CHU KONG SHIPPING ENTERPRISES (GROUP) COMPANY LIMITED

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

ANNUAL REPORT 2020

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, Hong Kong transportation, 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

		2020	2019	Change
Results				
Revenue	*HK$Million*	**1,854.50**	2,147.90	-13.7%
Operating profit	*HK$Million*	**80.60**	114.90	-29.9%
Profit attributable to the equity holders of the Company	*HK$Million*	**49.8**	214.1	-76.7%
Operating profit margin	*(%)*	**4.3%**	5.3%	-18.9%

		2020	2019	Change
Financial Position				
Total assets	*HK$Million*	**4,573.70**	4,373.90	4.6%
Total liabilities	*HK$Million*	**942.20**	926.80	1.7%
Total equity	*HK$Million*	**3,631.50**	3,447.10	5.3%
Structured bank deposits, cash and cash equivalents	*HK$Million*	**964.10**	1,278.70	-24.6%
Current ratio		**2.0**	2.5	-20.0%
Debt ratio	*(%)*	**20.6**	21.2	-2.8%

Corporate Information

Executive Directors

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

Non-executive Director

Ms. Zhong Yan

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. 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
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
CMBC

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 Directors (the "Board") of Chu Kong Shipping Enterprises (Group) Company Limited (the "Company"), I hereby present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2020 to the shareholders. The Group recorded a consolidated revenue of HK$1,854,549,000 (2019: HK$2,147,876,000), representing a decrease of 13.7% as compared with last year. Profit attributable to the shareholders of the Company amounted to HK$49,821,000 (2019: HK$214,078,000), representing a decrease of 76.7% as compared with last year.

REVIEW

In 2020, the COVID-19 epidemic has dealt a heavy blow to the global economy. Businesses and tourism in Hong Kong were severely impacted, making a significant impact on the overall performance of the Group. Since the end of January 2020, the Hong Kong government has progressively closed the Guangdong-Hong Kong and Hong Kong-Macao cross-border waterway passenger terminals temporarily due to the epidemic, resulting in a challenging operating environment for the Group's cross-border passenger transportation and related ancillary businesses.

Facing such unprecedented crises and challenges, the Group searched for opportunities. The Group continued to lay a solid foundation of core business development, actively integrating into the national strategic opportunity brought by the development of Guangdong-Hong Kong-Macao Greater Bay Area. By continuing leveraging on Hong Kong local transportation, terminal logistics and other strategic platforms, the Group achieved critical breakthroughs in the local transportation business in Hong Kong. Through the transformation and upgrading of the terminal logistics business in both domestic and foreign trade businesses, the Group has minimised the adverse impact of the epidemic on the import and export logistics businesses, achieving a steady growth in the terminal logistics business overall.

Regarding the passenger transportation business, the Group strived to expand the local ferry business in Hong Kong. The Group promptly expanded the business size of local ferry business in Hong Kong through the acquisition of equity interests of a local ferry operator, becoming one of the important providers of local ferry services in Hong Kong, capable of making up the loss from cross-border passenger transportation business. The Group completed an acquisition of 60% equity interests in Sun Ferry Services Company Limited (formly known as "New World First Ferry Services Limited") ("Sun Ferry") in May 2020, successfully achieving a smooth transition of management and creating sound economic benefits for the Group. Sun Ferry has successfully tendered for the new service licenses for operating three outlying-island ferry routes in September 2020. The renewal of two inner harbour ferry routes is also proceeding smoothly.

Regarding the terminal logistics business, the Group took proactive actions to explore a professional business model of "One Platform Two Centres". The Group coordinated and promoted the integration of supply chain logistics and air freight business in Hong Kong so as to progress a transformation of logistics business from terminal storage operation to integrated logistics services. Through vigorously formulating diversified terminal logistics businesses such as domestic trade and trailer transportation, the Group continued to expand and strengthen businesses such as integrated logistics, cross-border e-commerce, bonded warehouse, air freight logistics and cold chain distribution, resulting in the terminal logistics business of the Group exceeding market expectations. Among them, both bulk cargoes transportation volume and handling volume increased by more than 50%.

Apart from continuing expedite the diversification of traditional businesses, the Group had given full play to the advantage of logistic warehouse, and vigorously developed high yield businesses such as bonded warehouse and e-commerce logistics. After the completion for the reconstruction of Tuen Mun warehouse, its bonded warehouse will cover a total area of 150,000 square feet, becoming one of the largest public bonded warehouses in Hong Kong. Being the distribution centre for duty free products of China Duty Free International Limited in southern China, Tuen Mun warehouse has undertaken the e-commerce supply chain business of high-value goods such as perfume and cosmetics. Besides, having built the first outdoor bonded warehouse in Gaoming Port of Foshan region, the Group has cooperated with Shanghai Dayu International Logistics Co., Ltd. (a subsidiary of ZTO Express Co., Ltd.) to launch cross-border e-commerce business. The Group continued to expedite its airport strategy in a comprehensive and orderly manner, with the air cargo warehouse in Tuen Mun becoming one of the air cargo inspection centres authorised by the Civil Aviation Department of Hong Kong.

Besides carrying out epidemic prevention and control work conscientiously, the Group faithfully carried out corporate social responsibility by contributing to the global combat against the epidemic. The Group assisted 4,500 Mainland tourists, overseas Macao compatriots and Taiwanese entrepreneurs stuck in Hong Kong, utilising its cross-border passenger vessels. Leverage on its domestic and international logistics networks, the Group launched multiple 'Overseas-Hong Kong-Mainland China' routes for anti-epidemic supplies transportation, successfully transporting a number of anti-epidemic supplies such as Hong Kong quarantine site and supporting facilities. The contribution to the global combat against the epidemic by the Group was highly recognised by the government of People's Republic of China, the Guangdong Provincial and the Hong Kong Special Administrative Region.

While successfully promoting several major projects, the Group conscientiously carried out cost-reduction measures, reasonably optimised human resources, strictly controlled various costs and expenses, actively followed the government's fiscal and tax support policies and anti-epidemic fund subsidies, and successfully applied for multiple government subsidies to relieve operating pressure.

OUTLOOK

The COVID-19 epidemic remains severe in 2021, and it will continue to exert tremendous pressure on businesses of the Group's cross-border passenger transportation and related ancillary businesses. The Group will tightly grasp the opportunities brought by the development of the Guangdong-Hong Kong-Macao Greater Bay Area and the signing of the 'Regional Comprehensive Economic Partnership Agreement', focus on key strategies such as Hong Kong local transportation, Greater Bay Area airports, terminal logistics, the "Belt and Road", and investment and capital operation, accelerate the implementation of platform strategy and expedite the transformation and upgrading of businesses. The Group will overcome the significant adverse impact brought by the epidemic, achieve sustainable developments and create greater value for shareholders.

Firstly, the Group will further expand the local transportation business in Hong Kong. The Group will actively seek for acquisition or business collaboration opportunities with large local public transport enterprises in Hong Kong which will further strengthen the brand value and operating efficiency of local transportation services in Hong Kong.

Secondly, the Group will further enhance the competitiveness and control over terminal logistics. The Group will actively participate in the integration of inland ports along the Pearl River Delta. Through expanding the value chain of terminal logistics, the Group will fully achieve interconnection between upstream and downstream businesses within the integrated logistics business, strive to build a systematic, large scale and modernised integrated logistics service platform and continuously increase market shares and influence of terminal logistics market across the Greater Bay Area and the ASEAN countries. By capitalising the opportunity brought by the operation of new Tuen Mun Godown Wharf, the Group will implement business planning and expansion so as to develop duty free product logistics, storage logistics and air freight logistic centre within the Guangdong-Hong Kong-Macao Greater Bay Area. The Group will also enhance the capacity of air cargo inspection services of the warehouse in Tuen Mun, promote smart and intelligent terminal logistics so as to achieve the transformation and upgrading of businesses. Besides, the Group will focus on construction logistics market and give full play to the advantage of cross-border logistics routes, providing 'one-stop' solutions such as manufacturing site for construction components or machineries and logistics services necessary for projects under construction in Hong Kong, with the aim of winning the bid for large-scale construction logistics projects.

Thirdly, the Group will continue to expedite the Greater Bay Area airports strategy. In terms of passenger transportation business, the Group will promote the launch of routes from downtown Hong Kong to the Shenzhen Airport, and routes from Guangzhou Huangpu and Pazhou to the Hong Kong International Airport. The Group will actively bid for new servicing projects of Hong Kong International Airport and expand the scope of air freight business in Hong Kong, further enhancing the breadth of business and participating in the field of airport services. In terms of storage logistics, the Group will make use of the advantages of the air cargo warehouse in Tuen Mun and actively expand air freight logistics business supporting the Hong Kong International Airport, while improving the control of storage logistics.

Fourthly, the Group will accelerate the deployment and investment of businesses in countries along the "Belt and Road". The Group will speed up the acquisition of storage logistics projects in Singapore, optimise its footprint and network in Southeast Asia and realise synergistic development in terminal logistics business with 'one network in both domestic and overseas'. Besides, the Group will endeavour to set up a regional logistics system radiating Guangdong, Hong Kong and Macao and the Southeast Asia and actively develop the "Belt and Road" and the ASEAN market.

RESPONSE TO COVID-19 EPIDEMIC

Following the guidelines on epidemic prevention and anti-epidemic issued by the government of People's Republic of China and the Hong Kong Special Administrative Region, the Group quickly took epidemic prevention measures to protect customers and employees while maintaining business continuity under the COVID-19 outbreak. The Group took multiple measures to minimise the risk of infection, including flexible working hours, split-team operations, work-from-home arrangements and procurement of sanitary items. These measures had been effective, with no confirmed cases of infection among the Group's employees.

APPRECIATION

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

Huang Liezhang
Chairman

Hong Kong, 25th March 2021

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 2020.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL OPERATIONS ANALYSIS

The Company is principally engaged in investment holding, focusing mainly on terminal logistics, waterway passenger transportation, and fuel supply business. The Group establishes its terminal logistics business based on a number of cargo terminal enterprises in Guangdong and Hong Kong, which forms a complete supply chain of terminal logistics including cargo canvassing, feeder transportation, vessel agency, wharf handling, warehousing and storage services in Guangdong and Hong Kong. Another major business of the Group, the waterway passenger transportation based in Guangdong, Hong Kong and Macao, has developed into the largest operation network of waterway passenger transportation in the region. The Group also operates five inner harbour and outlying island ferry routes in Hong Kong. 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.

Ferry business in Hong Kong has been included 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 2020, the Group recorded a consolidated revenue of HK$1,854,549,000, representing a decrease of 13.7% over the same period last year. Profit attributable to the shareholders of the Company amounted to HK$49,821,000, representing a decrease of 76.7% over the same period last year.

In 2020, the COVID-19 epidemic was spreading globally, resulting in complicated and profound changes in the international landscape. Major economies in the world had been dealt a harsh blow. The instability of the industrial chain and supply chain affected the international trade and navigation market. Meanwhile, the number of visitors to Hong Kong had almost stagnated due to the unexpected outbreak. Compared with the same period last year, the Group's terminal logistics business maintained a steady performance under an extremely unfavourable market environment. In contrast, the cross-border waterway passenger transportation business, affected by the epidemic, has experienced a significant decline, causing the Group's performance for the year to fall below expectations. Faced with the unprecedented challenging environment, the Group was determined to overcome multiple hurdles, sought for opportunities in crises and carried out overall planning to achieve both epidemic prevention and business operation. The Group built modernised terminal logistics service platform while expediting the construction of cross-border passenger platform, strengthened the strategic platform in Hong Kong while expanding the innovation platform of the "Belt and Road" and reinforced the foundation of capital operation platform while optimising institutional mechanism platform management so as to plan ahead for the economic recovery.

Regarding the terminal logistics business, the Group continued to leverage on advantages of terminals' network within the Guangdong-Hong Kong-Macao Greater Bay Area, adhered to synergistic development on both domestic and foreign trade businesses and developed diversified businesses. By actively expanding into sand supply business, epidemic-prevention related supplies transportation and other businesses, the Group enriched its diversity of cargo portfolio and effectively extended its logistics business chain. During the year, the container transportation volume reached 1,365,000 TEU, representing a year-on-year decrease of 4.0%, while break bulk cargoes transportation volume reached 983,000 tons, representing a year-on-year increase of 73.7%. As for the cargo handling business, the container handling volume reached 1,141,000 TEU, representing a year-on-year increase of 1.4%, while the break bulk cargoes handling volume reached 12,364,000 tons, representing a year-on-year increase of 54.4%, and the container hauling and trucking volume amounted to 222,000 TEU, representing a year-on-year increase of 1.4%.

Regarding the passenger transportation business, the Group fully complied with the policy of "Customs Closure for Epidemic Prevention" issued by the government, operations of the cross-border waterway passenger routes of urban areas and the airport were progressively suspended since the end of January 2020, had significant declines in relevant business indicators. Since the acquisition of Sun Ferry in May 2020, local ferry services have become a new growth driver of the passenger transportation business. During the year, the total number of passengers for agency services was 415,000, representing a year-on-year decrease of 90.4%. The number of passengers for terminal services was 372,000, representing a year-on-year decrease of 90.9%. Also affected by the epidemic, the number of passengers for local ferry services (from May 2020 onwards) was 7,747,000, representing a year-on-year decrease of 12.5%.

I. Terminal 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	**2020**	2019	**Change**
Container transportation volume (TEU)	**1,365,000**	1,422,000	–4.0%
Break bulk cargoes transportation volume (revenue tons)	**983,000**	566,000	73.7%
Volume of container hauling and trucking on land (TEU)	**222,000**	219,000	1.4%

Subsidiaries

During the year, despite the impact brought by the epidemic and the Sino-US trade friction, Chu Kong Transhipment & Logistics Company Limited ("CKTL") overcame difficulties and actively fostered various innovative projects while maintaining the stability of existing businesses. The declining rate of container transportation volume flattened with a container transportation volume of 1,365,000 TEU during the period, representing a year-on-year decrease of 4.0%. The volume of container hauling and trucking on land recorded 222,000 TEU, representing a year-on-year increase of 1.4%, successfully achieving a contrarian growth. Benefitting from the significant demand in bulk cargoes transportation such as sand supply, the break bulk cargoes transportation volume for the year reached 983,000 tons, representing a significant increase of 73.7% year-on-year.

CKTL took measures to stress on cost reductions and efficiency enhancement, strengthen business innovations, deepen cooperation between cargo terminals and navigation and optimise market footprint. By capturing the opportunity of epidemic-prevention supplies transportation demand in the extraordinary period, leveraging on both waterway logistics and air freight logistics, expanding capacity on targeted routes and cooperating with various departments of the Hong Kong government, CKTL had successfully undertook two phases of Hong Kong quarantine site transportation project, contributing to the global combat against the epidemic while enhancing the brand awareness. CKTL entered the domestic trade forwarding market with cargo terminals in the Pearl River Delta region, established management and working groups, set up incentive schemes and increased cargo portfolio. Through combining preferential policies, leveraging on geographical advantages, extending industrial chain into e-commerce businesses, CKTL had successfully expanded into the cross-border e-commerce high-speed waterway logistics business, with warehouse in Tuen Mun becoming the distribution centre for duty free products of China Duty Free International Limited in southern China, and received favourable comments with regard to the quality of services. Besides, CKTL vigorously undertook construction logistics project, successfully tendered for the desulfurize lime powder logistics project from Guangdong Yuedian Environmental Protection Material Co., Ltd, a subsidiary of Guangdong Energy Group Co., Ltd., laying a good foundation for participating in subsequent bidding of similar projects. In addition, CKTL orderly advanced the construction of core projects, with the completion of new warehouse 2B in Tuen Mun facilitating the development of smart and intelligent warehouse services. Regarding the freight forwarding business, CKTL strived to complete the establishment of Vietnam outlets and further exploit the ASEAN market.

Regarding the air freight business, CKTL recorded a significant increase of 61.4% year-on-year in air cargo transportation volume during the year. Focusing on the Greater Bay Area airports strategy and "The Bridge Economy", CKTL actively explored the air freight business. During the year, CKTL explored the introduction of strategic partnerships with resourceful corporations having extensive experience in air cargo warehouse operation to expand its air freight business. As CKTL had previously obtained the qualification to conduct the X-ray inspection business of air freight cargo in Hong Kong, the first X-ray inspection machine had been operational during the year, and the second one would commence in the first quarter of 2021. With the Hong Kong Civil Aviation Department gradually increasing the percentage of air cargo screening to 100%, X-ray inspection business would become an important pillar of the air freight business in the future. Complementing air cargo palletisation and land-based surveillance distribution, CKTL would establish a comprehensive air freight warehouse operation platform and attract more air freight forwarding businesses, achieving a virtuous circle.

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	**2020**	2019	**Change**
Container handling volume (TEU)	**1,141,000**	1,125,000	1.4%
Break bulk cargoes handling volume (revenue tons)	**12,364,000**	8,009,000	54.4%

Subsidiaries

During the year, the container handling volume had achieved a contrarian growth of 1.4% year-on-year despite the epidemic. Each subsidiary of the Group seized the opportunities brought by the market changes by coordinating and integrating business resources, optimising port cargo structure and exploring and developing various emerging businesses which fostered unique growth drivers in adversity, with two companies achieving a turnaround from revenue loss.

The subsidiaries located in Zhaoqing region had proactively expedited business transformation and upgrade by sourcing high-quality customers. The overall break bulk cargoes handling volume in Zhaoqing region amounted to 11,214,000 tons, representing a year-on-year increase of 61.7% and accounting for 90.7% of overall break bulk cargoes handling volume in all regions, successfully exceeding 10 million tons. Affected by the epidemic and environmental protection policies, the overall container handling volume in Zhaoqing region amounted to 163,000 TEU, representing a year-on-year decrease of 13.2%. During the year, Zhaoqing New Port stabilised foreign trade and strove for breakthroughs, strengthened domestic trade and promoted growth so as to achieve a diversified business development. While maintaining a stable growth in sand supply business, Zhaoqing New Port vigorously developed break bulk cargoes businesses, such as the transportation of bulk construction materials, steel and ore powder, resulting in a year-on-year increase of 108.0% for the break bulk cargoes handling volume, successfully achieving a turnaround from revenue loss. Sihui Port actively seized the opportunity brought by the regulatory policy adjustment of renewable resource so as to attract returning customers from renewable resources. Through entering the logistics business of new resources such as sand, frozen food, ore and timber, Gaoyao Port achieved differentiation in terminal operations, resulting in a 24.6% year-on-year increase in break bulk cargoes handling volume. Gaoyao Port also promoted the construction of a "Smart Customs" system and began to enter the domestic market. Based on the actual operation of terminal business, Kangzhou Port introduced sand conveyors so as to build a professional terminal focusing on break bulk cargoes handling and expand its business to Guangxi by leveraging on its geographical advantages.

The overall container handling volume in Foshan amounted to 436,000 TEU, representing a year-on-year increase of 7.2%, while the break bulk cargoes handling volume reached 130,000 tons, representing a significant increase of 264.2% year-on-year. During the period, the container handling volume at Gaoming Port recorded 58,000 TEU, representing a year-on-year increase of 62.3%, with domestic break bulk cargoes handling volume boosting 5.3 times compared with the same period last year. Gaoming Port deemed the interconnection of domestic and foreign trade businesses as the entry point to discover the potential of the terminal, adopted a diversified business strategy, extended the supply chain, optimised the Company's cargo portfolio, broadened the scope of business operations, provided customers with integrated logistics services and cooperated with Shanghai Dayu International Logistics Co., Ltd. to launch cross-border e-commerce business so as to open up a new pathway for business development and transformation. The container handling volume of Qingyuan Port was 88,000 TEU during the year, representing a year-on-year increase of 124.8%, with domestic container handling volume boosting 5.8 times compared with the same period last year; new trade break bulk cargoes handling volume reached 72,000 tons, realising synergistic development on both domestic and foreign trade businesses. Qingyuan Port cooperated with CKTL to optimise marketing strategy by introducing preferential measures and logistics solutions for selected customers which reduced their cost so as to consolidate the cargo portfolio for import and export volume. By strengthening the communication and cooperation with external parties such as major liners and regulatory departments, Qingyuan Port had successfully introduced new business such as aluminium ingots, realising a turnaround from revenue loss.

The overall container handling volume in Zhuhai region recorded 221,000 TEU, representing a year-on-year decrease of 2.0%. During the period, the container handling volume at Civet Port recorded 172,000 TEU, representing a slight increase year-on-year. Civet Port seized the opportunities of "The Airport Economy" and "The Bridge Economy", launched cold chain inspection business and created a new platform for cold chain imports and exports; deployed

new cross-border e-commerce businesses to pave way for diversification of warehousing and storage services; explored new business forms for Zhuhai-Macao interoperability and entered the high-end supply chain logistics market. Doumen Port recorded break bulk cargoes handling volume of 91,000 tons, representing a year-on-year increase of 10.8%. Doumen Port featured the development of construction materials handling business and expanded the new business of sand lighterage and sand supply to Hong Kong and Macao as well as integrated logistics business to achieve differentiation in terminal operations. Doumen Port actively seized the opportunity of the planning and development of intelligent industrial park within the region, deployed livelihood business in Hong Kong and Macao in advance and built a fresh food inspection and processing base supplying fresh food to Macao so as to create new growth driver. In addition, it optimised the operating model of Hong Kong–Zhuhai–Macao Bridge operation centre, seeking new breakthroughs in warehouse and transportation and cross-border e-commerce businesses on the basis of cost reductions and efficiency enhancement.

Zhongshan Huangpu Port exerted proactive efforts on the exploration of various major clients such as ORMA and Galanz and enhanced cooperation with major liners and freight forwarding companies in Shenzhen so as to develop imported goods logistics such as pumice, float glass, copper cathode and rubber particles, resulting in a 1.8% year-on-year increase in container handling volume and 15.2 times increase in break bulk cargoes handling volume to 96,000 tons year-on-year. Zhongshan Huangpu Port would expedite in serving electrical appliances and small household appliances clusters in the future to increase market shares of foreign trade market while introducing pipe pile logistics business in order to maintain a stable growth in domestic trade volume.

The overall performance of the terminals in Hong Kong region was better than last year. The container handling volume in the region for the year was 286,000 TEU, representing a year-on-year increase of 5.7%. During the year, CKTL fully promoted and implemented new warehouse construction in Tuen Mun and confirmed the operating direction as well as business

partners. The Tuen Mun-Chek Lap Kok Link was opened by the end of the year, offering a new opportunity for the consolidation of business between the new warehouse in Tuen Mun and the Hong Kong International Airport. Tuen Mun warehouse was renovated as a bonded warehouse, applied for relevant license, and introduced new storage businesses including Langjiu and cigars and shredded tobacco storage business which generates profit. Tuen Mun warehouse also reached a strategic cooperation with China Duty Free International Limited, undertaking its e-commerce supply chain business of duty-free products such as perfumes, cosmetics and alcohol, transforming Tuen Mun warehouse into the largest duty-free warehouse in Hong Kong. In addition, the Group established integrated logistics department, explored a professional business model of "one platform two centres" and progressed the transformation of logistics business from terminal storage operation to integrated logistics services.

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 296,000 TEU, representing a year-on-year increase of 10.3%. Due to the increase in the volume of paper and rubber wood transportation during the year, Heshan Port recorded a container handling volume of 134,000 TEU, representing a year-on-year increase of 51.7%. The break bulk cargoes handling volume of Sanbu Port for the year was 44,000 tons, representing a year-on-year increase of 20.4%. With the introduction of the break bulk cargoes handling and transportation and trailer transportation businesses from logistic company as well as the increasing charter vessels business from export trade customer for the export of steel pipe, Sanbu Port achieved a gradual increase in break bulk cargoes handling volume.

The two terminals in Foshan region, namely Foshan Nankong Terminal Co., Ltd. and Chu Kong Cargo Terminals (Beicun) Co., Ltd. recorded a total container handling volume of 130,000 TEU, representing a year-on-year decrease of 12.8%. During the period, the container handling volume at Foshan Nankong Port recorded 96,000 TEU, representing a year-on-year decrease of 21.1%; the break bulk cargoes handling volume recorded 97,000 tons, representing a year-on-year increase of 20.3%. Foshan Nankong Port together with CKTL proactively expedited the development of bulk cargoes handling business such as the handling of excavators and steel pipes, achieving a significant increase in break bulk cargoes business for four consecutive years while effectively mobilised resources to actively promote new river-sea intermodal

services at Nansha Composite Port. During the period, the container handling volume at Foshan Beicun Port recorded 34,000 TEU, representing a year-on-year increase of 27.6%. Foshan Beicun Port, with an open and innovative attitude, cooperated with customs to create a "green channel" for rice imports, continuously introduced well-established rice importers to the port while expediting the promotion of qualification certification of designated supervision sites for imported rice so as to build a professional grain terminal. Meanwhile, Beicun Port also expanded domestic trade steel, scrap steel and scrap iron handling business to achieve differentiated management. Due to the expropriations of the lands for wharves and buildings erected on the land at Foshan New Port, its operation was suspended with no operating activity during the year. 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	**2020**	2019	**Change**
Number of passengers for agency services	**415**	4,339	–90.4%
Number of passengers for terminal services	**372**	4,102	–90.9%
Number of passengers for local ferry transportation (Note)	**7,747**	8,856	–12.5%

Note: The number of passengers for local ferry transportation was calculated on a consolidation basis since the acquisition of Sun Ferry in May of this year, and the number of passengers in 2019 was also begun in May.

Subsidiaries

Affected by the COVID-19 epidemic in 2020, the Group's Guangdong-Hong Kong and Hong Kong-Macao cross-border waterway passenger terminals had been temporarily closed since the end of January, and the cross-border passenger transportation business had stalled. During the year, the total number of passengers for agency services of Chu Kong Passenger Transport Company Limited ("CKPT") was 415,000, representing a year-on-year decrease of 90.4%; the number of passengers for terminal services was 372,000, representing a year-on-year decrease of 90.9%.

Regarding urban routes, the total number of passengers for agency services during the year was 146,000, representing a significant decrease of 93.8% year-on-year. In response to the Hong Kong government's announced requirements for epidemic control, the China Ferry Terminal and the Hong Kong Macau Ferry Terminal were closed at the end of January and early February 2020 respectively. The urban routes had been suspended since then, and the cross-border passenger transportation business operations of the Groups had been facing severe challenges.

Regarding airport routes, the number of passengers served during the year was 269,000, representing a year-on-year decrease of 86.5%. Affected by the epidemic, all flights to and from the SkyPier at the Hong Kong International Airport and ports at the Pearl River Delta were cancelled since late March 2020. In response to the government's request during the year, the Group temporarily resumed the routes from Dongguan and Macao to the Hong Kong International Airport so as to pick up Macao and Taiwan tourists detained in Hong Kong, contributing to the resumption of work and production. Meanwhile, the route from Shekou to the Hong Kong International Airport resumed at the end of October, maintaining the operation of two "sea to air" one-way voyages every day. Although the airport routes suffered a hard blow, the Group still actively implemented the innovative business model of "sea to air intermodal" and expedited for openings of new routes for Hong Kong Airport and Shenzhen Airport. It is expected, with the hope of easing the epidemic situation, the airport routes would usher in good benefits for the Group.

Regarding local ferry services, the Group formally acquired 60% equity interest in Sun Ferry from NWS Holdings Co., Ltd. in May 2020 and the business of Sun Ferry was relatively stable during the year. Sun Ferry successfully tendered for the new service licenses for operating three outlying-island ferry routes in September, achieving the convergence and continuation of core business and laying a solid foundation for strengthening, optimising and growing the local public transport business and implementing strategic objective in Hong Kong. With Sun Ferry joining the Group, the Group set foot in local ferry business, which is expected to bring in long-term stable returns to the Group by leveraging on the experienced management team of Sun Ferry. Since the completion of the acquisition in May this year, the local ferry business had recorded the number of passengers of 7,747,000, representing a year-on-year decrease of 12.5% as affected by the epidemic.

During the year, in order to cope with the direct impact on the Group's core businesses from the epidemic, the Group took multiple measures to mitigate the operating risk brought by the epidemic. The Group focused on the airport strategy so as to expedite routes in the Greater Bay Area while strengthening the development and expansion of Hong Kong airport business by paying close attention to the tender information released by the Hong Kong International Airport, leveraging on the cooperation between airlines and the airport to excel in the development of new routes and market promotion so as to facilitate the opening of new route from Shenzhen Airport to downtown Hong Kong. Cooperating with Sunwah Group to launch the Guangzhou Huangpu route, in an effort to create new business growth driver. The Group also strived to the implementation of various financial subsidies while seeking supportive industry policies so as to effectively mitigate the operation pressure during the epidemic. Actively responding to the environmental protection policies of the Hong Kong government by connecting with the government's electric ferry pilot program for inner-harbour routes through introducing green ferry so as to set up a benchmark ferry fleet and improve service quality.

The economy has entered a downturn due to the epidemic which severely blew the tourism industry in Hong Kong. Cotai Chu Kong Shipping Management Services Company Limited delayed the project of tours for Victoria Harbour on the sightseeing cruise "Oriental Pearl" until the market gradually recovered.

Joint Ventures and Associates

Affected by the epidemic, the number of passengers served by each joint venture and associate recorded a significant decrease. During the year, the number of passengers served by SkyPier (operated by Hong Kong International Airport Ferry Terminal Services Limited) amounted to 277,000, representing a year-on-year decrease of 87.2%. Zhongshan – Hong Kong Passenger Shipping Co-op Co. Ltd. and Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd. were pioneers in operation suspension, their numbers of passengers dropped by 91.7% and 94.1% year-on-year respectively.

Also affected by the epidemic, 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 the number of passengers of 1,223,000 during the year.

III. Fuel Supply Business

As to the fuel supply business, being an auxiliary business to passenger and freight transportation businesses, recorded a decline in the diesel sales volume of Sun Kong Petroleum Company Limited ("Sun Kong Petroleum"), as a result of the decline in the passenger and freight businesses caused by the epidemic. During the period, Sun Kong Petroleum recorded a sales volume of 29,000 tons for diesel, representing a year-on-year decrease of 71.0%. Benefiting from international airline agency, sales volume for engine oil remained stable year-on-year at 586,000 litres. Sun Kong Petroleum actively responded to the "Belt and Road" initiative and extended its industrial chain. It cooperated with Ming Wah (Singapore) Agency Pte. Ltd., a subsidiary of China Merchants, and obtained the exclusive agency right for the Green Fuel Max fuel treatment agent in Hong Kong and Macao. Besides, Sun Kong Petroleum together with China Marine Bunker Materials Agent Limited successfully won the bid of lubricant transportation, storage and distribution business from Sinopec. In addition, Sun Kong Petroleum strengthened business cooperation with major oil companies such as Shell so as to strive for best product price and successfully developed the Guangdong-Hong Kong cargo bunkering business by seizing the opportunity to attract more shipowners to become contract customers.

IV. Corporate and Other Businesses

As to the corporate and other businesses, Chu Ou Engineering and Technologies Company Limited ("Chu Ou Engineering", previously known as Cotai Chu Kong Shipping Management Services (Macau) Company Limited), whose main business is the maintenance and repair of property facilities, successfully tendered the renovation project of Macao Maritime and Water Affairs Bureau as well as the equipment maintenance project of the Municipal Administration. Chu Ou Engineering continued to give full play of its technological advantages, paid close attention to tender Information released by various government agencies and enterprises in Macao and strengthened cooperation with Chinese enterprises in Macao so as to actively develop long-term stable emerging projects. By reducing operating costs on the basis of ensuring service standard, Chu Ou Engineering will strive to develop business diversification.

During the year, the businesses of other subsidiaries, joint ventures and associates of the Group progressed well.

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 corporate 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 could 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 waste would 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 endeavored to comply with the laws and regulations of jurisdictions where its businesses operated, 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 had 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 has well established 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》) are in place to govern our operation so as to eliminate potential risks and protect our employees. Different safety precaution measures have been 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 is 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 responsible corporate citizen, through establishing a communication mechanism and intensifying information disclosure, actively communicating with key customers and suppliers through diversified channels, the Group knows their needs and takes corresponding and necessary measures. The Group also continuously explores various channels to maintain communication with the stakeholders and to strengthen interaction 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 protects customer privacy and strictly prevented abuse of customer information. The Group strictly complies with 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 sets stringent screening criteria and established a comprehensive tendering process. The Group establishes 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 follows the "Procedures of Procurement Management" (《採購管理流程》) and periodically performs 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.

In 2020, under the onset of COVID-19 epidemic, the Group highly emphasised the health and safety of our employees and customers based on a people-oriented management concept. The Group closely monitored the iterative epidemic conditions in Hong Kong, constructed comprehensive and multi-level prevention and control chain, and built the "Firewall" for epidemic prevention. The Group took multiple measures to carry out epidemic prevention and control in a regular manner, such as the implementation of flexible working hours, work-from-home arrangements, video conferencing with customers, procurement of protective equipment, arranging employees to perform COVID-19 nucleic acid tests from time to time, etc. These measures had been effective, with no confirmed cases of infection among the Group's employees.

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 was placed on the management of working capital, particularly the timely receipts of trade receivables. As at 31st December 2020, net trade receivables of the Group amounted to HK$250,184,000, representing an increase of 0.2% as compared with last year, of which 60.9% of trade receivables was aged within 3 months. Exposure to bad debts was controlled at a reasonable level.

Review of Financial Results

The Group recorded a profit attributable to equity holders of the Company of HK$49,821,000, representing a decrease of HK$164,257,000 or 76.7% as compared with last year, details of which are as follows:

	2020	2019	**Change**
	HK$'000	HK$'000	**HK$'000**
Net operating profit*	**68,205**	76,875	–8,670
Share of profits less losses of joint ventures and associates	**–18,384**	137,203	–155,587
Profit attributable to equity holders of the Company	**49,821**	214,078	–164,257

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

The Group's share of profits less losses of joint ventures and associates for the year decreased by HK$155,587,000 or 113.4% from last year to losses of HK$18,384,000. Among these, profit after taxation attributable to terminal navigation logistics business was HK$19,701,000 (2019: HK$115,403,000) and losses after taxation of passenger transportation business was HK$38,085,000 (2019 profit: HK$21,800,000).

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 2020, the Group secured a total credit facilities of HK$1,285,000,000 and RMB117,250,000 (equivalent to approximately HK$139,318,000) (2019: HK$1,184,000,000 and RMB260,000,000 (equivalent to approximately HK$290,243,000)) granted by bona fide banks.

As at 31st December 2020, the current ratio of the Group, calculated by dividing current assets by current liabilities, was 2.0 (2019: 2.5).

As at 31st December 2020, the Group's cash and cash equivalents amounted to HK$726,056,000 (2019: HK$869,271,000), which represented 15.9% (2019: 19.9%) of the total assets.

As at 31st December 2020, the gearing ratio of the Group, represented by bank borrowings divided by total equity and bank borrowings, was 6.2% (2019: 5.3%) and the debt ratio, representing total liabilities divided by total assets, was 20.6% (2019: 21.2%).

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, except fuel price swap contracts are used to hedge against fuel price rises for the local ferry transportation business, the Group did not use any other financial instruments for hedging purpose.

Bank Loans and Pledge of Assets

Bank Loans	**As at 31st December 2020**	As at 31st December 2019
Banks located in Hong Kong (note 1)		
– Hong Kong Dollar	**100,000,000**	50,000,000
Bank located in China (note 2)		
– Renminbi	**117,250,000 (equivalent to approximately HK$139,318,000)**	129,526,000 (equivalent to approximately HK$144,592,000)

Note:

1. The loans from banks located in Hong Kong in 2020 borne floating interest rate and were unsecured. The relevant terms of which are identical with those set out in 2019 Annual Report.

2. The loans from banks located in China in 2020 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 2019 Annual Report.

3. Detailed analysis on bank loans is set out in note 26 to the financial statements.

Currency Structure

As at 31st December 2020, the Group deposited its cash and cash equivalents with several reputable banks, of which 45.6% (2019: 56.3%) were denominated in Hong Kong dollar ("HKD"), 39.9% (2019: 30.8%) in Renminbi ("RMB"), 14.2% (2019: 12.8%) in United States dollar ("USD"), and a small amount (2019: small amount) in Macao pataca and in Euro (2019: small amount). Details are as follows:

	Amount HK$'000	**Percentage** %
HKD	331,045	45.6
RMB	289,762	39.9
USD	103,353	14.2
Macao pataca	1,874	0.3
Euro	22	0.0
	726,056	100.0

Capital Commitments

Details of capital commitments of the Group are set out in note 38 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.

On 4th May 2020, the Company, New World First Holdings Limited, Sun Ferry and NWS Holdings Limited entered into a sale and purchase agreement, pursuant to which (i) the Company acquired 60% of the entire issued shares of Sun Ferry from New World First Holdings Limited, at a consideration of HK$232,800,000 and (ii) NWS Holdings Limited agreed to guarantee the performance of the obligations of New World First Holdings Limited under the sale and purchase agreement. The relevant acquisition was completed on 18th May 2020, and the financial results of Sun Ferry have been consolidated into the consolidated financial statements of the Group.

Save as disclosed in this announcement, 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 2020, the Group had no material contingent liabilities (2019: HK$nil).

FINANCIAL SUMMARY

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

DIVIDENDS

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

The Board had not declared an interim dividend for the year ending 31st December 2020 (2019: HK3 cents per ordinary share, totalling: HK$33,635,000). The Board has proposed a final dividend of HK2 cents (2019: HK3 cents) per ordinary share for the year ended 31st December 2020, totalling HK$22,423,000 (2019: HK$33,635,000) to Shareholders whose names appeared on the register of members on 28th May 2021. The final dividend is expected to be paid in cash.

With reference to the current cash and cash equivalents, the dividends declared for 2020 was HK2 cents per share, the percentage of total dividends over the profit attributable to equity holders of the Company (the "Dividend Payout Ratio") increased as compared with previous year. The Group's Dividend Payout Ratio in the last five years was as follows:

	Dividends per share	Total dividends	Profit attributable to equity holders of the Company	Dividend Payout Ratio
	HK$	HK$'000	HK$'000	HK$'000
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%
2020*	0.02	22,423	49,821	45.01%

* Dividends per share for the year included a proposed final dividend of HK2 cents per share.

EMPLOYEES AND REMUNERATION

As at 31st December 2020, the Group employed 2,243 employees (2019: 1,878) 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$472,088,000 (2019: HK$379,493,000), 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 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. Market Risk

In recent years, due to the gradual improvement of transportation infrastructure in Guangdong Province, the adverse effects of Express Rail Link and cross-border buses on the waterway passenger transportation market had continued to undermine the market competitiveness of the Group's cross-border passenger transportation business. Traditionally, the Group's passenger transportation business focused mainly on passenger transportation agency service, with the traditional business and revenue gradually shrinking due to the increasingly severe external environment, no significant results had yet been realised from the development of new business. As the volume of cross-border passenger transportation witnessed a severe decline, revenue from auxiliary passenger transportation and fuel supply business had declined substantially concurrently. As a result of rapid development in Mainland China and the diminishing attractiveness of Hong Kong, the willingness of tourists travelling to Hong Kong and the number of visitors to Hong Kong had dropped noticeably. Also, the increasing number of transportation options available to passengers had resulted in a fierce competition of the ferry business in Hong Kong. Therefore, in terms of market risk, the survival and development of overall passenger transport industry and related ancillary businesses faced significant challenges, market competition risk and demand risk were at a high level. For the purpose of allowing the passenger transportation segment to combat a relatively high market risk in a rapidly changing and highly competitive business environment: Firstly, the Group will look at changes in market condition objectively by forming a team to conduct sufficient market research on passenger travel patterns and explore the core competitiveness and the restructuring of business model for the passenger transportation segment. Secondly, the Group will strengthen the communication with relevant authorities in Hong Kong and Mainland China by the promotion of preferential policies for travelling to Hong Kong from the government level after the end of the epidemic in order to promote a sustainable recovery in demand. Thirdly, the Group will reform the marketing department, strengthen the rapport with the Hong Kong Airport Authority, airline companies, travel agencies and various passenger terminals, and enhance the cooperation in joint advertising and marketing after the resumption of flights. Fourthly, the Group will continue to promote more terminals to launch the floating fare mechanisms and launch a variety of flexible fare products and promotions. Fifthly, with the improvement of land transportation, the Group will pinpoint the target customer group of high-speed ferry passenger transportation, refine and improve passenger ferries services in order to enhance the competitiveness of ferry transportation. Sixthly, the Group will innovate market management tools, increase the coverage of e-marketing, and at the same time, accelerate the construction of intelligent passenger transportation business to optimise the structure of passenger portfolio and maximise efficiency through innovative methods. Seventhly, in terms of local ferry transportation business, the Group will pay close attention to the impact of the epidemic and market dynamics on local ferry business, and re-launch vessel chartering and the project of tours for Victoria Harbour in a timely manner. Eighthly, the Group will expand local businesses and service projects so as to increase the revenue for auxiliary business area on the ground of stable current businesses.

The terminal logistics segment had been affected by the Sino-US trade war, with a risk of decreasing overall export cargo volume to the United States from the Pearl River Delta, resulting in a decrease in business volume. Due to the relatively far distance between some terminals and their cargo sources which resulted in a higher operating cost, the competitiveness compared with similar benchmark terminals in the region were relatively low. The above-mentioned reasons had a significant impact on the Group's terminal logistics business, resulting in a potential risk for decreasing business volume and revenue of the Company. The logistics segment had implemented risk prevention measures to increase revenue sources, such as refining industry chain coverage on domestic trade, trailer, break bulk cargo and construction materials. Eleven of our ports had unfolded domestic logistics business, and several terminals had unfolded or prepared for the development of trailers and sand businesses. At the same time, the Company explored innovative business models and new business forms in terminal logistics.

II. Strategic Risk

The global economic uncertainties and slow recovery of the surrounding economic environment, coupled with the COVID-19 epidemic during the entire year of 2020, made it difficult for the Company to realise its strategic planning, with the Company facing an unprecedented predicament. In order to tie with the government's strategy for epidemic prevention and control, the Group's operations of the cross-border waterway passenger routes between Guangdong, Hong Kong and Macau were suspended since the end of January 2020. Although individual airport routes had resumed temporarily or provided limited services in the second half of 2020, the overall business growth and financial performance were seriously affected. The local ferry business had also been severely undermined by market downturn and recorded a year-on-year business volume decline under the epidemic. To reduce strategic risks and promote sustainable development, the passenger transportation segment needed to break through the traditional framework and promote the transformation and upgrade of traditional industry in an innovative development landscape so as to achieve profit and revenue generation. Firstly, the Group will align with the airport's new strategy and bid for new service projects of the Hong Kong International Airport. Secondly, the Group will continue to expedite the deployment of new routes so as to achieve an early and smooth operation of new routes, such as Pazhou, Shenzhen Airport and Huangpu, and make appropriate adjustments in the frequency and capacity of each route according to the changes in market condition. Thirdly, the Group will enhance the strategic position and develop terminal business of Nansha Port, transforming Nansha Port into an integrated terminal with cross-border passenger transportation, domestic logistics, and tourism routes which translates into a new growth driver. Fourthly, the Group will study the development of local vessel demand in Hong Kong, actively follow up the progress of the "Lantau Tomorrow Vision" project, expedite the third runway project of the Hong Kong International Airport while striving towards new projects, and study the impact of the development trend of local public transportation on the Company's routes, especially the opening arrangement of the "Shatin to Central Link". Fifthly, the Group will reduce the reliance of auxiliary business segment on traditional passenger transportation business and provide new business growth by extending industrial chain, new sales channels as well as operating size.

III. Operation Risk

In 2020, the three most prominent operational risks were the risk of disruption in cross-border passenger transportation business, the risk of operating performance appraisal and the risk of human resources. Under the influence of negative factors such as the COVID-19 epidemic and Hong Kong's social movements, the key tasks and work goals assigned at the beginning of the year were difficult to achieve, resulting in unsatisfactory results in the annual operating performance appraisal, which affected the motivation of employees. In addition, the development and operation of the logistics and passenger transportation industries had undergone significant changes in recent years. As a result of the change in market environment and industry adjustments, the competitiveness of the salaries and wages of our subsidiaries in the market had decreased, resulting in a low business morale and a loss of core employees. Furthermore, the Group's passenger transportation segment was still undergoing business transformation and was unable to reserve or cultivate talents to meet the operational needs of new businesses, resulting a lack outstanding talents for key positions. Preventive measures include: First, the Group will pay close attention to the changes of the epidemic and the quarantine policies of different regions, and prepare for work resumption and production in advance. Secondly, the Group will apply for subsidies and financial support from local government so as to reduce the financial burden. Thirdly, in terms of the auxiliary business segment, the Group will pay close attention to the development of the epidemic, the Sino-US trade war, and the impact of social events in Hong Kong on the waterway passenger transportation market. The Group will use various channels to promote business, increase the development of local business and carry out diversified operations. Fourthly, the Group will strictly impose cost control, open new revenue sources and cut costs. Fifthly, the Group will set reasonable operating performance assessment indicators and assessment contents with reference to the internal and external environment. At the same time, the Group will study the major difficulties of various tasks, implement work breakdown, and adjust the corresponding plan in a timely manner according to changes in market condition. Sixthly, the Group will implement human resources planning so as to integrate the employees at ferry terminals and ticket offices, carry out flexible rotation and salary arrangements to optimise the use of human resources, and solve the on-site labour shortage in terminals and ticket offices by recruiting part-time employees. In addition, the Group will strengthen the construction of talent echelon and focus on enhancing the vocational skills and working ability of new employees so as to achieve a wide diversity in abilities. Seventhly, the Group will adjust the remuneration package in conjunction with the market so as to improve the competitiveness of pay scale, retain and attract talents, and ensure the stability of our talent team.

The Group's terminal logistics business had been affected by the epidemic. Governments and relevant terminal-related departments had strictly carried out prevention and control among cross-border vessels by implementing on board sealed management. Crew members were required to obtain negative results from COVID-19 nucleic acid tests and quarantined for 14 days after working in shift. As crew scheduling was lengthy and the number of crew members was tight, the frequency of changing shift was low and some of the crews had not been disembarked for a long time, resulting in a risk of emotional instability of crew members. Due to the global spread of the epidemic which resulted in a disruption of supply chain, some terminal logistics companies were experiencing tighter container supply and they could not commence their businesses as planned. The risk of downtime, absence of employee and infection emerged when the epidemic situation was severe and level of emergency response to COVID-19 was high, seriously affecting the normal operation of the Company. To address the issue of crew scheduling, the Group had adopted various measures to maintain the stability of our employees. By leveraging on the policy that no quarantine was required for crew working under domestic feeder routes, the Group rotated crew on domestic feeder routes and routes between Guangdong and Hong Kong so as to speed up the frequency of changing shift after ensuring safety and compliance to the law. The Group also actively coordinated with terminals and freight forwarding offices to ensure the supplies for the crew on board; make advance arrangement and coordination for crew members with temporary shift under special circumstances so as to achieve both operation and smooth changing shift; underwrote all the expenses of the crew during quarantine so as to reduce their economic pressure; provided a guaranteed salary to employee not able to resume work or work normally due to the need of epidemic prevention and control so as to avoid brain drain. To address the problem of tight container supply, on the one hand, the Group seized the opportunity of the adjustment on customs clearance policy for recycled copper, aluminium and other sources of goods so as to strengthen the development of imported sources of goods and realise import-driven export; on the other hand, the Group improved the communication with major liners and strive for sources of containers. To address the prevention and control of the epidemic, the Group requested subordinate terminals to thoroughly deploy epidemic prevention and control work from the local governments, joint inspection units and other relevant departments, as well as strictly monitor employees who were in direct contact with imported cargo; implemented "three zones" district management for all workplaces involving imported goods, carried out various measures to prevent and control the epidemic in cross-border cargo transportation. At the same time, the Group heighten its epidemic-prevention supplies.

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 2020, due to the impact of the Sino-US trade war and appreciation 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 2021, 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, Hong Kong transportation, 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 endeavour 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 2020, the Company's distributable reserves, calculated in accordance with Part 6 of Hong Kong Companies Ordinance, amounted to HK$1,365,076,000 (2019: HK$1,298,685,000), of which HK$22,423,000 (2019: HK$33,635,000) has been proposed as final dividend for the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31st December 2020, 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 2020.

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. Liu Wuwei
Mr. Leng Buli (resigned on 1st April 2020)

Non-executive Director:

Ms. Zhong Yan (appointed on 1st April 2020)
Ms. Ye Meihua (resigned on 1st April 2020)

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. Huang Liezhang, Mr. Chen Jie and Mr. Liu Wuwei 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 2020) from 1st January 2020 up to 25th March 2021 (being the date of approval of the Company's 2020 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 2020, 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 35 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 2020, 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 fulfilment 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 fulfilment 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. All granted share options have lapsed due to reasons including failure to meet performance indicators, employee resignations or retirements etc.

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 2020, 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 2020, 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 2020.

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 2020, 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:

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 2020 was HK$635,000.

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 repairing, and emergency ad hoc repairing 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 2020 was HK$1,947,000.

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 2020 was HK$303,000.

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 2020 was HK$266,000.

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 2020 was HK$18,609,000.

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 2020 was HK$35,508,000.

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 2020 was HK$3,341,000.

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 2020 was HK$53,401,000.

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 2020 was HK$20,583,000.

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 2020 was HK$15,000,000.

On 30 June 2020, the Company (as a service provider) entered into a management agreement (the "New Management Agreement") with CKSE (the Company's immediate holding company, as a service recipient) in respect of the provision of management services for the assets of CKSE.

The term of the Management Agreement was 3 years from 1st July 2020 to 30th June 2023. 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 2020, 2021, 2022 and 2023 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 2020 was HK$15,000,000.

The above CCT were beneficial for the operations of the Group and/or provided stable income and profit to the Group. The items (1) to (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 39 to the financial statements are the CT/CCT under Chapter 14A of the Listing Rules. The table below shows the amounts of the CT/CCT as defined in Chapter 14A of the Listing Rules among the RPT as disclosed in note 39 to the financial statements:

RPT Items	For the year ended 31st December 2020 RPT Amount HK$'000	For the year ended 31st December 2020 of which constitute CT/CCT HK$'000	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
Revenues:				
Shipping agency, river trade cargo direct shipment and transshipment income	**5,027**	**2,486**	4,482	69
Passenger transportation agency fees	**1,256**	**426**	12,102	3,754
Ferry terminal operation service fees	**1,578**	**209**	19,123	2,804
Sub-baggage handling services fee	**266**	**266**	4,414	4,414
Management service fees	**39,358**	**30,605**	37,567	30,583
Vessel rental income	**3,627**	**2,647**	2,720	2,720
Interest income	**195**	**–**	349	–
Fuel supply income	**24,162**	**19,575**	140,580	80,505
Marine bunkering service	**1,022**	**1,008**	4,446	4,287
Consulting and software service	**244**	**202**	250	250
Agency service fee	**847**	**525**	3,496	2,677
Expenses:				
Shipping agency, river trade cargo direct shipment and transshipment expenses	**4,115**	**4,115**	3,919	3,919
Wharf cargo handling, cargo transportation and godown storage expenses	**88,785**	**49,283**	92,599	54,597
Agency fee expenses	**92**	**3**	809	62
Ferry terminal operation services fee	**325**	**325**	3,949	3,949
Luggage handling fee	**303**	**303**	3,801	3,801
Ferry rental expenses	**3,341**	**3,341**	379	379
Vessel rental expenses	**35,508**	**35,508**	28,772	28,772
Warehouse rental expenses	**5,000**	**5,000**	5,000	5,000
Office rental expenses	**9,743**	**9,743**	8,265	8,265
Staff quarter rental expenses	**3,095**	**3,095**	2,520	2,520
Property management fee expenses	**771**	**771**	538	538
Loan interest expenses	**426**	**–**	576	–
IT Management fee expenses	**2,948**	**–**	2,948	2,948
Repair and maintenance expenses	**1,622**	**1,622**	–	–
Vessel construction cost	**–**	**–**	19,125	19,125

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 2020, 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 (2019: HK$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 63 to 80 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 2021 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 2021 annual general meeting of the Company.

BY ORDER OF THE BOARD

Wu Qiang
Managing Director
Hong Kong, 25th March 2021

Directors and
Senior Management

EXECUTIVE DIRECTORS

Mr. Huang Liezhang, aged 53, 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 the chairman of Guangdong Chu Kong Shipping Co., Ltd., 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 55, was appointed as executive director and general manager of the Company on 17th September 2018, responsible for the production, operation and development 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 55, 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. Liu Wuwei, aged 49, was appointed as executive director and deputy general manager of the Company on 18th July 2018, mainly responsible for financial management and 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 28 years of experience in logistics, river trade terminal operation management and marketing.

Mr. Leng Buli, aged 56, 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 resigned on 1st April 2020. 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. 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.

NON-EXECUTIVE DIRECTORS

Ms. Zhong Yan, aged 45, was appointed as non-executive director of the Company on 1st April 2020, participating in strategic planning and decision-making of the Group. Ms. Zhong graduated from Shanghai Maritime University in 1997, majoring in Computer Science and Computer Application and minoring in International Container Transportation Management, and studied a master degree in Global Economy at Sun Yat-Sen University between 2000 and 2003. She is also a certified assistant engineer and certified economist in the People's Republic of China. She has 23 years of experience in information technology, disciplinary inspection, supervisory audit and trade union management since 1997. She has joined GNG since 2000 and worked successively in the information center, general manager's office, comprehensive management department and female staff association, etc. Ms. Zhong was successively appointed as the chairman of the union and secretary of the commission for discipline inspection of Guangdong Bonny Fair Heavy Industry Limited from 2013 to 2018, member of the commission for discipline inspection and deputy manager of the supervision and audit department of GNG from 2016 to 2019, deputy general manager of Guangzhou Hangcheng Real Estate Development Operation Co., Ltd. from 2019 to March 2020. She is currently the director of CKSE and Guangdong Chu Kong Shipping Co. Ltd.

Ms. Ye Meihua, aged 50, 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 resigned on 1st April 2020. Ms. Ye graduated from Jinan University, majoring in accounting and is also a certified senior accountant in the People's Republic of China. She has 30 years of experience in the financial accounting, supervision and auditing and risk management sector since 1990. 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.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Kay-cheung, FHKIB, aged 74, 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 of The Chinese University of Hong Kong. Mr. Chan is also an independent non-executive director of China Electronics Corporation Holdings Company Limited and SOCAM Development Limited. He was an independent non-executive director of Dah Chong Hong Holdings Limited and Hong Kong Food Investment Holdings Limited. Mr. Chan was appointed as independent non-executive director of the Company in April 1998.

Ms. Yau Lai Man, aged 57, 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 30 years auditing and commercial experiences. Ms. Yau presently is the executive director, financial controller and company secretary of Essex Bio-Technology Limited listed on the Main Board of the Stock Exchange.

Mr. Chow Bing Sing, aged 71, 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. Zhou Jun, aged 48, was appointed as the Deputy General Manager of the Company in April 2020, responsible for the investment development and capital operation of the Group. Mr. Zhou was graduated from Changsha Jiaotong University in 1995 majoring in finance, and obtained a master degree in business administration from Changsha University of Science & Technology in 2013. He is also a certified senior economist of the People's Republic of China. Mr. Zhou has 25 years of experience in finance and investment management industry since 1995. Mr. Zhou worked successively as the chief accountant, director and general manager of Foshan Guang-San Expressway Company Limited from 1999 to 2013, general manager of Guangdong Yue-Gan Expressway Company Limited and Guangdong Hehui Expressway Co., Ltd. from 2013 to 2015, deputy general manager of Guangdong Litong Real Estate Investment Co., Ltd from 2015 to 2019, general manager of the capital operation department of Guangdong Province Navigation Group Company Limited from August 2019 to March 2020. He is currently the vice-chairman of Guangzhou Foshan Expressway Ltd.

Mr. Ye Fei, aged 45, was appointed as financial controller of the Company in August 2020, responsible for financial management and control of the Group. Mr. Ye graduated from the Guangdong University of Business Studies in 1998, majoring in accounting, and obtained a master degree in accounting from Jinan University in 2011. He is also a certified senior accountant of the People's Republic of China. Mr. Ye has been engaged in financial and management sector since 1998 and worked successively as the finance manager of CKPT and Guangdong Province Zhujiang Shipping Co., Ltd. He worked as the deputy general manager of the finance department of GNG from 2014 to 2020. Mr. Ye has more than 22 years of experience in accounting and financial management. Currently, Mr. Ye is also the chairman of the board of Guangzhou Hua Gang Real Estate Co., Ltd., the vice-chairman of Foshan Nanhai Pinggang Passenger Transportation Co., Ltd. and Doumen-Hong Kong Passenger Transportation Integrated 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., Waibert Steamship Company Limited, GTF Maritime Financial Leasing Co., Ltd., Zhongshan Zhongshan-HongKong Passenger Shipping Co-op Co., Ltd., CNT Security Company Limited and Bonny Fair Development Limited.

Mr. Lin Shengqi, aged 45, was appointed as development officer, general manager of investment & development department (research department) and capital operation department of the Company in May 2019, mainly responsible for the investment development and capital operation of the Group. Mr. Lin graduated from Sun Yat-Sen University in 1998, 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 Chu Kong Shipping (Guangdong) Investment Limited, China Ferry Terminal Services Limited and Guangdong Zhuan Duty Free Co., Ltd., as well as the director of Guangzhou Nansha Feeders Terminal Co., Ltd., Chu Kong Infrastructure Investment Limited, Brodrene AA Shipyard in Norway, Bonny Fair Development Limited, Cotai Chu Kong Shipping Management Service Company Limited, Pazhou (Guangzhou) Hong Kong and Macao Passenger Transport Company Limited and Chu Kong Shipping Investment (Norway) Limited. Mr. Lin has over 22 years of experience in warehouse logistics management and investment development.

Ms. Cheung Mei Ki Maggie, aged 54, 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 was appointed as the financial controller of New World First Ferry Services Limited on 27th May 2020, responsible for the financial management of the company. 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.

Mr. Huang Wanan, aged 47, was appointed as financial controller of the Company in August 2016, responsible for financial management and control of the Group. Mr. Huang resigned in August 2020. 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 sector 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 28 years of experience in accounting, financial management and corporate management.

Mr. Hu Jun, aged 48, was appointed as development officer of the Company in January 2013, responsible for the development and investments of the Group. Mr. Hu resigned in November 2020. Mr. Hu joined the Company 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. Mr. Hu graduated from the University of South Australia with a master degree in business administration. Mr. Hu has over 28 years of experience in navigation operation and management and marketing promotion.

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 insider 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 2020, the Board consisted of eight members, namely four executive Directors (Mr. Huang Liezhang, Mr. Wu Qiang, Mr. Chen Jie and Mr. Liu Wuwei), one non-executive Director (Ms. Zhong Yan) 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 58 to 60 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. Mr. Chan and Mr. Chow retired on rotation at the annual general meeting held on 21st May 2020, and being eligible, offered themselves for re-election at the said meeting. Mr. Chan and Mr. Chow had already been re-appointed by separate resolution of 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 81 to 86 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 date 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 2020, 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. Liu Wuwei (Executive Director)	1/1	4/4	12/12	N/A	N/A	N/A
Ms. Zhong Yan (Non-executive Director, appointed on 1st April 2020)	1/1	3/4	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
Mr. Leng Buli (Executive Director, resigned on 1st April 2020)	0/1	0/4	N/A	N/A	N/A	N/A
Ms. Ye Meihua (Non-executive Director, resigned on 1st April 2020)	0/1	0/4	N/A	N/A	N/A	N/A

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

Committees under the Board

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

Executive Committee

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

The Executive Committee comprises:
Mr. Huang Liezhang (Chairman of the committee)
Mr. Wu Qiang
Mr. Chen Jie
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 2020 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 2020;
- 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 auditors.

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 2020 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 2020 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.

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. Huang Liezhang, Mr. Chen Jie and Mr. Liu Wuwei will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election. The Nomination Committee recommended to the Board that Mr. Huang Liezhang, Mr. Chen Jie and Mr. Liu Wuwei 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.

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. Liu Wuwei (Executive Director)	✓	✓	✓	✓
Ms. Zhong Yan (Non-executive Director, appointed on 1st April 2020)	✓	✓	✓	✓
Mr. Chan Kay-cheung (Independent Non-executive Director)	✓	✓	✓	✓
Ms. Yau Lai Man (Independent Non-executive Director)	✓	✓	✓	✓
Mr. Chow Bing Sing (Independent Non-executive Director)	✓	✓	✓	✓
Mr. Leng Buli (Executive Director, resigned on 1st April 2020)	✓		✓	
Ms. Ye Meihua (Non-executive Director, resigned on 1st April 2020)	✓		✓	

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 2020 which needs to be disclosed.

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

REMUNERATION OF SENIOR MANAGEMENT

Number of senior management according to the level of remuneration:

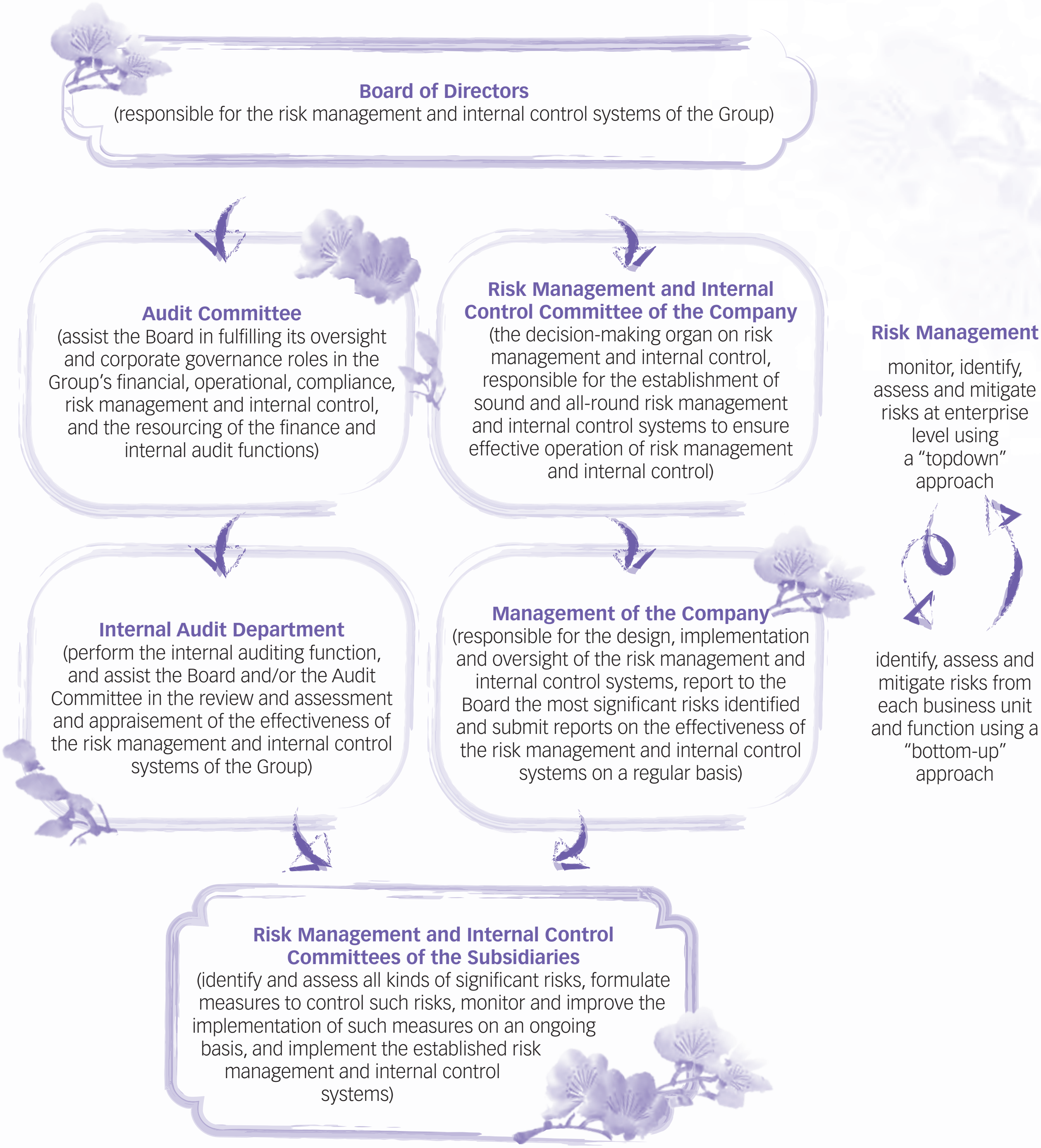
Level of remuneration	**Number of Senior Management**	
HK$'000	**2020**	2019
401-1,000	**4**	2
1,001-1,800	**1**	2

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 PROCEDURE



- 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 market risks, strategic risks, operating risks and financial 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 2020 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 assessment of comprehensive risk management this year, there is no matter involving "One-vote Veto". Meanwhile, key controls on the risks of 2020, which were identified as production and operational safety risks etc., were put in place, mainly through strictly executing pandemic prevention measures, responding in a timely manner, strengthening supervision and inspections; conducting business training and specific investigations, etc.. The pandemic prevention measures were in place, there was no major safety duties incident took place in the Group throughout the year;

- the 2020/21 Internal Audit Plan was properly organised and implemented so as to enhance the standard of the internal control and risk management of all subsidiaries, with an aim to improve the Company's awareness of risk management and internal control, strengthening the ability to respond to emergencies. 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 safety inspection department in relation to internal control, occupational safety, safety inspection, problem checking and the progress regarding implementation of rectification, etc;

- organised the Group staff to carry out relevant training and cultural construction works to improve risk management and internal control awareness and enhance the standard of the internal audit, including arranging dedicated internal auditors to attend online practical audit training, inviting professionals to conduct business training on "How to excel in internal audit supervision", completing thematic training course on "2020 Risk Assessment and Operational Measures" for the person in charge of risk management of the subsidiaries, etc.;

- during the year, the year 20/21 audit plan was fully completed, a total of 11 internal audit reports were issued. In respect of the 26 audit comments and recommendations provided for the financial year of 2020, improvement works on addressing audit-related issues were in progress, of which 17 were completed. All subsidiaries had been asked to make improvements according to such recommendations; and

- continued to follow up the rectification items that were not completed by the internal audit in the previous year. Except for the rectification items related to continuous optimisation of information system, all other items have been rectified.

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 2020, the Company paid the auditor of the Company the following fees for audit and non-audit services.

	2020 HK$'000	2019 HK$'000
Audit Services	**2,554**	2,026
Non-audit Services (including review of the interim report, continuing connected transactions, annual results announcement, tax consulting and tax compliance services)	**889**	1,209
	3,443	3,235

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 2020, there was no amendment to the Articles of Association of the Company.

Independent auditor's report 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 87 to 178, which comprise the consolidated statement of financial position as at 31st December 2020, 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 2020 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$2,629,575,000 as at 31st December 2020. 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. 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.	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 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;

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
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.	• 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, actions taken to eliminate threats or safeguards applied.

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
25th March 2021

Consolidated Statement of Financial Position

As at 31st December 2020

(Expressed in Hong Kong dollars)

	Note	2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	**2,013,501**	1,733,898
Investment properties	8	**51,734**	33,593
Land use rights	9	**378,265**	385,927
Intangible assets	10	**237,809**	43,612
Investments in joint ventures	12	**377,532**	387,006
Investments in associates	12	**121,679**	114,198
Other financial asset	13	**1,743**	–
Deferred income tax assets	14	**1,178**	4,494
		3,183,441	2,702,728
Current assets			
Inventories and spare parts	15	**32,356**	1,814
Trade and other receivables	16	**385,183**	386,211
Loan to a joint venture	16	**2,376**	4,465
Tax recoverable		**6,252**	–
Structured bank deposits	17	**238,050**	409,441
Cash and cash equivalents	18	**726,056**	869,271
		1,390,273	1,671,202
Total assets		**4,573,714**	4,373,930
EQUITY			
Share capital	19	**1,415,118**	1,415,118
Reserves	21	**1,866,484**	1,734,922
		3,281,602	3,150,040
Non-controlling interests		**349,919**	297,047
Total equity		**3,631,521**	3,447,087

Consolidated Statement of Financial Position

As at 31st December 2020
(Expressed in Hong Kong dollars)

	Note	2020 HK$'000	2019 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	14	**99,681**	82,739
Deferred income		**5,471**	6,438
Lease liabilities	24	**19,187**	32,171
Long term borrowings	26	**126,842**	140,696
		251,181	262,044
Current liabilities			
Trade payables, accruals and other payables	22	**479,135**	494,333
Amounts due to the non-controlling interests	25	**78,550**	77,939
Derivative financial liabilities	23	**3,006**	–
Income tax payables		**–**	20,438
Lease liabilities	24	**17,845**	18,193
Short-term borrowings	26	**100,000**	50,000
Current portion of long-term borrowings	26	**12,476**	3,896
		691,012	664,799
Total liabilities		**942,193**	926,843
Total equity and liabilities		**4,573,714**	4,373,930
Net current assets		**699,261**	1,006,403
Total assets less current liabilities		**3,882,702**	3,709,131

Approved and authorised by the board of directors on 25th March 2021

Huang Liezhang
Director

Wu Qiang
Director

The notes on pages 95 to 178 form part of these financial statements.

Consolidated Statement of Profit or Loss

For the year ended 31st December 2020
(Expressed in Hong Kong dollars)

	Note	2020 HK$'000	2019 HK$'000
Revenue	5	**1,854,549**	2,147,876
Cost of sales/services rendered	27	**(1,668,423)**	(1,844,009)
Gross profit		**186,126**	303,867
Other income	28	**181,619**	56,298
Other gains, net	29	**3,472**	51,159
General and administrative expenses	27	**(290,570)**	(296,397)
Operating profit		**80,647**	114,927
Finance income	30	**22,337**	26,755
Finance cost	30	**(10,116)**	(12,402)
Share of profits less losses of:			
– Joint ventures	12	**(20,192)**	130,443
– Associates	12	**1,808**	6,760
Profit before income tax		**74,484**	266,483
Income tax expense	31	**(9,186)**	(34,335)
Profit for the year		**65,298**	232,148
Attributable to:			
Equity holders of the Company		**49,821**	214,078
Non-controlling interests		**15,477**	18,070
		65,298	232,148
Earnings per share (HK cents)			
Basic and diluted	33	**4.44**	19.09

The notes on pages 95 to 178 form part of these financial statements.

Consolidated Statement of
Profit or Loss and Other Comprehensive Income

For the year ended 31st December 2020
(Expressed in Hong Kong dollars)

	2020 HK$'000	2019 HK$'000
Profit for the year	**65,298**	232,148
Other comprehensive income/(loss) for the year:		
Item that will not be reclassified to profit or loss		
Unlisted equity security at fair value through other comprehensive income – change in fair value, net off HK$nil tax effect	**(65)**	–
	(65)	–
Items that have been reclassified or may be reclassified subsequently to profit or loss		
Currency translation differences, net off HK$nil tax effect:		
– Subsidiaries	**87,648**	(32,479)
– Joint ventures and associates	**25,252**	(12,539)
Cash flow hedges:		
Net movement in the hedging reserve, net of HK$3,582,000 tax effect	**18,127**	–
Other comprehensive income/(loss) for the year	**130,962**	(45,018)
Total comprehensive income for the year	**196,260**	187,130
Attributable to:		
Equity holders of the Company	**165,197**	171,893
Non-controlling interests	**31,063**	15,237
	196,260	187,130

The notes on pages 95 to 178 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2020
(Expressed in Hong Kong dollars)

	Attributable to owners of the Company											
	Share capital	Exchange reserve	Revaluation reserve	Capital reserve (note 21(a))	Statutory reserves (note 21(b))	Merger reserves (note 21(c))	Fair value reserve (non-recycling)	Hedging reserve	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January 2020	1,415,118	(47,801)	23,009	167,717	105,213	(871,425)	–	–	2,358,209	3,150,040	297,047	3,447,087
Profit for the year	–	–	–	–	–	–	–	–	49,821	49,821	15,477	65,298
Other comprehensive income:												
Currency translation differences												
– Subsidiaries	–	80,969	–	–	–	–	–	–	–	80,969	6,679	87,648
– Joint ventures and associates	–	23,596	–	–	–	–	–	–	–	23,596	1,656	25,252
Fair value change on financial asset	–	–	–	–	–	–	(65)	–	–	(65)	–	(65)
Cash flow hedge: net movement in hedging reserve	–	–	–	–	–	–	–	10,876	–	10,876	7,251	18,127
Transfer of reserves	–	–	–	–	3,972	–	–	–	(3,972)	–	–	–
Total comprehensive income for the year	–	104,565	–	–	3,972	–	(65)	10,876	45,849	165,197	31,063	196,260
Transactions with owners:												
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	26,398	26,398
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	(4,589)	(4,589)
2019 final dividend	–	–	–	–	–	–	–	–	(33,635)	(33,635)	–	(33,635)
At 31st December 2020	1,415,118	56,764	23,009	167,717	109,185	(871,425)	(65)	10,876	2,370,423	3,281,602	349,919	3,631,521

The notes on pages 95 to 178 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31st December 2020
(Expressed in Hong Kong dollars)

	Attributable to owners of the Company										
	Share capital	Exchange reserve	Revaluation reserve	Capital reserve (note 21(a))	Statutory reserves (note 21(b))	Share option reserve	Merger reserves (note 21(c))	Retained profits	Total	Non-controlling interests	Total equity
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	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

The notes on pages 95 to 178 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31st December 2020
(Expressed in Hong Kong dollars)

	Note	2020 HK$'000	2019 HK$'000
Cash flows from operating activities			
Cash generated from operations	36(a)	**136,942**	189,642
Hong Kong profits tax paid		**(16,952)**	(7,750)
Mainland China corporate income tax paid		**(18,689)**	(12,953)
Macao profits tax paid		**(1,528)**	(2,681)
Net cash generated from operating activities		**99,773**	166,258
Cash flows from investing activities			
Purchase of property, plant and equipment		**(254,522)**	(152,022)
Purchase of intangible asset		**–**	(1,605)
Purchase of investment properties		**–**	(29,559)
Proceeds from disposal of property, plant and equipment		**2,594**	71,476
Payment for investment in a joint venture		**(2,302)**	–
Acquisition of a subsidiary, net of cash acquired	36(d)	**(163,681)**	–
Disposal of a subsidiary, net of cash received		**(5,040)**	–
Payment of non-current deposits		**–**	4,778
Decrease/(increase) in structured bank deposits		**171,391**	(88,738)
Receipt of loan repayment from a joint venture		**2,376**	8,586
Dividends received from joint ventures and associates		**12,699**	176,213
Interest received		**22,337**	26,755
Net cash (used in)/generated from investing activities		**(214,148)**	15,884

Consolidated Cash Flow Statement

For the year ended 31st December 2020
(Expressed in Hong Kong dollars)

	Note	**2020** **HK$'000**	2019 HK$'000
Cash flows from financing activities			
Dividends paid		**(33,635)**	(106,505)
Interest paid		**(8,627)**	(10,452)
Capital element of lease rentals paid	36(b)	**(21,207)**	(22,521)
Interest element of lease rentals paid	36(b)	**(1,489)**	(1,950)
Repayment of bank loans	36(b)	**(130,321)**	(115,000)
Drawdown of bank loans	36(b)	**166,191**	50,000
Repayment of loan from a third party	36(b)	**–**	(1,004)
Repayment of amount due to the non-controlling interest	36(b)	**(18,000)**	(4,206)
Net cash used in financing activities		**(47,088)**	(211,638)
Net decrease in cash and cash equivalents		**(161,463)**	(29,496)
Cash and cash equivalents at the beginning of the year		**869,271**	905,330
Effect of exchange rate changes		**18,248**	(6,563)
Cash and cash equivalents at the end of the year	18	**726,056**	869,271

The notes on pages 95 to 178 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; provision of operation and management of facilities maintenance services for properties and so forth in Macao; and provision of ferry services and charter hire of vessels services in Hong Kong.

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 25th March 2021.

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, except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- financial asset at fair value through other comprehensive income (see note 2.9); and

- derivative financial instruments (see note 2.12).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(i) (Continued)

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.

(ii) Changes in accounting policies

The Group has applied the following amendments to HKFRSs issued by the HKICPA to these financial statements for the current accounting period:

- Amendments to HKFRS 3, *Definition of a Business*
- Amendment to HKFRS 16, *Covid-19-Related Rent Concessions*

Other than the amendment to HKFRS 16, the Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. The amendments to HKFRS 3 has no material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented. Impacts of the adoption of the amended HKFRSs are discussed below:

Amendment to HKFRS 16, Covid-19-Related Rent Concessions

The amendment provides a practical expedient that allows a lessee to by-pass the need to evaluate whether certain qualifying rent concessions occurring as a direct consequence of the COVID-19 pandemic ("COVID-19-related rent concessions") are lease modifications and, instead, account for those rent concessions as if they were not lease modifications.

The Group has elected to early adopt the amendments and applies the practical expedient to all qualifying COVID-19-related rent concessions granted to the Group during the year. Consequently, rent concessions received have been accounted for as negative variable lease payments recognised in profit or loss in the period in which the event or condition that triggers those payments occurred (see note 7). There is no impact on the opening balance of equity at 1st January 2020.

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(iii) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31st December 2020

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 2020 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, *Reference to the Conceptual Framework*	**1st January 2022**
Amendments to HKAS 16, *Property, Plant and Equipment: Proceeds before Intended Use*	**1st January 2022**
Amendments to HKAS 37, *Onerous Contracts – Cost of Fulfilling a Contract*	**1st January 2022**
Annual Improvements to HKFRSs 2018-2020 Cycle	**1st January 2022**

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 2.24), 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	30 – 50 years
Leasehold improvements	5 – 8 years
Plant and machinery	4 – 15 years
Furniture, fixtures and equipment	3 – 8 years
Motor vehicles	3 – 8 years
Containers	4 – 8 years
Vessels and barges	3 – 15 years
Other properties leased for own use	Over the lease term

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 2.24) to earn rental income and/or for capital appreciation.

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 20 to 50 years. Rental income from investment properties is accounted for as described in note 2.22.

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 and its contractual cash flow characteristics.

The Group's financial assets include trade and other receivables, loan to a joint venture (note 16), structured bank deposits (note 17), cash and cash equivalents (note 18) and other financial asset (note 13).

(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 Derivative financial instruments

Derivative financial instruments are recognised at fair value. At the end of each reporting period the fair value is remeasured. The gain or loss on remeasurement to fair value is recognised immediately in profit or loss, except where the derivatives qualify for cash flow hedge accounting or hedges of net investment in a foreign operation, in which case recognition of any resultant gain or loss depends on the nature of the item being hedged (see note 2.13).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Hedging

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates and variable rate borrowings.

Changes in the fair value of the effective portion of the derivatives that are designated and qualified as cash flow hedges is recognised directly in equity and as other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss.

Amounts accumulated in equity are transferred to the statement of profit or loss in the periods when the hedged item will affect profit or loss. The forecast transaction that is hedged, results in the recognition of a non-financial asset or a non-financial liability, the associated gains and losses that were previously recognised in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

2.14 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.

2.15 Share capital

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Trade payables, accruals and other payables

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

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

2.17 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the 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)

2.18 Current and deferred income tax

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

(i) Current income tax

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (Continued)

(ii) Deferred income tax (Continued)

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 Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

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

2.19 Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefit obligations

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits (Continued)

(iii) Bonus entitlements

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

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

(iv) Termination benefits

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

2.20 Share-based payments

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

– including any market performance conditions (for example, an entity's share price);

– excluding the impact of any service and non-market performance vesting conditions (for example, profitability, sales growth targets and remaining an employee of the entity over a specified time period); and

– including the impact of any non-vesting conditions (for example, the requirement for employees to save or holding shares for a specified period of time).

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Share-based payments (Continued)

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.

2.21 Provisions

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

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

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

2.22 Revenue 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue and other income (Continued)

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.

(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) Fare receipts, freight revenue, hiring income, berthing fee, commission, passenger and maintenance services income

Fare receipts, freight revenue, hiring income, berthing fee, commission, passenger services and ferry terminal maintenance services income are recognised when the services are rendered.

(vi) Management service

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

(vii) Travel agency service

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue and other income (Continued)

(viii) Interest income

Interest income is recognised using the effective interest method.

(ix) Dividend income

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

(x) Rental income and charter hire income

Rental income and charter hire income are recognised on a straight-line basis over the term of the lease.

(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.

(xiii) Advertising income

Advertising income is recognised when the related advertisement or commercial appears before the public.

2.23 Earning per share

(i) Basic earnings per share

Basic earnings per share is calculated by dividing the profit attributable to owners of the Company, excluding any costs of servicing equity other than ordinary shares, by the weighted average number of ordinary shares outstanding during the financial year, adjusted for bonus elements in ordinary shares issued during the year and excluding treasury shares.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Earning per share (Continued)

(ii) Diluted earnings per share

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

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

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

2.24 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

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.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Leased assets (Continued)

(i) As a lessee (Continued)

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 lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are any rent concessions which arose as a direct consequence of the COVID-19 pandemic and which satisfied the conditions set out in paragraph 46B of HKFRS 16 *Leases*. In such cases, the Group took advantage of the practical expedient set out in paragraph 46A of HKFRS 16 and recognised the change in consideration as if it were not a lease modification.

In the consolidated statement of financial position, the current portion of long-term lease liabilities is determined as the present value of contractual payments that are due to be settled within twelve months after the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Leased assets (Continued)

(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 2.22.

2.25 Dividend distribution

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

2.26 Government grants

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

Government grants relating to costs are deferred and recognised in the 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.

2.27 Contingent liabilities

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Inventories and spare parts

Inventories and spare parts 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.

2.29 Segment reporting

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

3.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk, liquidity risk and fuel pricing 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.

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

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

At 31st December 2020, 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$11,062,000 (2019: HK$11,664,000) 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 loan to a joint venture, 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 2020, if interest rates on financial assets had been 100 basis points higher or lower with all other variables held constant, profit after income tax and retained profits for the year of the Group would have been HK$1,805,000 (2019: HK$3,102,000) higher or lower respectively, mainly as a result of higher or lower finance income from floating rate loan to a joint venture and structured bank deposits and short-term bank deposits.

At 31st December 2020, if interest rates on financial liabilities had been 100 basis points higher or lower with all other variables held constant, profit after income tax for the year of the Group would have been HK$1,956,000 (2019: HK$1,502,000) lower or higher respectively mainly as a result of higher or lower finance cost from floating rate bank borrowings and amounts due to the non-controlling interests.

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 loan to a joint venture.

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 widely dispersed. No individual third party customers accounted for more than 10% of the Group's revenue.

The Group has established a credit risk management policy under which 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 2020 and 31st December 2019, 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:

	2020 HK$'000	2019 HK$'000
Balance at 1st January	**4,952**	4,795
Reversal for impairment	**(795)**	(37)
Impairment losses recognised during the year	**–**	194
Balance at 31st December	**4,157**	4,952

(ii) Credit risk arising from loan to a joint venture

Loan to a joint venture is granted taken into account of their financial position, past experience and other factors. The Group monitors the credibility of the joint venture continuously by monitoring the operation and financial position of the joint venture and considers that the credit risk arising from the loan 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	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total	Carrying amount
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 31st December 2020						
Bank borrowings	122,354	20,268	69,524	54,379	266,525	239,318
Amounts due to the non-controlling interests	78,976	–	–	–	78,976	78,550
Derivative financial liabilities	3,006	–	–	–	3,006	3,006
Lease liabilities	18,717	14,716	4,892	–	38,325	37,032
Trade payables, accruals and other payables	458,628	–	–	–	458,628	458,628
At 31st December 2019						
Bank borrowings	62,207	21,834	60,693	84,132	228,866	194,592
Amounts due to the non-controlling interests	78,346	–	–	–	78,346	77,939
Lease liabilities	19,472	14,759	18,597	–	52,828	50,364
Trade payables, accruals and other payables	485,587	–	–	–	485,587	485,587

(d) Fuel pricing risk

The Group is exposed to the upside risk of fuel prices as it has a heavy demand on fuel for its ferry operations. The Group manages its exposure to this risk by using fuel price swap contracts when the need arises. The fair value and details of its fuel price swap contracts as at 31st December 2020 are set out in note 23.

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.

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

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

3.3 FAIR VALUE ESTIMATION

The carrying values less impairment provision (if applicable) of financial assets (including cash and cash equivalents) and the carrying values of financial liabilities with maturities less than twelve months from the end of the reporting period are reasonable approximation of their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

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

The financial instruments are measured in the statement of financial position at fair values and disclosed under the following fair value measurement hierarchy:

Level 1: Quoted prices (unadjusted) in active market for identical assets and liabilities;

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

At 31st December 2020, the financial assets/(liabilities) at fair value through other comprehensive income and derivative financial instruments of the Group were categorised in Level 2 and Level 3 and the fair values were summarised as follows:

3.3 FAIR VALUE ESTIMATION (CONTINUED)

	Level 1 HK$'000	**Level 2** HK$'000	**Level 3** HK$'000	**Total** HK$'000
Assets/(liabilities)				
Financial asset at FVOCI	–	–	1,743	1,743
Derivative financial instrument				
– Fuel price swap contract	–	(3,006)	–	(3,006)
	–	(3,006)	1,743	(1,263)

During the year ended 31st December 2020, there were no transfers between the levels.

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$2,629,575,000 as at 31st December 2020. 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 0.7%, or the revenue growth rates had been lower by 0.9%, the Group would have limited headroom between the carrying amounts and recoverable amounts.

(ii) 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.

5 REVENUE AND SEGMENT INFORMATION

Revenue consists of revenues 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	2020 HK$'000	2019 HK$'000
Cargo transportation	**1,197,322**	1,235,498
Cargo handling and storage	**328,623**	297,534
Passenger transportation	**161,854**	116,541
Fuel supply	**86,306**	479,403
Corporate and other businesses	**80,444**	18,900
	1,854,549	2,147,876

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

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

(i) Cargo transportation - Shipping agency, river trade cargo direct shipment and 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 and provision of ferry services and charter hire of vessels services

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

(v) Corporate and other businesses - Investment holding, ferry terminal management services and other businesses

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 2020						
Total revenue	1,298,528	471,848	161,854	126,506	96,248	2,154,984
Inter-segment revenue	(101,206)	(143,225)	–	(40,200)	(15,804)	(300,435)
Revenue (from external customers)	1,197,322	328,623	161,854	86,306	80,444	1,854,549
Timing of revenue recognition						
At a point in time	–	–	2,066	86,306	820	89,192
Over time	1,197,322	328,623	159,788	–	79,624	1,765,357
	1,197,322	328,623	161,854	86,306	80,444	1,854,549
Segment profit/(loss) before income tax expense	39,282	37,599	(30,906)	(8,240)	36,749	74,484
Income tax (expense)/credit	(3,257)	(11,526)	1,969	463	3,165	(9,186)
Segment profit/(loss) after income tax expense	36,025	26,073	(28,937)	(7,777)	39,914	65,298
Segment profit/(loss) before income tax expense includes:						
Finance income	429	108	429	209	21,162	22,337
Finance cost	(1,219)	(7,255)	(578)	(35)	(1,029)	(10,116)
Depreciation and amortisation	(13,150)	(109,398)	(19,335)	(3,028)	(8,781)	(153,692)
Share of profits less losses of:						
Joint ventures	5,595	8,106	(33,893)	–	–	(20,192)
Associates	–	6,000	(4,192)	–	–	1,808

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 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$'000	Inter segment elimination HK$'000	Total HK$'000
As at 31st December 2020							
Total segment assets	556,042	2,642,299	918,133	123,639	1,802,670	(1,469,069)	4,573,714
Total segment assets include:							
– Joint ventures	39,810	138,621	199,101	–	–	–	377,532
– Associates	–	46,575	75,104	–	–	–	121,679
Additions to non-current assets (excluding deferred income tax assets)	468	232,641	315,082	128	2,157	–	550,476
Total segment liabilities	(393,188)	(759,925)	(242,353)	(33,775)	(982,021)	1,469,069	(942,193)
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)

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:

	2020 **HK$'000**	2019 HK$'000
Non-current assets excluding joint ventures and associates, other financial asset and deferred income tax assets		
Hong Kong	**1,339,860**	858,123
Mainland China	**1,341,449**	1,338,907
	2,681,309	2,197,030
Joint ventures and associates		
Hong Kong	**60,623**	68,274
Singapore	**16,968**	12,992
Mainland China	**421,620**	419,938
	499,211	501,204
Other financial asset	**1,743**	–
Deferred income tax assets	**1,178**	4,494
	3,183,441	2,702,728

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 1st January 2020	1,674,277	72,811	130,415	64,548	454,778	67,832	55,659	17,931	77,202	2,615,453
Exchange differences	58,571	667	1,810	1,452	24,776	2,051	1,268	29	–	90,624
Additions through acquisition of a subsidiary	–	4,196	–	5	4,168	2,590	201	–	86,147	97,307
Additions	3,039	5,445	213,197	7,788	20,733	1,763	2,624	10	5,368	259,967
Transfer	30,039	–	(48,808)	269	2,411	301	22	–	15,766	–
Transfer to intangible asset	(172)	–	–	–	–	–	–	–	–	(172)
Transfer from investment properties	1,641	–	–	–	–	–	–	–	–	1,641
Disposals/write-off	(205)	–	5	–	(27,046)	(802)	(4,460)	(328)	(878)	(33,714)
At 31st December 2020	1,767,190	83,119	296,619	74,062	479,820	73,735	55,314	17,642	183,605	3,031,106
Accumulated depreciation										
At 1st January 2020	390,871	23,456	–	37,002	268,782	51,660	45,360	13,928	50,496	881,555
Exchange differences	10,542	495	–	612	16,297	1,552	841	19	–	30,358
Charge for the year	38,746	23,786	–	8,046	43,733	6,617	2,852	949	12,695	137,424
Transfer from investment properties	478	–	–	–	–	–	–	–	–	478
Write back on disposal	(12)	–	–	–	(26,056)	(740)	(4,261)	(263)	(878)	(32,210)
At 31st December 2020	440,625	47,737	–	45,660	302,756	59,089	44,792	14,633	62,313	1,017,605
Net book value										
At 31st December 2020	1,326,565	35,382	296,619	28,402	177,064	14,646	10,522	3,009	121,292	2,013,501

	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 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

Property, plant and equipment of the Group with net book value amounting to HK$159,958,000 (2019: HK$177,145,000) have been pledged as securities for the bank loans of the Group (note 26).

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	2020 HK$'000	2019 HK$'000
Ownership interests in leasehold land and buildings with remaining lease term of:	7(i)		
– Between 10 and 50 years		**1,233,915**	1,179,870
– 50 years or more		**92,650**	103,536
		1,326,565	1,283,406
Other properties leased for own use	7(ii)	**35,382**	49,355
		1,361,947	1,332,761
Land use rights	7(i) & 9	**378,265**	385,927
Ownership interests in leasehold investment property with remaining lease term of:	8		
– 50 years or more		**48,531**	33,593
– Between 10 and 50 years		**3,203**	–
		1,791,946	1,752,281

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

	2020 HK$'000	2019 HK$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land and buildings	**38,746**	41,554
Other properties leased for own use	**23,786**	23,530
Land use rights	**11,215**	11,465
Ownership interests in leasehold investment property	**3,518**	303
	77,265	76,852
Interest on lease liabilities (note 30)	**1,489**	1,950
Expense relating to short-term leases	**137,188**	–
Expense relating to short-term leases and other leases with remaining lease term ending on or before 31st December 2019	**–**	139,074
COVID-19-related rent concessions received	**(1,975)**	–

7 RIGHT-OF-USE ASSETS (CONTINUED)

During the year, additions to right-of-use assets were HK$12,680,000 (2019: HK$41,334,000). This amount includes the purchase of a leasehold land of HK$nil (2019: HK$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 are set out in notes 36(c) and 24, respectively.

As disclosed in note 2.1, the Group has early adopted the Amendment to HKFRS 16, *Leases, Covid-19-Related Rent Concessions*, and applies the practical expedient introduced by the Amendment to all eligible rent concessions received by the Group during the period. Further details are disclosed in (ii) below.

(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.

During 2020 the Group received rent concessions in the form of a discount on fixed payments during the period of severe social distancing and travel restriction measures introduced to contain the spread of COVID-19.

8 INVESTMENT PROPERTIES

	2020 HK$'000	2019 HK$'000
Cost:		
At 1st January	**34,786**	5,551
Exchange difference	**2,734**	(324)
Addition	**–**	29,559
Transfer from land use rights	**22,527**	–
Transfer to property, plant and equipment	**(1,641)**	–
At 31st December	**58,406**	34,786
Accumulated depreciation:		
At 1st January	**1,193**	893
Exchange difference	**216**	(3)
Charge for the year	**3,518**	303
Transfer from land use rights	**2,223**	–
Transfer to property, plant and equipment	**(478)**	–
At 31st December	**6,672**	1,193
Closing net book value as at 31st December	**51,734**	33,593

The fair value of the Group's investment properties was appraised at HK$103,403,000 as at 31st December 2020 (2019: HK$89,296,000).

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.

Investment properties of the Group with net book value amounting to HK$38,598,000 (2019: HK$nil) have been pledged as securities for the bank loans of the Group (note 26).

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:

	2020	2019
	HK$'000	HK$'000
Within 1 year	**6,752**	2,791
After 1 year but within 5 years	**24,121**	18,326
Over 5 years	**8,442**	13,939
	39,315	35,056

9 LAND USE RIGHTS

	2020	2019
	HK$'000	HK$'000
Opening net book value as at 1st January	**385,927**	409,130
Exchange differences	**23,857**	(11,738)
Transfer to investment properties	**(20,304)**	–
Amortisation	**(11,215)**	(11,465)
Closing net book value as at 31st December	**378,265**	385,927

Land use rights of the Group with net book value amounting to HK$135,549,000 (2019: HK$184,384,000) have been pledged as securities for the bank loans of the Group (note 26).

10 INTANGIBLE ASSETS

	Goodwill HK$'000	Software HK$'000	Total HK$'000
Cost:			
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
At 1st January 2020	35,306	11,846	47,152
Exchange differences	2,275	126	2,401
Transfer from property, plant and equipments	–	172	172
Additions through acquisition of a subsidiary (note 37)	193,202	–	193,202
At 31st December 2020	230,783	12,144	242,927
Accumulated amortisation:			
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
At 1st January 2020	–	3,540	3,540
Exchange differences	–	43	43
Charge for the year	–	1,535	1,535
At 31st December 2020	–	5,118	5,118
Net book value:			
At 31st December 2020	230,783	7,026	237,809
At 31st December 2019	35,306	8,306	43,612

(Expressed in Hong Kong dollars unless otherwise indicated)

10 INTANGIBLE ASSETS (CONTINUED)

Goodwill arose from the acquisitions of Chu Kong Cargo Terminals (Gaoming) Co., Ltd., Zhaoqing New Port Co., Ltd. and Civet (Zhuhai Bonded Area) Logistics Company Limited in previous years and New World First Ferry Services Limited (currently known as Sun Ferry Services Company Limited) in current year. Chu Kong Cargo Terminals (Gaoming) Co., Ltd., Zhaoqing New Port Co., Ltd. and Civet (Zhuhai Bonded Area) Logistics Company Limited are principally engaged in cargo handling, storage and transportation in the PRC. Sun Ferry Services Company Limited is principally engaged in passenger transportation services in Hong Kong.

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

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

	2020	2019
Long term growth rate	**3%**	3%
Discount rates	**8%-12%**	12%

11 SUBSIDIARIES

(a) Details of the subsidiaries as at 31st December 2020 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%**

(Expressed in Hong Kong dollars unless otherwise indicated)

11 SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries as at 31st December 2020 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 High-Speed Ferry Company Limited	Hong Kong	Management of ships in Hong Kong	10,000 ordinary shares	**100%**
Chu Kong Godown Wharf & Transportation Company Limited	Hong Kong	Godown and wharf operations in Hong Kong	100 ordinary shares 1,000,000 deferred shares (Note (b))	**100%**
Chu Kong River Trade Terminal Co., Ltd.	British Virgin Islands	Investment holding in the PRC entities in Hong Kong	100 ordinary shares of US$1 each	**80%**
Chu Kong Transhipment & Logistics Company Limited	Hong Kong	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%**

(Expressed in Hong Kong dollars unless otherwise indicated)

11 SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries as at 31st December 2020 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 Ou Engineering And Technologies Company Limited	Macao	Provision of passenger services and maintenance services at Macao Maritime Ferry Terminal	MOP50,000	**100%**
Sun Ferry Services Company Limited (formerly known as New World First Ferry Services Limited)	Hong Kong	Provision of passenger services	1,000 ordinary shares	**60%**
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%**
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%**
Chu Kong International Airfreight Company Limited	Hong Kong	Freight forwarding agency in Hong Kong	10,000 ordinary shares	**100%**

(Expressed in Hong Kong dollars unless otherwise indicated)

11 SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries as at 31st December 2020 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)				
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%**
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.

11 SUBSIDIARIES (CONTINUED)

(d) The following table lists out the information relating to Civet (Zhuhai Bonded Area) Logistics Company Limited ("Civet") and Sun Ferry Services Company Limited ("Sun Ferry") the two subsidiaries of the Group which has material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	Civet 2020 HK$'000	 2019 HK$'000
NCI percentage	**53%**	53%
Current assets	**32,054**	20,640
Non-current assets	**329,438**	322,920
Current liabilities	**(122,221)**	(113,025)
Non-current liabilities	**(59,411)**	(66,979)
Net assets	**179,860**	163,556
Carrying amount of NCI	**95,254**	86,619
Revenue	**67,548**	63,853
Profit for the year	**5,481**	355
Total comprehensive income	**5,481**	355
Profit allocated to NCI	**2,903**	188
Dividend paid to NCI	**–**	–
Cash flows from operating activities	**29,898**	21,070
Cash flows from investing activities	**(2,548)**	(8,429)
Cash flows from financing activities	**(17,830)**	(19,372)

	Sun Ferry 2020 HK$'000
NCI percentage	**40%**
Current assets	**177,181**
Non-current assets	**27,106**
Current liabilities	**(55,261)**
Non-current liabilities	**(43,926)**
Net assets	**105,100**
Carrying amount of NCI	**42,040**
Revenue	**149,337**
Profit for the year	**20,978**
Total comprehensive income	**20,978**
Profit allocated to NCI	**8,391**
Dividend paid to NCI	**53,021**
Cash flows from operating activities	**26,399**
Cash flows from investing activities	**(21,499)**
Cash flows from financing activities	**(54,157)**

12 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

	2020 **HK$'000**	2019 HK$'000
Investments in joint ventures	**391,796**	401,270
Provision for impairment of joint ventures	**(14,264)**	(14,264)
	377,532	387,006
Investments in associates	**121,679**	114,198

(a) Details of the principal joint ventures and associates as at 31st December 2020 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]

(Expressed in Hong Kong dollars unless otherwise indicated)

12 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(a) Details of the principal joint ventures and associates as at 31st December 2020 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)			
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]
Sanshui Sangang Containers Wharf Co., Ltd.	PRC	Cargo transportation and consolidation	24%[1]
Hong Kong International Airport Ferry Terminal Services Limited	Hong Kong	Ferry linkage services between the Hong Kong International Airport and Pearl River Delta	60%[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%

(Expressed in Hong Kong dollars unless otherwise indicated)

12 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES (CONTINUED)

(a) Details of the principal joint ventures and associates as at 31st December 2020 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)			
Chu Kong Logistics (Thailand) Ltd.	Thailand	Shipping agency and freight forwarding agency	29.4%
CKPT-WACI joint venture	Hong Kong	Passenger Assistance Services	60%[2]
Foshan Gaoming Jiangtong Supply Chain Management Co., Ltd.[#]	PRC	Supply Chain Management and Shipping agency	31.3%[1]
Thrive Dragon Services Limited	Hong Kong	Dormant	12%[1]
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 has, in these joint ventures, 60 percent of the voting rights. Notwithstanding this, the contractual arrangements between the Group and the other joint venture partners specified that unanimous approvals are required for certain significant decisions, which render the shareholders joint control in these entities.

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 2020, 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 2020 and 2019 and summarised statement of comprehensive income for the years ended 31st December 2020 and 2019

	ZHPS	
	2020	2019
	HK$'000	HK$'000
Current assets	**57,250**	106,114
Current liabilities	**(55,524)**	(59,310)
Non-current assets	**426,244**	418,168
Non-current liability	**(18,952)**	(7,924)
Revenue	**30,570**	251,996
Profit after income tax	**(75,047)**	42,142

Reconciliation of summarised financial information

	ZHPS	
	2020	2019
	HK$'000	HK$'000
Opening net assets 1st January	**457,048**	481,723
(Loss)/profit for the year	**(75,047)**	42,142
Dividend declared and settled	**–**	(55,816)
Currency translation differences	**27,017**	(11,001)
Closing net assets as at 31st December	**409,018**	457,048
Interest in joint venture	**40%**	40%
Share of net assets	**163,607**	182,819
Carrying value	**163,607**	182,819

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:

	2020 HK$'000	2019 HK$'000
Profit for the year	**9,827**	113,586
Other comprehensive income/(loss)	**10,308**	(5,125)
Total comprehensive income	**20,135**	108,461

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

	2020 HK$'000	2019 HK$'000
Profit for the year	**1,808**	6,760
Other comprehensive income/(loss)	**5,673**	(2,499)
Total comprehensive income	**7,481**	4,261

13 OTHER FINANCIAL ASSET

	2020 HK$'000	2019 HK$'000
Financial asset at FVOCI		
– unlisted equity investment	**1,743**	–

The unlisted equity securities are shares in a company incorporated in Hong Kong and mainly engaged in operation of contactless smart card payment systems. The Group designated its investment in this unlisted entity as at FVOCI (non-recycling), as the investment is held for strategic purposes. Dividends of HK$131,000 were received on this investment during the year.

During the year, the following item was recognised in statement of profit or loss and other comprehensive income:

	2020 HK$'000	2019 HK$'000
Change in fair value of financial asset	**(65)**	–

14 DEFERRED INCOME TAX

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

	2020 HK$'000	2019 HK$'000
At 1st January	**78,245**	80,301
Acquisition of a subsidiary	**10,561**	–
Disposal of a subsidiary	**892**	–
Charged to profit or loss (note 31)	**2,496**	13,090
Charged to other comprehensive income	**3,582**	–
Transfer to current income tax payables	**(925)**	(14,017)
Exchange difference	**3,652**	(1,129)
At 31st December	**98,503**	78,245

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**	**Share-based payment HK$'000**	**Cash flow hedges HK$'000**	**Total HK$'000**
At 1st January 2019	(9,286)	(266)	–	–	(9,552)
Charged/(credited) to profit or loss	601	(91)	–	–	510
Exchange difference	84	–	–	–	84
At 31st December 2019 and 1st January 2020	(8,601)	(357)	–	–	(8,958)
Acquisition of a subsidiary	–	–	(355)	(4,078)	(4,433)
Disposal of a subsidiary	883	9	–	–	892
Charged/(credited) to profit or loss	3,371	(52)	355	–	3,674
Charged to other comprehensive income	–	–	–	3,582	3,582
Exchange difference	(131)	–	–	–	(131)
At 31st December 2020	(4,478)	(400)	–	(496)	(5,374)

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 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 and 1st January 2020	11,950	46,614	28,639	87,203
Acquisition of a subsidiary	–	14,994	–	14,994
(Credited)/charged to profit or loss	–	(1,602)	424	(1,178)
Transfer to current income tax payables	–	–	(925)	(925)
Exchange difference	–	1,886	1,897	3,783
At 31st December 2020	11,950	61,892	30,035	103,877

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

	2020 HK$'000	2019 HK$'000
Net deferred tax asset recognised in the consolidated statement of financial position	**(1,178)**	(4,494)
Net deferred tax liability recognised in the consolidated statement of financial position	**99,681**	82,739
	98,503	78,245

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 2020, the Group have unrecognised tax losses of HK$252,658,000 (2019: HK$201,667,000) to carry forward. These tax losses have no expiry dates except for tax losses of HK$141,931,000 (2019: HK$146,456,000) of the Group which will expire in the period from 2021 to 2025 (2019: 2020 to 2024).

The Group's wholly owned PRC subsidiaries have undistributed earnings of RMB82,947,000 (equivalent to approximately HK$98,559,000) 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 AND SPARE PARTS

	2020 HK$'000	2019 HK$'000
Engines and parts	**29,851**	–
Diesel	**2,095**	1,671
Engine lubricant	**410**	143
	32,356	1,814

The cost of inventories recognised as expense and included in 'cost of sales/services rendered' amounted to HK$98,424,000 (2019: HK$489,850,000).

16 TRADE AND OTHER RECEIVABLES AND LOAN TO A JOINT VENTURE

	2020 HK$'000	2019 HK$'000
Trade receivables		
– third parties	**212,164**	206,545
– joint ventures and an associate	**–**	2,172
– fellow subsidiaries	**28,073**	23,901
– other related companies	**9,948**	16,949
Trade receivables, net (note (a))	**250,185**	249,567
Other receivables:		
– third parties	**91,040**	87,685
– immediate holding company (note (b))	**9,662**	9,374
– fellow subsidiaries (note (b))	**9,087**	10,024
– joint ventures and associates (note (b))	**25,209**	29,561
	134,998	136,644
Total trade and other receivables	**385,183**	386,211
Loan to a joint venture (note (c))	**2,376**	4,465

16 TRADE AND OTHER RECEIVABLES AND LOAN TO A JOINT VENTURE (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:

	2020 **HK$'000**	2019 HK$'000
Within 3 months	**154,874**	230,659
4 to 6 months	**45,863**	13,972
7 to 12 months	**27,945**	5,292
Over 12 months	**25,660**	4,596
	254,342	254,519
Less: loss allowance recognised	**(4,157)**	(4,952)
	250,185	249,567

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) Loan to a joint venture of the Group is repayable on demand or within twelve months from balance sheet date, and is denominated in Renminbi.

	2020 **HK$'000**	2019 HK$'000
Unsecured loan		
– at floating rate (note)	**2,376**	4,465

Note: The loan bears interest at the base lending rate announced by the People's Bank of China ("PBOC") (2019: base lending rate announced by the PBOC).

16 TRADE AND OTHER RECEIVABLES AND LOAN TO A JOINT VENTURE (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:

	2020	2019
	HK$'000	HK$'000
Hong Kong dollar	**2,236**	7,465
Renminbi	**2,668**	3,346
United States dollar	**23,054**	33,398
	27,958	44,209

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

17 STRUCTURED BANK DEPOSITS

As at 31st December 2020, 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

	2020	2019
	HK$'000	HK$'000
Cash at bank and on hand	**619,417**	343,505
Deposits with banks	**106,639**	525,766
	726,056	869,271

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:

	2020	2019
	HK$'000	HK$'000
Hong Kong dollar	**37,949**	38,068
Renminbi	**10,541**	159,274
United States dollar	**103,353**	111,593
Macao pataca	**1**	11
Euro	**22**	22
	151,866	308,968

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 2019, 31st December 2019, 1st January 2020 and 31st December 2020	1,121,167	1,415,118

In accordance with section 135 of the Hong Kong Company Ordinance, the ordinary shares of the Company do not have a par value.

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual assets.

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:

	2020		2019	
	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
Forfeited	–	–	2.33	(1,681)
At 31st December	–	–	–	–

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

	2020 HK$'000	2019 HK$'000
Trade payables (notes (a) and (c)):		
– third parties	**178,994**	186,398
– immediate holding company	**4,161**	38,903
– fellow subsidiaries	**6,964**	5,456
– joint ventures and associates	**23,077**	30,262
– other related companies	**3,098**	2,075
	216,294	263,094
Accruals and other payables:		
– third parties	**201,814**	195,594
– immediate holding company (note (c))	**20,811**	1,654
– fellow subsidiaries (note (c))	**10,314**	5,554
– joint ventures and associates (note (c))	**9,395**	18,238
– other related companies (note (c))	**–**	1,453
Contract liabilities (note (e))	**20,507**	8,746
	262,841	231,239
	479,135	494,333

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

	2020 HK$'000	2019 HK$'000
Within 3 months	**203,469**	261,082
4 to 6 months	**7,037**	56
7 to 12 months	**1,691**	306
Over 12 months	**4,097**	1,650
	216,294	263,094

(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:

	2020 HK$'000	2019 HK$'000
Hong Kong dollar	**1,014**	3,305
Renminbi	**77,246**	59,129
United States dollar	**12,771**	19,554
	91,031	81,988

22 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES (CONTINUED)

(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 DERIVATIVE FINANCIAL LIABILITIES

The contracted notional amounts, fair values and maturities based on contractual undiscounted cash flows of the financial instruments outstanding are as follows:

	Fuel price swap contracts	
	2020	2019
	HK$'000	HK$'000
Cash flow hedges:		
Notional amount	**13,101**	–
Fair value	**3,006**	–
Contractual undiscounted cash flows maturing within 1 year		
Net settled - outflow	**3,006**	–

24 LEASE LIABILITIES

At 31st December 2020, the lease liabilities were repayable as follows:

	2020	2019
	HK$'000	HK$'000
Within 1 year	**17,845**	18,193
After 1 year but within 2 years	**14,343**	13,987
After 2 years but within 5 years	**4,844**	18,184
	19,187	32,171
	37,032	50,364

25 AMOUNTS DUE TO THE NON-CONTROLLING INTERESTS

	2020	2019
	HK$'000	HK$'000
Current		
– at floating rate (note (i))	**10,100**	9,489
– interest-free (note (ii))	**68,450**	68,450
	78,550	77,939

Notes:

(i) The amounts are denominated in Renminbi, unsecured and interest-bearing at the base lending rate announced by the PBOC (2019: base lending rate announced by the PBOC).

(ii) The amounts are denominated in Hong Kong dollars, unsecured and repayable in 2021 (2019: unsecured and repayable in 2020).

26 BORROWINGS

	2020 **HK$'000**	2019 HK$'000
Unsecured, short term bank loans	**100,000**	50,000
Secured, long term bank loans	**139,318**	144,592
	239,318	194,592

The maturity of the bank loans is as follows:

	2020 **HK$'000**	2019 HK$'000
Repayable within one year	**112,476**	53,896
Repayable within one to two years	**15,595**	15,583
Repayable within two to five years	**59,559**	46,748
Repayable more than five years	**51,688**	78,365
	239,318	194,592
Current portion included in current liabilities	**(112,476)**	(53,896)
	126,842	140,696

The secured bank loan is secured by certain property, plant and equipment (note 6), investment properties (note 8) and land use rights (note 9) of the Group, denominated in Renminbi and interest bearing at the base lending rate announced by the PBOC and LPR. All borrowings are issued at variable interest rates.

27 COSTS AND EXPENSES BY NATURE

	2020 **HK$'000**	2019 HK$'000
Amortisation of land use rights (note 9)	**11,215**	11,465
Auditor's remuneration		
– audit services	**2,554**	2,026
– non-audit services	**889**	1,209
Depreciation of property, plant and equipment (note 6)	**137,424**	119,667
Depreciation of investment properties	**3,518**	303
Amortisation of intangible assets	**1,535**	1,292
Lease payments for short-term leases		
– vessels and barges	**132,804**	131,787
– buildings	**4,384**	7,287
Staff costs (including directors' emoluments) (note 34)	**472,088**	379,493

28 OTHER INCOME

	2020 **HK$'000**	2019 HK$'000
Management fee income from CKSE (note 39(a)(i))	**30,000**	30,000
Property rental income	**8,844**	1,759
Government grants – ferry operation (note (i))	**41,953**	–
Government grants – others	**17,950**	22,616
Government subsidies – Employer Subsidy Schemes (note (ii))	**46,697**	–
Government subsidies – Industry Support Scheme	**24,000**	–
Government subsidies – Others	**4,180**	–
Subsidies income	**730**	571
Repair and maintenance service income	**4,537**	–
Others	**2,728**	1,352
	181,619	56,298

Note:

(i) In accordance with ferry license agreements, Hong Kong Government would provide subsidy for the Group's ferry operations based on the vessel maintenance cost incurred and fare concessions to the elderly passengers aged 65 years or above and child aged 3 years old or above but under 12 years old during the year.

(ii) In 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees. This government subsidy is exempt from taxation.

29 OTHER GAINS - NET

	2020 **HK$'000**	2019 HK$'000
Exchange gains/(losses), net	**2,177**	(2,830)
Impairment loss of property, plant and equipment	**–**	(2,388)
Gain on disposals of property, plant and equipment (note)	**1,090**	56,340
Loss on disposal of a subsidiary	**(590)**	–
Reversal for impairment of trade receivables, net (note 3.1(b)(i))	**795**	37
	3,472	51,159

Note: The gain on disposals of property, plant and equipment in 2019 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.

30 FINANCE INCOME AND COST

	2020 HK$'000	2019 HK$'000
Finance income		
Interest income on loan to a joint venture	**195**	258
Interest income on short-term, structured bank deposits and bank balances	**22,142**	26,497
	22,337	26,755
Finance cost		
Interest expense on bank borrowings	**13,979**	12,455
Interest expense on amounts due to the non-controlling interests	**426**	510
Interest expense on lease liabilities	**1,489**	1,950
Less: amounts capitalised on qualifying assets	**(5,778)**	(2,513)
	10,116	12,402

The capitalisation rate applied to funds borrowed is 3.3% (2019: 3.9%) per annum.

31 INCOME TAX EXPENSE

	2020 HK$'000	2019 HK$'000
Current income tax		
– Hong Kong profits tax	**3,552**	9,992
– PRC corporate income tax	**5,129**	9,787
– Macao profits tax	**–**	1,819
– Over provision in prior years	**(1,991)**	(353)
Deferred income tax expense (note 14)	**2,496**	13,090
	9,186	34,335

Hong Kong profits tax has been provided at the rate of 16.5% (2019: 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% (2019: 25%). Macao profits tax has been provided at the rate of 12% (2019: 12%) on the estimated assessable profit for the year.

31 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:

	2020 **HK$'000**	2019 HK$'000
Profit before income tax	**74,484**	266,483
Less: share of profits less losses of:		
– Joint ventures	**20,192**	(130,443)
– Associates	**(1,808)**	(6,760)
Profit before share of profits less losses of joint ventures and associates, and income tax expense	**92,868**	129,280
Calculated at a tax rate of 16.5% (2019: 16.5%)	**15,323**	21,331
Effect of different tax rates applicable to the subsidiaries in the PRC and Macao	**1,156**	(726)
Income not subject to income tax	**(113,433)**	(112,153)
Expenses not deductible for income tax purposes	**98,729**	100,265
Tax losses not recognised	**18,907**	12,057
Over provision in prior years	**(1,991)**	(353)
Utilisation of previously unrecognised tax loss	**(4,569)**	(554)
	14,122	19,867
Withholding income tax on undistributed profits of PRC enterprises and loan interest income from PRC	**(4,936)**	14,468
Income tax expense	**9,186**	34,335

32 DIVIDENDS

	2020 HK$'000	2019 HK$'000
Interim, paid, of nil (2019: HK3 cents) per ordinary share	–	33,635
Final, proposed, of HK2 cents (2019: HK3 cents) per ordinary share	**22,423**	33,635
	22,423	67,270

On 25th March 2021, the board of directors proposed a final dividend of HK2 cents per ordinary share (2019: HK3 cents per ordinary share) for the year ended 31st December 2020. This proposed dividend is not reflected as a dividend payable in these financial statements. During the year, the total dividends paid by the Company, including the final dividend for the year 2019, amounting to HK$33,635,000 (2019: HK$100,905,000).

33 EARNINGS PER SHARE

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.

	2020	2019
Profit attributable to equity holders of the Company (HK$'000)	**49,821**	214,078
Weighted average number of ordinary shares in issue ('000)	**1,121,167**	1,121,167
Basic earnings per share (HK cents)	**4.44**	19.09

Diluted earnings per share for the years ended 31st December 2020 and 2019 are the same with basic earnings per share as there were no dilutive potential ordinary shares in issue.

34 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2020 HK$'000	2019 HK$'000
Salaries and allowances	**450,247**	360,637
Retirement benefit costs - defined contribution plans (note)	**21,841**	18,856
	472,088	379,493

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.

35 FIVE HIGHEST-PAID INDIVIDUALS' EMOLUMENTS

The five individuals whose emoluments were the highest in the Group for the year ended 31st December 2020 include two (2019: three) directors whose emoluments are reflected in the analysis shown in note 39. The emoluments payable to the remaining three (2019: two) highest paid individuals during the year are as follows:

	2020 HK$'000	2019 HK$'000
Basic salaries, bonuses, housing allowances, other allowances and benefits in kind	**2,799**	2,103
Retirement benefit costs - defined contribution plans	**52**	36
	2,851	2,139

35 FIVE HIGHEST-PAID INDIVIDUALS' EMOLUMENTS (CONTINUED)

The emoluments of the three (2019: two) highest paid individuals fell within the following bands:

	Number of individuals	
	2020	2019
	HK$'000	HK$'000
Emolument bands		
Less than HK$1,000,000	**2**	–
HK$1,000,001 - HK$1,500,000	**1**	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.

36 NOTE TO CONSOLIDATED CASH FLOW STATEMENT

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

	2020	2019
	HK$'000	HK$'000
Operating profit	**80,647**	114,927
Amortisation of land use rights	**11,215**	11,465
Amortisation of intangible asset	**1,535**	1,292
Depreciation of property, plant and equipment and investment properties	**140,942**	119,970
Impairment loss of property, plant and equipment	**–**	2,388
Gain on disposals of property, plant and equipment, net	**(1,090)**	(56,340)
Loss on disposal of a subsidiary	**590**	–
Reversal for impairment of trade receivables, net	**(795)**	(37)
Amortisation of deferred income	**(967)**	(3,626)
COVID-19-related rent concessions received	**(1,975)**	–
Operating profit before working capital changes	**230,102**	190,039
Increase in inventories and spare parts	**(342)**	(549)
Decrease in trade and other receivables	**39,420**	21,127
Decrease in trade payables, accruals and other payables	**(132,238)**	(20,975)
Cash generated from operations	**136,942**	189,642

36 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	Amounts due to the non-controlling interests HK$'000	Lease liabilities HK$'000	Total HK$'000
As at 1st January 2020	50,000	144,592	77,939	50,364	322,895
Changes from financing cash flows:					
Proceeds from new bank loans	100,000	66,191	–	–	166,191
Repayment of bank loans	(50,000)	(80,321)	–	–	(130,321)
Repayment of amount due to the non-controlling interest	–	–	(18,000)	–	(18,000)
Capital element of lease rentals paid	–	–	–	(21,207)	(21,207)
Interest element of lease rentals paid	–	–	–	(1,489)	(1,489)
Total changes from financing cash flows	50,000	(14,130)	(18,000)	(22,696)	(4,826)
Foreign exchange difference	–	8,856	611	190	9,657
Other changes:					
Acquisition of a subsidiary	–	–	18,000	4,215	22,215
Increase in lease liabilities from entering into new leases during the period	–	–	–	5,445	5,445
COVID-19-related rent concessions received (note 7)	–	–	–	(1,975)	(1,975)
Interest expenses for lease liabilities	–	–	–	1,489	1,489
Total other changes	–	–	18,000	9,174	27,174
As at 31st December 2020	100,000	139,318	78,550	37,032	354,900

36 NOTE TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Net debt reconciliation (Continued)

	Liabilities from financing activities					
	Short term borrowings HK$'000	Long term borrowings HK$'000	Loan from a third party HK$'000	Amounts due to the non-controlling interests HK$'000	Lease liabilities HK$'000	Total HK$'000
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 for lease liabilities	–	–	–	–	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

36 NOTE TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(c) Total cash outflow for leases

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

	2020 HK$'000	2019 HK$'000
Within operating cash flows	**135,213**	139,074
Within investing cash flows	**–**	29,559
Within financing cash flows	**22,696**	24,471
	157,909	193,104

These amounts relate to the following:

	2020 HK$'000	2019 HK$'000
Lease rentals paid	**157,909**	163,545
Purchase of leasehold investment property	**–**	29,559
	157,909	193,104

(d) Net cash outflow arising from the acquisition of a subsidiary

The recognised amounts of assets acquired and liabilities at the date of acquisition of the subsidiary comprise the following:

	HK$'000
Cash consideration	232,800
Less: cash and cash equivalent acquired	(69,119)
Net cash outflow from investing activities	163,681

37 ACQUISITION OF A SUBSIDIARY

The Group acquired 60% equity interest of New World First Ferry Services Limited (currently known as Sun Ferry Services Company Limited) on 18th May 2020, a ferry services and charter hire of vessels services company in Hong Kong, at a cash consideration of HK$232,800,000, subject to certain adjustments as defined in the acquisition agreement. The objective of the acquisition is to further expand the Group's local ferry business in Hong Kong.

The acquired business contributed revenue of HK$149,337,000 and net profit of HK$24,859,000 to the Group for the period from the acquisition date to 31st December 2020.

If the acquisition had occurred on 1st January 2020, the management estimates that the Group's revenue and profit after tax for the year would have been HK$1,921,049,000 and HK$78,406,000 respectively.

The following table summaries the provisional fair values of assets and liabilities recognised at the date of acquisition:

	Fair value HK$'000
Property, plant and equipment	97,307
Inventories and spare parts	30,200
Trade and other receivables	46,051
Financial asset	1,808
Cash and cash equivalents	69,119
Trade and other payables	(105,208)
Derivative financial liabilities	(24,716)
Lease liabilities	(4,215)
Amount due to former immediate holding company	(30,000)
Income tax payables	(3,789)
Deferred tax liabilities	(10,561)
Net identifiable assets acquired	65,996

37 ACQUISITION OF A SUBSIDIARY (CONTINUED)

The valuation techniques used for measuring the fair value of material assets acquired were as follows.

Assets acquired	**Valuation technique**
Property, plant and equipment	Market comparison technique and cost technique: The valuation model considers market prices for similar items when they are available, and depreciated replacement cost when appropriate. Depreciated replacement cost reflects adjustments for physical deterioration as well as functional and economic obsolescence.
Inventories	Market comparison technique: The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

The fair value of trade and other receivables is HK$46,051,000 which includes trade debtors with a fair value of HK$16,620,000. The gross contractual amounts for trade and other receivables is HK$46,051,000, and loss allowance is nil.

Goodwill arising from the acquisition has been recognised as follows:

	HK$'000
Total consideration transferred	232,800
Less: net identifiable assets acquired	(65,996)
	166,804
Share of non-controlling interests	26,398
Goodwill	193,202

The goodwill is mainly attributable to the skills and technical talent of work force and its knowhow in the provision of ferry services in Hong Kong. None of the goodwill recognised is expected to be deductible for income tax purpose.

Acquisition-related costs of HK$703,000 that were not directly attributable to the acquisition are included in other operating expenses in the consolidated statement of profit or loss and in operating cash flows in the consolidated statement of cash flows.

38 CAPITAL COMMITMENTS

	2020 HK$'000	2019 HK$'000
Contracted but not provided for		
– Property, plant and equipment	**123,965**	371,930

39 RELATED PARTY TRANSACTIONS

The directors of the Group regard CKSE as the immediate holding company, which owns 70% (2019: 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.

For the years 2020 and 2019, 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:

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties

	Note	2020 HK$'000	2019 HK$'000
Revenues:			
Shipping agency, river trade cargo direct shipment and transhipment income			
– joint ventures and an associate		**4,961**	4,470
– other related companies		**66**	12
Passenger transportation agency fees			
– fellow subsidiaries	(viii)	**270**	2,020
– joint ventures and an associate		**830**	8,348
– other related companies	(viii)	**156**	1,734
Ferry terminal operation service fees			
– fellow subsidiaries	(viii)	**177**	2,477
– a joint venture and an associate		**1,368**	16,319
– other related companies	(viii)	**33**	327
Sub-baggage handling services fee			
– a related company	(viii)	**266**	4,414
Management service fees			
– immediate holding company	(i), (viii)	**30,000**	30,000
– joint ventures and associates	(ii)	**9,094**	7,303
– a related company	(ii)	**264**	264
Vessel rental income			
– a joint venture		**980**	–
– other related companies		**2,647**	1,995
– a fellow subsidiary		**–**	725
Interest income	(iii)		
– a joint venture		**195**	349
Fuel supply income			
– fellow subsidiaries	(viii)	**10,886**	42,331
– joint ventures and an associate		**4,587**	60,075
– other related companies	(viii)	**8,689**	38,174
Marine bunkering service			
– fellow subsidiaries	(viii)	**608**	757
– an associate		**14**	159
– related companies	(viii)	**400**	3,530
Consulting and software service	(ii)		
– joint ventures and an associate		**238**	250
– a related company		**6**	–

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

	Note	2020 HK$'000	2019 HK$'000
Agency fee income			
– fellow subsidiaries		**392**	2,426
– a joint venture		**323**	824
– other related companies		**132**	246
Expenses:			
Shipping agency, river trade cargo direct shipment and transhipment expenses	(viii)		
– a joint venture and an associate		**4,115**	3,919
Wharf cargo handling, cargo transportation and godown storage expenses			
– a fellow subsidiary	(viii)	**2,280**	7,178
– an associate		**–**	12,732
– joint ventures	(viii)	**51,050**	38,002
– a related company	(viii)	**6,133**	5,240
Agency fee expenses			
– fellow subsidiaries	(viii)	**3**	62
– a joint venture and an associate		**89**	747
Ferry terminal operation services fee	(viii)		
– a fellow subsidiary		**325**	3,949
Luggage handling fee	(iv), (viii)		
– a related company		**303**	3,801
Ferry rental expenses	(viii)		
– a fellow subsidiary		**3,341**	379
Vessel rental expenses	(viii)		
– a joint venture		**35,508**	28,772
Warehouse rental expenses	(v), (viii)		
– immediate holding company		**5,000**	5,000
Office rental expenses	(viii)		
– immediate holding company		**7,882**	6,958
– fellow subsidiaries		**1,861**	1,307
Staff quarter rental expenses	(viii)		
– immediate holding company		**3,095**	2,520

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

	Note	**2020 HK$'000**	2019 HK$'000
Property management fee expenses	(viii)		
– fellow subsidiaries		**771**	538
Loan interest expenses			
– non-controlling interests	(vii)	**426**	576
IT Management fee expenses	(vi)		
– immediate holding company		**2,948**	2,948
Repair and maintenance expenses	(viii)		
– a related company		**1,622**	–
Vessel construction cost			
– fellow subsidiaries		**–**	19,125

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 1st July 2020 to 30th June 2023.

(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 (2019: 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 (2019: 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.

(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 (2019: HK$245,628) 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 (2019: 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").

39 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation (continued)

	2020 HK$'000	2019 HK$'000
Salaries and allowances	**8,588**	8,872
Directors' fees	**720**	720
Retirement benefit scheme contributions	**113**	123
Housing benefit	**773**	1,163
	10,194	10,878

(c) Loan to a joint venture

	2020 HK$'000	2019 HK$'000
At 1st January	**4,465**	13,189
Loan repayment	**(2,376)**	(8,586)
Exchange differences	**287**	(138)
At 31st December	**2,376**	4,465

40 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31st December 2020 HK$'000	2019 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**97,442**	63,644
Investment properties		**–**	36,747
Land use rights		**30,599**	31,423
Investments in subsidiaries		**1,808,186**	1,575,386
Investments in joint ventures		**116,706**	110,104
		2,052,933	1,817,304
Current assets			
Trade and other receivables		**972,765**	973,607
Cash and cash equivalents		**200,936**	408,624
		1,173,701	1,382,231
Total assets		**3,226,634**	3,199,535
EQUITY			
Share capital		**1,415,118**	1,415,118
Reserves	(a)	**1,365,076**	1,298,685
Total equity		**2,780,194**	2,713,803
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**4,213**	4,213
Current liabilities			
Trade payables, accruals and other payables		**339,993**	429,200
Tax payable		**2,234**	2,319
Short term borrowings		**100,000**	50,000
		442,227	481,519
Total liabilities		**446,440**	485,732
Total equity and liabilities		**3,226,634**	3,199,535

The balance sheet of the Company was approved by the Board of Directors on 25th March 2021 and was signed on its behalf.

Huang Liezhang	**Wu Qiang**
Director	*Director*

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

Balance sheet of the Company (Continued)

Note (a) Reserve movement of the Company

	Retained profits
	HK$'000
At 1st January 2020	**1,298,685**
Profit for the year	**100,026**
2019 final dividend	**(33,635)**
At 31st December 2020	**1,365,076**
Representing:	
2020 final dividend proposed	**22,423**
Reserves	**1,342,653**
	1,365,076
At 1st January 2019	1,185,120
Profit for the year	214,470
2018 final dividend	(67,270)
2019 interim dividend	(33,635)
At 31st December 2019	1,298,685
Representing:	
2019 final dividend proposed	33,635
Reserves	1,265,050
	1,298,685

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

(a) Directors' and chief executive's emoluments

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

For the year ended 31st December 2020:

Name	Fees HK$'000	Salary and discretionary bonuses (Note (i)) HK$'000	Allowances and benefits in kind (Note (ii)) HK$'000	Employers contributions to retirement benefit scheme HK$'000	Total HK$'000
Chairman/managing director					
Mr. Huang Liezhang	–	1,300	451	111	1,862
Executive directors					
Mr. Wu Qiang	–	1,235	322	111	1,668
Mr. Chen Jie	–	685	–	93	778
Mr. Liu Wuwei	–	685	–	93	778
Mr. Leng Buli	–	288	–	28	316
Non-executive director					
Ms. Zhong Yan	–	–	–	–	–
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	4,193	773	436	6,122

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

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

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

For the year ended 31st December 2019:

Name	Fees HK$'000	Salary and discretionary bonuses (Note (i)) HK$'000	Allowances and benefits in kind (Note (ii)) HK$'000	Employers contributions to retirement benefit scheme HK$'000	Total 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

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

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

Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiary undertaking		Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking		Total	
2020	2019	**2020**	2019	**2020**	2019
HK$'000	HK$'000	**HK$'000**	HK$'000	**HK$'000**	HK$'000
6,122	7,408	**–**	–	**6,122**	7,408

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the years ended 31st December 2020 and 2019.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended 31st December 2020 and 2019.

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

During the years ended 31st December 2020 and 2019, 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 2020 and 2019, 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

	2020	2019	2018	2017	2016
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Revenue	**1,854,549**	2,147,876	2,404,496	2,428,487	2,381,891
Operating profit	**80,647**	114,927	180,768	236,608	278,598
Finance income	**22,337**	26,755	20,852	18,332	11,875
Finance cost	**(10,116)**	(12,402)	(8,488)	(6,127)	(7,513)
Net finance income/(cost)	**12,221**	14,353	12,364	12,205	4,362
Share of profits less losses of					
– joint ventures	**(20,192)**	130,443	55,946	62,541	74,723
– associates	**1,808**	6,760	14,604	14,289	17,925
Profit before income tax	**74,484**	266,483	263,682	325,643	375,608
Income tax expense	**(9,186)**	(34,335)	(41,127)	(49,308)	(49,167)
Profit for the year	**65,298**	232,148	222,555	276,335	326,441
Attributable to:					
Equity holders of the Company	**49,821**	214,078	226,072	268,988	321,771
Non-controlling interests	**15,477**	18,070	(3,517)	7,347	4,670
	65,298	232,148	222,555	276,335	326,441
Earnings per share (HK cents)					
Basic and Diluted	**4.44**	19.09	20.35	24.68	29.79

ASSETS AND LIABILITIES

	2020 **HK$'000**	2019 HK$'000	2018 HK$'000	2017 HK$'000	2016 HK$'000
Non-current assets	**3,183,441**	2,702,728	2,683,759	2,707,296	2,637,723
Current assets	**1,390,273**	1,671,202	1,647,788	1,623,270	1,386,462
Assets of a disposal group classified as held for sale	**–**	–	–	134,192	–
Total assets	**4,573,714**	4,373,930	4,331,547	4,464,758	4,024,185
Non-current liabilities	**251,181**	262,044	254,216	364,490	153,883
Current liabilities	**691,012**	664,799	710,869	796,047	956,213
Liabilities of a disposal group classified as held for sale	**–**	–	–	934	–
Total liabilities	**942,193**	926,843	965,085	1,161,471	1,110,096
Total equity	**3,631,521**	3,447,087	3,366,462	3,303,287	2,914,089

Notes:

(a) The financial information for the years ended 31st December 2019 and 2020 were extracted from the 2020 financial statements.

(b) The financial information for the years ended 31st December 2016, 2017 and 2018 were extracted from the 2019 Annual Report.

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