
Segment profit before income tax expense	28,326	135,682	32,323	14,376	55,776	266,483
Income tax expense	(2,795)	(11,687)	(2,708)	(1,778)	(15,367)	(34,335)
Segment profit after income tax expense	25,531	123,995	29,615	12,598	40,409	232,148
Segment profit before income tax expense includes:						
Finance income	1,559	1,851	1,069	424	21,852	26,755
Finance cost	(110)	(8,607)	(423)	(34)	(3,228)	(12,402)
Depreciation and amortisation	(14,475)	(103,475)	(3,555)	(2,916)	(8,306)	(132,727)
Share of profits less losses of:						
Joint ventures	2,167	108,593	19,683	–	–	130,443
Associates	–	4,643	2,117	–	–	6,760
Gain on disposal of owner-occupied property	–	–	–	–	55,751	55,751

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 (note)						
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

Note: The Group has initially applied HKFRS 16 at 1st January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.1(ii).

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 2019							
Total segment assets	679,314	2,582,488	654,733	165,817	1,902,190	(1,610,612)	4,373,930
Total segment assets include:							
– Joint ventures	32,881	131,938	222,187	–	–	–	387,006
– Associates	–	37,939	76,259	–	–	–	114,198
Additions to non-current assets (excluding deferred income tax assets)	42,425	162,100	29,095	1,743	20,787	–	256,150
Total segment liabilities	(550,321)	(752,312)	(178,055)	(66,997)	(989,770)	1,610,612	(926,843)
As at 31st December 2018 (note)							
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)

Note: The Group has initially applied HKFRS 16 at 1st January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.1(ii).

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical analysis

The Group's revenue is substantially 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:

	2019 HK$'000	2018 HK$'000 (note)
Non-current assets excluding joint ventures and associates and deferred income tax assets		
Hong Kong	**858,123**	787,568
Mainland China	**1,338,907**	1,339,149
	2,197,030	2,126,717
Joint ventures and associates		
Hong Kong	**68,274**	61,632
Singapore	**12,992**	11,436
Mainland China	**419,938**	479,134
	501,204	552,202
Deferred income tax assets	**4,494**	4,840
	2,702,728	2,683,759

Note: The Group has initially applied HKFRS 16 at 1st January 2019 using the modified retrospective approach. Under this approach, the comparative information is not restated. See note 2.1(ii).

6 PROPERTY, PLANT AND EQUIPMENT

	Ownership interest in leasehold land and buildings HK$'000	Other properties leased for own use HK$'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 31st December 2018	1,684,082	–	50,234	53,735	441,990	68,677	55,698	15,511	76,764	2,446,691
Impact on initial adoption of HKFRS 16	–	61,189	–	–	–	–	–	–	–	61,189
At 1st January 2019	1,684,082	61,189	50,234	53,735	441,990	68,677	55,698	15,511	76,764	2,507,880
Exchange differences	(16,460)	(153)	(620)	(349)	(8,357)	(706)	(408)	(10)	–	(27,063)
Additions	6,783	11,775	88,585	11,431	36,702	728	3,998	3,357	438	163,797
Transfer	6,309	–	(7,784)	–	1,033	442	–	–	–	–
Disposals/write-off	(6,437)	–	–	(269)	(16,590)	(1,309)	(3,629)	(927)	–	(29,161)
At 31st December 2019	1,674,277	72,811	130,415	64,548	454,778	67,832	55,659	17,931	77,202	2,615,453
Accumulated depreciation										
At 1st January 2019	350,940	–	–	31,156	246,646	47,054	46,293	13,459	47,104	782,652
Exchange differences	(2,921)	(74)	–	(154)	(5,177)	(486)	(309)	(5)	–	(9,126)
Charge for the year	41,554	23,530	–	6,000	35,347	5,771	2,779	1,294	3,392	119,667
Write back on disposal	(1,090)	–	–	–	(8,034)	(679)	(3,403)	(820)	–	(14,026)
Write-off	2,388	–	–	–	–	–	–	–	–	2,388
At 31st December 2019	390,871	23,456	–	37,002	268,782	51,660	45,360	13,928	50,496	881,555
Net book value										
At 31st December 2019	1,283,406	49,355	130,415	27,546	185,996	16,172	10,299	4,003	26,706	1,733,898

	Ownership interest in leasehold 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

Property, plant and equipment of the Group with net book value amounting to HK$177,145,000 (2018: HK$187,558,000) have been pledged as securities for the bank loans of the Group (note 25).

7 RIGHT-OF-USE ASSETS

The analysis of the net book value of right-of-use assets by class of underlying asset is as follows:

	Note	**31st December 2019 $'000**	1st January 2019 $'000
Ownership interests in leasehold land and buildings with remaining lease term of:	7(i)		
– Between 10 and 50 years		**1,179,870**	1,222,547
– 50 years or more		**103,536**	110,595
		1,283,406	1,333,142
Other properties leased for own use	7(ii)	**49,355**	61,189
		1,332,761	1,394,331
Land use rights	7(i) & 9	**385,927**	409,130
Ownership interests in leasehold investment property with remaining lease term of 50 years or more	8	**33,593**	4,658
		1,752,281	1,808,119

7 RIGHT-OF-USE ASSETS (CONTINUED)

The analysis of expense items in relation to leases recognised in profit or loss is as follows:

	2019 $'000	2018 (Note) $'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land and buildings	**41,554**	42,623
Other properties leased for own use	**23,530**	–
Land use rights	**11,465**	11,119
Ownership interests in leasehold investment property	**303**	57
	76,852	53,799
Interest on lease liabilities (note 29)	**1,950**	–
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31st December 2019	**139,074**	–
Total minimum lease payments for leases previously classified as operating leases under HKAS 17	**–**	180,962

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1st January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. The depreciated carrying amount of the finance lease assets which were previously included in property, plant and equipment is also identified as a right-of-use asset. After initial recognition of right-of-use assets at 1st January 2019, the Group as a lessee is required to recognise the depreciation of right-of-use assets, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. Under this approach, the comparative information is not restated. See note 2.1(ii).

During the year, additions to right-of-use assets were $41,334,000. This amount included the purchase of a leasehold land of $29,559,000, and the remainder primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities and the future cash outflows arising from leases that are not yet commenced are set out in notes 35(c) and 23, respectively.

7 RIGHT-OF-USE ASSETS (CONTINUED)

(i) Ownership interests in leasehold land and buildings held for own use and land use rights

The Group is the registered owner of these interests, including the whole or part of undivided share in the underlying land. Lump sum payments were made upfront to acquire these interests from their previous registered owners, and there are no ongoing payments to be made under the terms of the land lease, other than payments based on ratable values set by the relevant government authorities. These payments vary from time to time and are payable to the relevant government authorities.

(ii) Other properties leased for own use

The Group has obtained the right to use other properties as its warehouses and staff dormitories through tenancy agreements. The leases typically run for an initial period of 2 years.

8 INVESTMENT PROPERTIES

	2019 **HK$'000**	2018 HK$'000
Cost:		
At 1st January	**5,551**	5,551
Exchange difference	**(324)**	–
Addition	**29,559**	–
At 31st December	**34,786**	5,551
Accumulated depreciation:		
At 1st January	**893**	836
Exchange difference	**(3)**	–
Charge for the year	**303**	57
At 31st December	**1,193**	893
Closing net book value as at 31st December	**33,593**	4,658

The fair value of the Group's investment properties was appraised at HK$89,296,000 as at 31st December 2019 (2018: HK$59,696,000).

The Group leases out investment properties under operating leases. The leases typically run for an initial period of 2 to 8 years, with an option to renew the lease after that date at which time all terms are renegotiated.

8 INVESTMENT PROPERTIES (CONTINUED)

Undiscounted lease payments under non-cancellable operating leases in place at the reporting date will be receivable by the Group in future periods are as follows:

	2019 **HK$'000**	2018 HK$'000
Within 1 year	**2,791**	1,726
After 1 year but within 5 years	**18,326**	–
Over 5 years	**13,939**	–
	35,056	1,726

9 LAND USE RIGHTS

	2019 **HK$'000**	2018 HK$'000
Opening net book value as at 1st January	**409,130**	440,255
Exchange differences	**(11,738)**	(20,006)
Amortisation	**(11,465)**	(11,119)
Closing net book value as at 31st December	**385,927**	409,130

Land use rights of the Group with net book value amounting to HK$184,384,000 (2018: HK$189,151,000) have been pledged as securities for the bank loans of the Group (note 25).

10 INTANGIBLE ASSETS

	Goodwill HK$'000	Software HK$'000	Total HK$'000
Cost:			
At 1st January 2018	37,837	9,895	47,732
Exchange differences	(1,740)	27	(1,713)
Additions	–	349	349
At 31st December 2018	36,097	10,271	46,368
At 1st January 2019	36,097	10,271	46,368
Exchange differences	(791)	(30)	(821)
Additions	–	1,605	1,605
At 31st December 2019	35,306	11,846	47,152
Accumulated amortisation:			
At 1st January 2018	–	1,113	1,113
Exchange differences	–	(5)	(5)
Charge for the year	–	1,148	1,148
At 31st December 2018	–	2,256	2,256
At 1st January 2019	–	2,256	2,256
Exchange differences	–	(8)	(8)
Charge for the year	–	1,292	1,292
At 31st December 2019	–	3,540	3,540
Net book value:			
At 31st December 2019	35,306	8,306	43,612
At 31st December 2018	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, storage 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.

10 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:

	2019	2018
Long term growth rate	**3%**	3%
Discount rates	**12%**	10%

11 SUBSIDIARIES

(a) Details of the subsidiaries as at 31st December 2019 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%**

11 SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries as at 31st December 2019 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	Transhipment 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 Macao 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%**

11 SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries as at 31 December 2019 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	RMB170,129,600	**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	Macao	Management of ships in Macao	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	RMB35,860,000	**80%**

11 SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries as at 31st December 2019 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%**

(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.

12 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	2019 HK$'000	2018 HK$'000
Investments in joint ventures	**401,270**	417,223
Provision for impairment of joint ventures	**(14,264)**	(2,844)
	387,006	414,379
Investment in associates	**114,198**	137,823

(a) Details of the principal joint ventures and associates as at 31st December 2019 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%[2]
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]
Heshan Port Construction & Development General Company #	PRC	Investment holding	40%[1]

12 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(a) Details of the principal joint ventures and associates as at 31st December 2019 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)			
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%[2]
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%
Chu Kong Logistics (Thailand) Ltd.	Thailand	Shipping agency and freight forwarding agency	29.4%
CKPT-WACI joint venture	Hong Kong	Passenger Assistance Services	60.0%
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.

2 The Group and the other parties of these joint venture each has 50 per cent of the voting rights and the contractual arrangement between them specifies that at least 51 per cent of the voting rights are required to make decisions to direct the activities that significantly affect the returns of the arrangements.

12 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 2019, 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 2019 and 2018 and summarised statement of comprehensive income for the year ended 31st December 2019 and 2018

	ZHPS	
	2019	2018
	HK$'000	HK$'000
Current assets	**106,114**	216,496
Current liabilities	**(59,310)**	(98,937)
Non-current assets	**418,168**	370,824
Non-current liability	**(7,924)**	(6,660)
Revenue	**251,996**	330,465
Profit after income tax	**42,142**	90,075

Reconciliation of summarised financial information

	ZHPS	
	2019	2018
	HK$'000	HK$'000
Opening net assets 1st January	**481,723**	412,697
Profit for the year	**42,142**	90,075
Dividend declared and settled	**(55,816)**	–
Currency translation differences	**(11,001)**	(21,049)
Closing net assets as at 31st December	**457,048**	481,723
Interest in joint venture	**40%**	40%
Share of net assets	**182,819**	192,689
Carrying value	**182,819**	192,689

12 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

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

	2019 HK$'000	2018 HK$'000
Profit for the year	**113,586**	19,916
Other comprehensive loss	**(5,125)**	(9,252)
Total comprehensive income	**108,461**	10,664

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

	2019 HK$'000	2018 HK$'000
Profit for the year	**6,760**	14,604
Other comprehensive loss	**(2,499)**	(5,103)
Total comprehensive income	**4,261**	9,501

13 DEPOSITS

	2019 HK$'000	2018 HK$'000
Deposits for purchase of property, plant and equipment	**–**	4,778

14 DEFERRED INCOME TAX

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

	2019 HK$'000	2018 HK$'000
At 1st January	**80,301**	82,705
Charged to profit or loss (note 30)	**13,090**	2,161
Transfer to current income tax payables	**(14,017)**	(1,853)
Exchange difference	**(1,129)**	(2,712)
At 31st December	**78,245**	80,301

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

Deferred income tax assets	**Tax losses** HK$'000	**Decelerated tax depreciation** HK$'000	**Total** HK$'000
At 1st January 2018	(7,390)	(356)	(7,746)
(Credited)/charged to profit or loss	(2,168)	90	(2,078)
Exchange difference	272	–	272
At 31st December 2018 and 1st January 2019	(9,286)	(266)	(9,552)
Charged/(credited) profit or loss	601	(91)	510
Exchange difference	84	–	84
At 31st December 2019	(8,601)	(357)	(8,958)

14 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities	Capital gain tax HK$'000	Accelerated tax depreciation HK$'000	Undistributed profits of PRC entities not wholly-owned HK$'000	Total HK$'000
At 1st January 2018	11,950	47,758	30,743	90,451
Charged to profit or loss	–	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 and 1st January 2019	11,950	48,394	29,509	89,853
(Credited)/charged to profit or loss	–	(1,365)	13,945	12,580
Transfer to current income tax payables	–	–	(14,017)	(14,017)
Exchange difference	–	(415)	(798)	(1,213)
At 31st December 2019	11,950	46,614	28,639	87,203

The reconciliation to the consolidated statement of financial position is as follows:

	2019 HK$'000	2018 HK$'000
Net deferred tax asset recognised in the consolidated statement of financial position	**(4,494)**	(4,840)
Net deferred tax liability recognised in the consolidated statement of financial position	**82,739**	85,141
	78,245	80,301

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 2019, the Group have unrecognised tax losses of HK$201,667,000 (2018: HK$166,600,000) to carry forward. These tax losses have no expiry dates except for tax losses of HK$146,456,000 (2018: HK$122,151,000) of the Group which will expire in the period from 2020 to 2024 (2018: 2019 to 2023).

The Group's wholly owned PRC subsidiaries have undistributed earnings of RMB97,715,000 (equivalent to approximately HK$109,081,000) 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.

15 INVENTORIES

	2019 HK$'000	2018 HK$'000
Diesel	**1,671**	819
Engine lubricant	**143**	446
	1,814	1,265

The cost of inventories recognised as expense and included in 'cost of sales/services rendered' amounted to HK$489,850,000 (2018: HK$565,175,000).

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

	2019 HK$'000	2018 HK$'000
Trade receivables		
– third parties	**206,545**	209,019
– joint ventures and an associate	**2,172**	5,616
– fellow subsidiaries	**23,901**	18,174
– other related companies	**16,949**	15,416
Trade receivables, net (note (a))	**249,567**	248,225
Other receivables:		
– third parties	**87,685**	91,985
– immediate holding company (note (b))	**9,374**	11,223
– fellow subsidiaries (note (b))	**10,024**	32,071
– joint ventures and associates (note (b))	**29,561**	23,797
	136,644	159,076
Total trade and other receivables	**386,211**	407,301
Loans to joint ventures and fellow subsidiaries (note (c))	**4,465**	13,189

16 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:

	2019 **HK$'000**	2018 HK$'000
Within 3 months	**230,659**	217,763
4 to 6 months	**13,972**	24,540
7 to 12 months	**5,292**	2,929
Over 12 months	**4,596**	7,788
	254,519	253,020
Less: loss allowance recognised	**(4,952)**	(4,795)
	249,567	248,225

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

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

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

	2019 **HK$'000**	2018 HK$'000
Unsecured loans		
– interest-free	**–**	4,495
– at floating rate (note)	**4,465**	8,694
	4,465	13,189

Note:

The loans bear interest at the base lending rate announced by the People's Bank of China ("PBOC") (2018: base lending rate announced by the PBOC).

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

(d) The carrying amounts of trade and other receivables denominated in a currency other than the functional currency of the entity to which they relate are as follows:

	2019 HK$'000	2018 HK$'000
Hong Kong dollar	**7,465**	4,414
Renminbi	**3,346**	2,771
United States dollar	**33,398**	35,693
	44,209	42,878

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

17 STRUCTURED BANK DEPOSITS

As at 31st December 2019, 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.

18 CASH AND CASH EQUIVALENTS

	2019 HK$'000	2018 HK$'000
Cash at bank and on hand	**343,505**	492,148
Deposits with banks	**525,766**	413,182
	869,271	905,330

The carrying amounts of cash and cash equivalents denominated in a currency other than the functional currency of the entity to which they relate are as below:

	2019 HK$'000	2018 HK$'000
Hong Kong dollar	**38,068**	63,322
Renminbi	**159,274**	158,032
United States dollar	**111,593**	136,872
Macao pataca	**11**	2,135
Euro	**22**	33
	308,968	360,394

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

19 SHARE CAPITAL

Ordinary shares, issued and fully paid

	Number of shares ('000)	Share Capital HK$'000
At 1st January 2018	1,101,890	1,376,295
Issue of scrip dividend shares (note)	19,277	38,823
At 31st December 2018, 1st January 2019 and 31st December 2019	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.

20 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:

	2019		2018	
	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**	**1,681**	2.33	6,863
Forfeited	**2.33**	**(1,681)**	2.33	(5,182)
At 31st December	**–**	**–**	2.33	1,681

20 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) 2019	2018
2024	–	–	1,681
	–	–	1,681

The weighted average fair value of options granted determined using the Binomial Option Pricing Model was HK$0.67 per option. During the year ended 31st December 2019, the total expense charged to the profit or loss for share options granted to directors and employees was HK$Nil (2018: credited to the profit or loss HK$2,270,000).

21 RESERVES

(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.

(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.

22 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	2019 HK$'000	2018 HK$'000
Trade payables (notes (a) and (c)):		
– third parties	**186,398**	210,283
– immediate holding company	**38,903**	34,173
– fellow subsidiaries	**5,456**	5,660
– joint ventures and associates	**30,262**	17,572
– other related companies	**2,075**	3,568
	263,094	271,256
Accruals and other payables:		
– third parties	**195,594**	207,085
– immediate holding company (note (c))	**1,654**	653
– fellow subsidiaries (note (c))	**5,554**	4,286
– joint ventures and associates (note (c))	**18,238**	19,521
– other related companies (note (c))	**1,453**	809
Contract liabilities (note (e))	**8,746**	11,698
	231,239	244,052
	494,333	515,308

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

	2019 HK$'000	2018 HK$'000
Within 3 months	**261,082**	269,840
4 to 6 months	**56**	23
7 to 12 months	**306**	225
Over 12 months	**1,650**	1,168
	263,094	271,256

22 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES (CONTINUED)

(b) The carrying amounts of trade payables, accruals and other payables denominated in a currency other than the functional currency of the entity to which they relate are as below:

	2019 HK$'000	2018 HK$'000
Hong Kong dollar	**3,305**	1,457
Renminbi	**59,129**	58,924
United States dollar	**19,554**	21,725
	81,988	82,106

(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.

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 LEASE LIABILITIES

The following table shows the remaining contractual maturities of the Group's lease liabilities at the end of the current and previous reporting periods and at the date of transition to HKFRS 16:

	31st December 2019		1st January 2019 (Note)		31st December 2018 (Note)	
	Present value of the minimum lease payments $'000	Total minimum lease payments $'000	Present value of the minimum lease payments $'000	Total minimum lease payments $'000	Present value of the minimum lease payments $'000	Total minimum lease payments $'000
Within 1 year	**18,193**	**19,472**	22,621	23,038	–	–
After 1 year but within 2 years	**13,987**	**14,759**	16,861	17,695	–	–
After 2 years but within 5 years	**18,184**	**18,597**	21,707	23,712	–	–
	32,171	**33,356**	38,568	41,407	–	–
	50,364	**52,828**	61,189	64,445	–	–
Less: total future interest expenses		**(2,464)**		(3,256)		–
Present value of lease liabilities		**50,364**		61,189		–

Note: The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1st January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Comparative information as at 31st December 2018 has not been restated and relates solely to leases previously classified as finance leases. Further details on the impact of the transition to HKFRS 16 are set out in note 2.1(ii).

24 LOAN FROM A THIRD PARTY AND AMOUNTS DUE TO THE NON-CONTROLLING INTERESTS

(a) Breakdown of loan from a third party

	2019 HK$'000	2018 HK$'000
Current		
– interest-free (note)	**–**	1,004

Note:

The amount is denominated in Renminbi, unsecured and repayable on demand.

24 LOAN FROM A THIRD PARTY AND AMOUNTS DUE TO THE NON-CONTROLLING INTERESTS (CONTINUED)

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

	2019 HK$'000	2018 HK$'000
Current		
– at floating rate (note (i))	**9,489**	13,695
– interest-free (note (ii))	**68,450**	68,450
	77,939	82,145

Notes:

(i) The amounts are denominated in Renminbi, unsecured and interest-bearing at the base lending rate announced by the PBOC (2018: base lending rate announced by the PBOC).

(ii) The amounts are denominated in Hong Kong dollars, unsecured and repayable in 2020 (2018: repayable in 2019).

25 BORROWINGS

	2019 HK$'000	2018 HK$'000
Unsecured, short term bank loans	**50,000**	–
Long term bank loans:		
– secured	**144,592**	162,994
– unsecured	**–**	100,000
	194,592	262,994

25 BORROWINGS (CONTINUED)

The maturity of the bank loans is as follows:

	2019 HK$'000	2018 HK$'000
Repayable within one year	**53,896**	103,983
Repayable within one to two years	**15,583**	3,983
Repayable within two to five years	**46,748**	93,445
Repayable more than five years	**78,365**	61,583
	194,592	262,994
Current portion included in current liabilities	**(53,896)**	(103,983)
	140,696	159,011

The secured bank loan is secured by certain property, plant and equipment (note 6) and land use rights (note 9) of the Group, denominated in Renminbi and interest bearing at the base lending rate announced by the PBOC.

26 COSTS AND EXPENSES BY NATURE

	2019 HK$'000	2018 HK$'000
Amortisation of land use rights (note 9)	**11,465**	11,119
Auditor's remuneration		
– audit services	**2,026**	3,352
– non-audit services	**1,209**	1,604
Depreciation of property, plant and equipment (note 6)	**119,667**	92,738
Depreciation of investment properties	**303**	57
Depreciation of intangible assets	**1,292**	1,148
Operating lease rental expenses		
– vessels and barges	**131,787**	150,123
– buildings	**7,287**	25,839
– properties that generated rental income	**–**	5,000
Staff costs (including directors' emoluments) (note 33)	**379,493**	385,033

27 OTHER INCOME

	2019 HK$'000	2018 HK$'000
Management fee income from CKSE (note 38(a)(i))	**30,000**	30,000
Property rental income	**1,759**	1,726
Government grants (note)	**22,616**	10,824
Subsidies income	**571**	1,634
Others	**1,352**	922
	56,298	45,106

Note: There were no unfulfilled conditions and other contingencies attached to the receipts of these government grants. There is no assurance that the Group will continue to receive such grant in the future.

28 OTHER GAINS – NET

	2019 HK$'000	2018 HK$'000
Exchange losses, net	**(2,830)**	(9,339)
Gain on disposal of subsidiaries, net	**–**	53,791
Gain on disposal of interests in joint ventures and an associate, net	**–**	2,156
Impairment loss of property, plant and equipment	**(2,388)**	–
Loss on write-off of property, plant and equipment	**–**	(142)
Gain on disposals of property, plant and equipment (note)	**56,340**	25
Reversal for impairment of trade receivables, net (note 3.1(b)(i))	**37**	258
	51,159	46,749

Note: The gain on disposals of property, plant and equipment mainly included the disposal of 23/F of Chu Kong Shipping Tower, an owner-occupied property with a carrying amount of HK$4,649,000 at the date of disposal, at a consideration of HK$60,400,000 to Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE"), the immediate holding company. The gain on disposal was approximately HK$55,751,000.

29 FINANCE INCOME AND COSTS

	2019 HK$'000	2018 HK$'000
Finance income		
Interest income on loan to a joint venture	**258**	1,963
Interest income on short-term, structured bank deposits and bank balances	**26,497**	18,889
	26,755	20,852
Finance cost		
Interest expense on bank borrowings	**12,455**	11,524
Interest expense on amount due to non-controlling interests	**510**	437
Interest expense on lease liabilities	**1,950**	–
Less: amounts capitalised on qualifying assets	**(2,513)**	(3,473)
	12,402	8,488

The capitalisation rate applied to funds borrowed is 3.9% (2018: 3.5%) per annum.

30 INCOME TAX EXPENSE

	2019 HK$'000	2018 HK$'000
Current income tax		
– Hong Kong profits tax	**9,992**	20,589
– PRC corporate income tax	**9,787**	14,200
– Macao profits tax	**1,819**	2,681
– (Over)/under provision in prior years	**(353)**	1,496
Deferred income tax expense (note 14)	**13,090**	2,161
	34,335	41,127

Hong Kong profits tax has been provided at the rate of 16.5% (2018: 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% (2018: 25%). Macao profits tax has been provided at the rate of 12% (2018: 12%) on the estimated assessable profit for the year.

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:

	2019 HK$'000	2018 HK$'000
Profit before income tax	**266,483**	263,682
Less: share of profits less losses of:		
– Joint ventures	**(130,443)**	(55,946)
– Associates	**(6,760)**	(14,604)
Profit before share of profits less losses of joint ventures and associates, and income tax expense	**129,280**	193,132
Calculated at a tax rate of 16.5% (2018: 16.5%)	**21,331**	31,867
Effect of different tax rates applicable to the subsidiaries in the PRC and Macao	**(726)**	(676)
Income not subject to income tax	**(112,153)**	(117,970)
Expenses not deductible for income tax purposes	**100,265**	116,125
Tax losses not recognised	**12,057**	8,024
(Over)/under provision in prior years	**(353)**	1,496
Utilisation of previously unrecognised tax loss	**(554)**	(200)
	19,867	38,666
Withholding income tax on undistributed profits of PRC enterprises and loan interest income from PRC	**14,468**	2,461
Income tax expense	**34,335**	41,127

31 DIVIDENDS

	2019 HK$'000	2018 HK$'000
Interim, paid, of HK3 cents (2018: HK3 cents) per ordinary share	**33,635**	33,635
Final, proposed, of HK3 cents (2018: HK6 cents) per ordinary share	**33,635**	67,270
	67,270	100,905

On 26th March 2020, the board of directors proposed a final dividend of HK3 cents per ordinary share (2018: HK6 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 2018 and the interim dividends for the year 2019, amounting to HK$100,905,000 (2018: HK$88,729,000).

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.

	2019	2018
Profit attributable to equity holders of the Company (HK$'000)	**214,078**	226,072
Weighted average number of ordinary shares in issue ('000)	**1,121,167**	1,110,710
Basic earnings per share (HK cents)	**19.09**	20.35

Diluted

The potential ordinary shares in respect of the Company's share options were anti-dilutive for the year ended 31st December 2019. The basic earnings per share for the year ended 31st December 2019 was equal to the diluted earnings per share.

Diluted earnings per share for the years ended 31st December 2019 and 2018 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)

	2019 HK$'000	2018 HK$'000
Salaries and allowances	360,637	365,339
Share options forfeited to directors and employees	–	(2,270)
Retirement benefit costs – defined contribution plans (note)	18,856	21,964
	379,493	385,033

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 statement of profit or loss 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 2019 include three (2018: three) directors whose emoluments are reflected in the analysis shown in note 38. The emoluments payable to the remaining two (2018: two) highest paid individuals during the year are as follows:

	2019 **HK$'000**	2018 HK$'000
Basic salaries, bonuses, housing allowances, other allowances and benefits in kind	**2,103**	2,003
Retirement benefit costs – defined contribution plans	**36**	36
Share options forfeited	**–**	(93)
	2,139	1,946

The emoluments of the two (2018: two) highest paid individuals fell within the following bands:

	Number of individuals	
	2019 **HK$'000**	2018 HK$'000
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

	2019 HK$'000	2018 (Note) HK$'000
Operating profit	**114,927**	180,768
Amortisation of land use rights	**11,465**	11,119
Amortisation of intangible asset	**1,292**	1,148
Depreciation of property, plant and equipment and investment properties	**119,970**	92,795
Impairment loss of property, plant and equipment	**2,388**	–
Gain on disposals of property, plant and equipment, net	**(56,340)**	(25)
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	**(37)**	(258)
Share-based payments	**–**	(2,270)
Amortisation of deferred income	**(3,626)**	(2,552)
Government grants received	**–**	6,876
Operating profit before working capital changes	**190,039**	231,654
(Increase)/decrease in inventories	**(549)**	1,362
Decrease in trade and other receivables	**21,127**	87,150
Decrease in trade payables, accruals and other payables	**(20,975)**	(74,190)
Cash generated from operations	**189,642**	245,976

Note:

The Group has initially applied HKFRS 16 using the modified retrospective approach and adjusted the opening balances at 1st January 2019 to recognise right-of-use assets and lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. Previously, cash payments under operating leases made by the group as a lessee of $180,962,000 were classified as operating activities in the consolidated cash flow statement. Under HKFRS 16, except for short-term lease payments, payments for leases of low value assets and variable lease payments not included in the measurement of lease liabilities, all other rentals paid on leases are now split into capital element and interest element (see note 35(b)) and classified as financing cash outflows. Under the modified retrospective approach, the comparative information is not restated. Further details on the impact of the transition to HKFRS 16 are set out in note 2.1(ii).

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 a third party HK$'000	Amount due to the non-controlling interests HK$'000	Lease liabilities HK$'000	Total HK$'000
As at 31st December 2018	–	262,994	1,004	82,145	–	346,143
Impact on initial adoption of HKFRS 16 (note)	–	–	–	–	61,189	61,189
As at 1st January 2019	–	262,994	1,004	82,145	61,189	407,332
Changes from financing cash flows:						
Proceeds from new bank loans	50,000	–	–	–	–	50,000
Repayment of bank loans	–	(115,000)	–	–	–	(115,000)
Repayment of loan from a third party	–	–	(1,004)	–	–	(1,004)
Repayment of amount due to the non-controlling interest	–	–	–	(4,206)	–	(4,206)
Capital element of lease rentals paid	–	–	–	–	(22,521)	(22,521)
Interest element of lease rentals paid	–	–	–	–	(1,950)	(1,950)
Total changes from financing cash flows	50,000	(115,000)	(1,004)	(4,206)	(24,471)	(94,681)
Foreign exchange difference	–	(3,402)	–	–	(78)	(3,480)
Other changes:						
Increase in lease liabilities from entering into new leases during the period	–	–	–	–	11,774	11,774
Interest expenses	–	–	–	–	1,950	1,950
Total other changes	–	–	–	–	13,724	13,724
As at 31st December 2019	50,000	144,592	–	77,939	50,364	322,895

35 NOTE TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Net debt reconciliation (Continued)

Note: The group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1st January 2019 to recognise lease liabilities relating to leases which were previously classified as operating leases under HKAS 17. See notes 2.1(ii) and 35(a).

(c) Total cash outflow for leases

Amounts included in the cash flow statement for leases comprise the following:

	2019 **HK$'000**	2018 HK$'000
Within operating cash flows	**139,074**	180,962
Within investing cash flows	**29,559**	–
Within financing cash flows	**24,471**	–
	193,104	180,962

Note: As explained in the note to note 35(a), the adoption of HKFRS 16 introduces a change in classification of cash flows of certain rentals paid on leases. The comparative amounts have not been restated.

These amounts relate to the following:

	2019 **HK$'000**	2018 HK$'000
Lease rentals paid	**163,545**	180,962
Purchase of leasehold investment property	**29,559**	–
	193,104	180,962

36 GAIN ON DISPOSAL OF SUBSIDIARIES AND JOINT VENTURES

(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. to its immediate holding company, 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 statement of profit or loss. The effect of this 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

During the year ended 31st December 2018, the Group recognised a loss of HK$243,000 from the disposal of other subsidiaries in the consolidated statement of profit or loss.

36 GAIN ON DISPOSAL OF SUBSIDIARIES AND JOINT VENTURES (CONTINUED)

(b) Gain on disposal of joint ventures

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., to a fellow subsidiary, 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 this disposal, a gain of HK$3,843,000 was recognised in the consolidated statement of profit or loss. 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.

During the year ended 31st December 2018, the Group recognised a loss of HK$45,000 from the disposal of other joint ventures in the consolidated statement of profit or loss.

(c) Loss on disposal of an associate

During the year ended 31st December 2018, the Group disposed its interest in an associate and recognised a loss of HK$1,642,000 in the consolidated statement of profit or loss.

37 COMMITMENTS

(a) Capital commitments

	2019 **HK$'000**	2018 HK$'000
Contracted but not provided for		
– Property, plant and equipment	**371,930**	79,704

(b) Commitments under operating leases

As at December 2018, the future aggregate minimum lease payables under non-cancellable operating leases are payable as follows:

	2018 HK$'000
Land and buildings:	
Not later than one year	31,764
Later than one year and not later than five years	31,586
	63,350
Vessels and barges:	
Not later than one year	14,176
	77,526

38 RELATED PARTY TRANSACTIONS

The directors of the Group regard CKSE as the immediate holding company, which owns 70% (2018: 70%) 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.

38 RELATED PARTY TRANSACTIONS (CONTINUED)

For the years 2019 and 2018, 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:

(a) Transactions with related parties

	Note	2019 HK$'000	2018 HK$'000
Revenues:			
Shipping agency, river trade cargo direct shipment and transhipment income			
– fellow subsidiaries		–	15
– joint ventures and an associate		4,470	8,910
– other related companies		12	326
Passenger transportation agency fees			
– fellow subsidiaries	(viii)	2,020	3,047
– joint ventures and an associate		8,348	12,332
– other related companies	(viii)	1,734	1,840
Ferry terminal operation service fees			
– fellow subsidiaries	(viii)	2,477	4,927
– a joint venture and an associate		16,319	23,545
– other related companies	(viii)	327	356
Sub-baggage handling services fee			
– a related company	(viii)	4,414	6,049
Management service fees			
– immediate holding company	(i), (viii)	30,000	30,000
– fellow subsidiaries	(ii)	–	2,015
– joint ventures and associates	(ii)	7,303	3,342
– a related company	(ii)	264	264

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

	Note	2019 HK$'000	2018 HK$'000
Revenues: (Continued)			
Vessel rental income			
– other related companies		**1,995**	2,086
– a fellow subsidiary		**725**	519
Interest income	(iii)		
– fellow subsidiaries		**–**	585
– a joint venture		**349**	290
Fuel supply income			
– fellow subsidiaries	(viii)	**42,331**	47,357
– joint ventures and an associate		**60,075**	71,623
– other related companies	(viii)	**38,174**	71,153
Marine bunkering service			
– fellow subsidiaries	(viii)	**757**	381
– an associate		**159**	237
– related companies	(viii)	**3,530**	3,816
Consulting and software service	(ii)		
– a fellow subsidiary		**–**	17
– joint ventures and an associate		**250**	251
Wheel supply income			
– fellow subsidiaries		**–**	530
– a joint venture and an associate		**–**	1,154
– a related company		**–**	–
Agency fee income			
– fellow subsidiaries		**2,426**	1,872
– a joint venture		**824**	640
– other related companies		**246**	59

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

	Note	2019 HK$'000	2018 HK$'000
Expenses:			
Shipping agency, river trade cargo direct shipment and transhipment expenses			
– a joint venture and an associate		**3,919**	4,353
Wharf cargo handling, cargo transportation and godown storage expenses			
– a subsidiary		**29,447**	–
– a fellow subsidiary	(viii)	**7,178**	4,950
– an associate	(viii)	**12,732**	12,218
– joint ventures		**38,002**	51,065
– a related company	(viii)	**5,240**	4,453
Agency fee expenses			
– fellow subsidiaries		**62**	407
– a joint venture and an associate		**747**	1,146
Ferry terminal operation services fee	(viii)		
– a fellow subsidiary		**3,949**	7,606
Luggage handling fee	(iv), (viii)		
– a related company		**3,801**	5,400
Ferry rental expenses	(viii)		
– a fellow subsidiary		**379**	2,670
Vessel rental expenses	(viii)		
– a joint venture		**28,772**	29,205
– a fellow subsidiary		**–**	105
Warehouse rental expenses	(v), (viii)		
– immediate holding company		**5,000**	5,000
GPS navigator rental expenses			
– a fellow subsidiary		**–**	146

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

	Note	2019 HK$'000	2018 HK$'000
Expenses: (Continued)			
Office rental expenses	(viii)		
– immediate holding company		**6,958**	5,965
– fellow subsidiaries		**1,307**	1,040
– a related company		**–**	120
Staff quarter rental expenses	(viii)		
– immediate holding company		**2,520**	2,700
Property management fee expenses	(viii)		
– fellow subsidiaries		**538**	1,555
– other related companies		**–**	178
Loan interest expenses			
– non-controlling interests	(vii)	**576**	437
IT Management fee expenses	(vi), (viii)		
– immediate holding company		**2,948**	3,788
Vessel construction cost			
– fellow subsidiaries		**19,125**	22,530

Notes:

(i) 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.

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

(iii) Interests were charged to fellow subsidiaries and a joint venture in respect of loans at the base lending rate announced by the PBOC (2018: base lending rate announced by the PBOC), pursuant to the agreements entered into between the Group and the fellow subsidiaries and joint venture.

(iv) Luggage handling fee was charged from HK$0.84 to HK$2.2 (2018: 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.

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

Notes: (Continued)

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

(vi) Management fee expenses were charged at HK$245,628 per month (2018: HK$316,000) for IT services provided by CKSE as set out in the agreement governing these transactions.

(vii) Loan Interest was charged by the non-controlling interests in respect of loans bearing interest rates at the base lending rate announced by PBOC (2018: base lending rate announced by PBOC).

(viii) 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").

(b) Key management compensation

	2019 **HK$'000**	2018 HK$'000
Salaries and allowances	**8,872**	7,852
Directors' fees	**720**	720
Share options forfeited	**–**	(465)
Retirement benefit scheme contributions	**123**	110
Housing benefit	**1,163**	1,244
	10,878	9,461

(c) Loans to joint ventures and fellow subsidiaries

	2019 **HK$'000**	2018 HK$'000
At 1st January	**13,189**	13,509
Loan repayment	**(8,586)**	–
Exchange differences	**(138)**	(320)
At 31st December	**4,465**	13,189

39 NON-ADJUSTING EVENT AFTER THE REPORTING PERIOD

The outbreak of novel coronavirus virus disease (COVID-19) epidemic in early 2020 has led to a series of precautionary and control measures implemented across the globe and caused disruptions to many industries, including navigation and tourism industry. It may have certain impacts on the Group's business operations. The Group will pay close attention to the development of the epidemic and assess its impact on the financial position, cash flows and operating results. Up to the date of these financial statements, the assessment is still in progress and the related impact could not be reasonably estimated at this stage.

40 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31st December 2019 HK$'000	 2018 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**63,644**	77,775
Investment properties		**36,747**	37,203
Land use rights		**31,423**	32,231
Investments in subsidiaries		**1,575,386**	1,509,524
Investments in joint ventures		**110,104**	113,775
		1,817,304	1,770,508
Current assets			
Trade and other receivables		**973,607**	903,328
Cash and cash equivalents		**408,624**	460,796
		1,382,231	1,364,124
Total assets		**3,199,535**	3,134,632
EQUITY			
Share capital		**1,415,118**	1,415,118
Reserves	(a)	**1,298,685**	1,185,120
Total equity		**2,713,803**	2,600,238

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

Balance sheet of the Company (Continued)

		As at 31st December	
		2019	2018
		HK$'000	HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**4,213**	4,213
Current liabilities			
Trade payables, accruals and other payables		**429,200**	426,531
Tax payable		**2,319**	3,650
Short term borrowings		**50,000**	–
Current portion of long term borrowings		**–**	100,000
		481,519	530,181
Total liabilities		**485,732**	534,394
Total equity and liabilities		**3,199,535**	3,134,632

The balance sheet of the Company was approved by the Board of Directors on 26th March 2020 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 2019	–	1,185,120	1,185,120
Profit for the year	–	214,470	214,470
Employee share option scheme			
– Forfeiture of share options	–	–	–
2018 final dividend	–	(67,270)	(67,270)
2019 interim dividend	–	(33,635)	(33,635)
At 31st December 2019	–	1,298,685	1,298,685
Representing:			
2019 final dividend proposed			33,635
Reserves			1,265,050
			1,298,685

	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

41 COMPARATIVE FIGURES

The Group has initially applied HKFRS 16 at 1st January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. Further details of the changes in accounting policies are disclosed in note 2.1(ii).

42 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 2019:

Name	Fees	Salary and discretionary Bonuses (Note (i))	Allowances and benefits in kind (Note (ii))	Employers contributions to retirement benefit scheme	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Chairman/managing director					
Mr. Huang Liezhang	–	1,370	472	18	1,860
Executive directors					
Mr. Chen Jie	–	805	–	105	910
Mr. Leng Buli	–	1,164	339	18	1,521
Mr. Liu Wuwei	–	792	–	106	898
Mr. Wu Qiang	–	1,129	352	18	1,499
Non-executive director					
Ms. Ye Meihua	–	–	–	–	–
Independent non-executive directors					
Mr. Chan Kay-cheung	320	–	–	–	320
Ms. Yau Lai Man	200	–	–	–	200
Mr. Chow Bing Sing	200	–	–	–	200
Total	720	5,260	1,163	265	7,408

Notes:

(i) 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.

(ii) Includes housing benefit

42 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 2018:

Name	Fees	Salary and discretionary Bonuses (Note (iv))	Allowances and benefits in kind (Note (v))	Employers contributions to retirement benefit scheme	Total
	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

42 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	
2019 HK$'000	2018 HK$'000	**2019 HK$'000**	2018 HK$'000	**2019 HK$'000**	2018 HK$'000
7,408	6,750	**–**	–	**7,408**	6,750

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 2019 and 2018.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended 31st December 2019 and 2018.

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

During the years ended 31st December 2019 and 2018, 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 2019 and 2018, 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

	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000 (restated)
Revenue	**2,147,876**	2,404,496	2,428,487	2,381,891	2,507,427
Operating profit	**114,927**	180,768	236,608	278,598	239,323
Finance income	**26,755**	20,852	18,332	11,875	8,454
Finance cost	**(12,402)**	(8,488)	(6,127)	(7,513)	(10,852)
Net finance income/(cost)	**14,353**	12,364	12,205	4,362	(2,398)
Share of profits less losses					
– joint ventures	**130,443**	55,946	62,541	74,723	74,325
– associates	**6,760**	14,604	14,289	17,925	19,825
Profit before income tax	**266,483**	263,682	325,643	375,608	331,075
Income tax expense	**(34,335)**	(41,127)	(49,308)	(49,167)	(60,592)
Profit for the year	**232,148**	222,555	276,335	326,441	270,483
Attributable to:					
Equity holders of the Company	**214,078**	226,072	268,988	321,771	265,004
Non-controlling interests	**18,070**	(3,517)	7,347	4,670	5,479
	232,148	222,555	276,335	326,441	270,483
Basic earning per share (HK cents)	**19.09**	20.35	24.68	29.79	26.25

ASSETS AND LIABILITIES

	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000	2015 HK$'000 (restated)
Non-current assets	**2,702,728**	2,683,759	2,707,296	2,637,723	2,602,070
Current assets	**1,671,202**	1,647,788	1,623,270	1,386,462	1,645,179
Assets held for sale	**–**	–	–	–	1,367
Assets of a disposal group classified as held for sale	**–**	–	134,192	–	–
Total assets	**4,373,930**	4,331,547	4,464,758	4,024,185	4,248,616
Non-current liabilities	**262,044**	254,216	364,490	153,883	188,294
Current liabilities	**664,799**	710,869	796,047	956,213	956,111
Liabilities of a disposal group classified as held for sale	**–**	–	934	–	–
Total liabilities	**926,843**	965,085	1,161,471	1,110,096	1,144,405
Total equity	**3,447,087**	3,366,462	3,303,287	2,914,089	3,014,211

Notes:

(a) The financial information for the years ended 31st December 2018 and 2019 were extracted from the 2019 financial statements.

(b) The financial information for the years ended 31st December 2015, 2016 and 2017 were extracted from the 2018 Annual Report.

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