珠江船務企業(股份)有限公司
Chu Kong Shipping Enterprises (Group) Co., Ltd.
（Incorporate in Hong Kong with limited liability）
(Stock Code：00560)

ANNOUNCEMENT OF 2017 ANNUAL RESULTS

CHAIRMAN'S STATEMENT

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

REVIEW

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

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

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

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

OUTLOOK

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

APPRECIATION

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

Huang Liezhang
Chairman

Hong Kong, 23rd March 2018

ANNUAL RESULTS

The board of directors (the "Board") of the Company is pleased to announce the consolidated results of the Group for the year ended 31st December 2017, together with the comparative figures for the corresponding period in 2016 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2017

	Note	**2017**	2016
		HK$'000	*HK$'000*
Revenue	*4*	**2,428,487**	2,381,891
Cost of services rendered	*7*	**(1,944,532)**	(1,867,881)
Gross profit		**483,955**	514,010
Other income		**39,481**	40,927
Other gains, net	*8*	**22,138**	39,329
General and administrative expenses	*7*	**(308,966)**	(315,668)
Operating profit		**236,608**	278,598
Finance income		**18,332**	11,875
Finance cost		**(6,127)**	(7,513)
Share of profits less losses of :			
- Joint ventures		**62,541**	74,723
- Associates		**14,289**	17,925
Profit before income tax		**325,643**	375,608
Income tax expense	*9*	**(49,308)**	(49,167)
Profit for the year		**276,335**	326,441
Attributable to:			
Equity holders of the Company		**268,988**	321,771
Non-controlling interests		**7,347**	4,670
		276,335	326,441
Earnings per share (HK cents)	*11*		
Basic		**24.68**	29.79
Diluted		**24.68**	29.79

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2017

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

CONSOLIDATED BALANCE SHEET
AS AT 31ST DECEMBER 2017

	Note	**2017**	2016
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,631,142**	1,623,562
Investment properties		**4,715**	4,772
Land use rights		**440,255**	448,244
Intangible assets		**46,619**	44,702
Investments in joint ventures		**469,024**	398,530
Investments in associates		**107,795**	100,006
Deposits and prepayments		**-**	9,106
Deferred income tax assets		**7,746**	8,801
		2,707,296	2,637,723
Current assets			
Inventories		**2,627**	4,693
Trade and other receivables	*5*	**546,201**	547,425
Loans to joint ventures and a fellow subsidiary		**13,509**	16,675
Structured bank deposits		**291,781**	-
Cash and cash equivalents		**769,152**	817,669
		1,623,270	1,386,462
Assets of a disposal group classified as held for sale		**134,192**	-
		1,757,462	1,386,462
Total assets		**4,464,758**	4,024,185
EQUITY			
Share capital		**1,376,295**	1,333,171
Reserves		**1,628,394**	1,325,462
		3,004,689	2,658,633
Non-controlling interests		**298,598**	255,456
Total equity		**3,303,287**	2,914,089

CONSOLIDATED BALANCE SHEET (Continued)
AS AT 31ST DECEMBER 2017

	Note	**2017**	2016
		HK$'000	*HK$'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**90,451**	83,084
Deferred income		**3,188**	5,105
Long term borrowings		**270,851**	65,694
		364,490	153,883
Current liabilities			
Trade payables, accruals and other payables	*6*	**605,449**	600,696
Loans from associates		**1,053**	23,343
Amounts due to the non-controlling interests of subsidiaries		**82,806**	88,539
Amount due to a related party		**-**	13,444
Income tax payables		**12,564**	19,012
Short term borrowings		**90,000**	100,000
Current portion of long term borrowings		**4,175**	111,179
		796,047	956,213
Liabilities of a disposal group classified as held for sale		**934**	-
		796,981	956,213
Total liabilities		**1,161,471**	1,110,096
Total equity and liabilities		**4,464,758**	4,024,185

Notes:

1. Statement of compliance

The financial information relating to the years ended 31st December 2017 and 2016 included in this preliminary announcement of annual results does not constitute the Company's statutory annual consolidated financial statements for those years but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31st December 2016 to the Registrar of Companies as required by section 662(3) of, and part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622) and will deliver the financial statements for the year ended 31st December 2017 in due course.

The Company's auditor has reported on the financial statements of the Group for both years. The auditor's reports were unqualified; did not include a reference to any matters to which the auditor drew attention by the way of emphasis without qualifying its reports; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

2. Basis of Preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance (Cap. 622) and also comply with the applicable disclosure provisions of the Listing Rules. The consolidated financial statements of the Company have been prepared on a historical cost basis.

The preparation of consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies.

3. Principal accounting policies

(i) New and amended standards adopted by the Group

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

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

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

3. Principal accounting policies (Continued)

(ii) New standards and amendments to HKFRS in issue but not yet effective

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

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

Note:

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

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

(iii) Effective date to be determined.

4. Revenue and segment information

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

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

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

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

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

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

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

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

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

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

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

4. Revenue and segment information (Continued)

	Cargo Transportation	Cargo handling and storage	Passenger transportation	Fuel supply	Corporate and other businesses	Total
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
Year ended 31st December 2017						
Total revenue	1,427,143	543,847	207,484	531,002	79,302	2,761,848
Inter-segment revenue	(116,201)	(170,998)	-	(38,904)	(34,188)	(333,361)
Revenue (from external customers)	1,310,942	372,849	207,484	492,098	45,114	2,428,487
Segment profit before income tax expense	13,198	122,468	140,878	17,834	31,265	325,643
Income tax expense	(2,475)	(26,342)	(12,554)	(2,881)	(5,056)	(49,308)
Segment profit after income tax expense	10,723	96,126	128,324	14,953	26,209	276,335
Segment profit before income tax expense includes:						
Finance income	383	1,725	1,594	52	14,578	18,332
Finance cost	-	(5,839)	-	-	(288)	(6,127)
Depreciation and amortisation	(10,181)	(88,887)	(116)	(1,626)	(3,855)	(104,665)
Share of profits less losses of:						
Joint ventures	881	17,972	43,641	-	47	62,541
Associates	-	3,294	10,995	-	-	14,289

4. Revenue and segment information (Continued)

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

4. Revenue and segment information (Continued)

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

4. Revenue and segment information (Continued)

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

4. Revenue and segment information (Continued)

Over 90% of the Group's revenue is derived from operations carried out in Mainland China and Hong Kong and customers are located in Mainland China and Hong Kong. Geographical segment information is not presented as the directors of Company consider that the nature of the provision of cargo and passenger transportation services, which are carried out in Mainland China and Hong Kong, preclude a meaningful allocation of operating profit to specific geographical segments.

The analysis of the Group's non-current assets by geographical location is as follows:

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

5. Trade and other receivables

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

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

Trade receivables that are less than three months past due are not considered impaired. As of 31st December 2017, trade receivables of HK$27,949,000 (2016: HK$24,595,000) were past due but not impaired. Fully performing receivables and balances that are past due but not impaired relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of past due but not impaired trade receivables is as follows:

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

5. Trade and other receivables (Continued)

As of 31st December 2017, trade receivables of HK$5,040,000 (2016: HK$5,084,000) were impaired and have been fully provided for. The individually impaired receivables mainly relate to independent customers, which are in unexpected difficult economic situations or have defaulted on payments. The ageing of these receivables is as follows:

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

6. Trade payables, accruals and other payables

The ageing analysis of trade payables by invoice date is as follows:

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

7. Costs and expenses by nature

	2017	2016
	HK$'000	HK$'000
Amortisation of land use rights	**11,577**	11,816
Costs of passenger transportation, cargo transportation and cargo handling and storage (including fuel cost)	**878,409**	916,276
Costs of oil trading (including cost of inventories)	**476,086**	393,594
Costs of passenger and maintenance service	**3,835**	3,586
Depreciation of property, plant and equipment	**91,990**	95,978
Depreciation of investment properties	**57**	57
Depreciation of intangible assets	**1,041**	72
Operating lease rental expenses		
- vessels and barges	**147,300**	132,003
- buildings	**31,430**	30,097
- properties that generated rental income	**5,000**	5,000
Staff costs (including directors' emoluments)	**432,568**	405,280
Others	**174,205**	189,790
Total cost of services rendered and general and administrative expenses	**2,253,498**	2,183,549

8. Other gains – net

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

Note:

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

9. Income tax expense

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

PRC corporate income tax has been calculated on the estimated assessable profit for the year at the income tax rate of the PRC entities of 25% (2016: 25%).

Macau profits tax has been provided at the applicable tax rate (2016: applicable tax rate) on the estimated assessable profit for the year.

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

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

10. Dividends

On 23rd March 2018, the board of directors resolve to propose a final dividend of HK5 cents per ordinary share for 2017 (2016: HK6 cents per ordinary share in cash form, with an option to receive new and fully paid shares of the Company in lieu of cash). This proposed dividend is not reflected as a dividend payable in these financial statements. The total dividends paid by the Company, including the final dividend for the year 2016 and the interim dividends for the year 2017, amounting to HK$108,876,000 (2016: HK$86,400,000).

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

11. Earnings per share

Basic

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the year.

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

Diluted

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

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

12. Non-adjusting post reporting period events

After the end of the reporting period, the directors of the Company proposed a final dividend, the details of which is disclosed in note 10.

Scope of work of PricewaterhouseCoopers

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31st December 2017 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the HKICPA and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

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

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

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

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

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

I. TERMINAL NAVIGATION LOGISTICS BUSINESS

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

1. Cargo Transportation Business

Business Operation Indicators

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

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

Subsidiaries

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

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

Subsidiaries (Continued)

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

2. Cargo Handling and Storage Business

Business Operation Indicators

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

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

Subsidiaries

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

Subsidiaries (Continued)

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

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

Subsidiaries (Continued)

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

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

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

Joint Ventures and Associates

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

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

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

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

II. PASSENGER TRANSPORTATION BUSINESS

Business Operation Indicators

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

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

Subsidiaries

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

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

Subsidiaries (Continued)

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

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

Joint Ventures and Associates

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

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Joint Ventures and Associates (Continued)

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

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

III. FUEL SUPPLY BUSINESS

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

IV. CORPORATE AND OTHER BUSINESSES

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

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

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

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

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

BANK LOANS AND PLEDGE OF ASSETS

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

Note:

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

CURRENCY STRUCTURE

As at 31st December 2017, the Group deposited its cash and cash equivalents with several reputable banks, mainly of which were denominated in Hong Kong dollar and Renminbi with some in United States dollar and Macau pataca and a small amount in Euro.

CAPITAL COMMITMENTS

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

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 announcement, there was no significant investment held by the Group for the year.

CONTINGENT LIABILITIES

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

EXCHANGE RISK

Currently, the ordinary operations, investments business and borrowings of the Group are concentrated in Guangdong Province and Hong Kong, with operating revenue and expenditure mainly denominated in HKD, as well as in RMB and USD. RMB revenue from Mainland China may be used for payment of expenses incurred in Mainland China and repayments of the loans 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.

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.

ADOPTION OF MODEL CODE FOR SECURITIES TRANSACTIONS 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 announcement.

PUBLICATION OF RESULTS ON THE WEBSITES

The annual report of the Company for the year ended 31st December 2017 containing all the information required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “SEHK”) (the “Listing Rules”) will be published on the websites of the SEHK and the Company (www.cksd.com) in due course.

ANNUAL GENERAL MEETING OF THE COMPANY (“AGM”)

The AGM is to be held on 15th May 2018 and the notice of the AGM will be published and despatched to the shareholders of the Company (the “Shareholders”) with the prescribed time and in such manner as required by the Listing Rules.

FINAL DIVIDEND

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

CLOSURE OF REGISTER MEMEBRS

The register of members of the Company will be closed from 10th May 2018 (Thursday) to 15th May 2018 (Tuesday), during which no transfer of shares will be effected. In order to ascertain shareholders’ rights for the purpose of attending and voting at the AGM to be held on 15th May 2018 (Tuesday), all transfer documents, accompanied by relevant share certificates, must be lodged with the Company’s Share Registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen’s Road East, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on 9th May 2018 (Wednesday) for registration.

The register of members of the Company will be closed from 23rd May 2018 (Wednesday) to 25th May 2018 (Friday), both dates inclusive, during which no transfer of shares will be effected for the purpose of ascertaining the Shareholders entitled to the final dividend for the year ended 31st December 2017 to be approved at the AGM. In order to qualify for the final dividend for the year ended 31st December 2017, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Share Registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on 21st May 2018 (Monday) for registration. The dividend warrants for the cash dividends and the share certificates are expected to be sent by ordinary mail to the Shareholders at their own risk on or around 27th July 2018 (Friday).

REVIEW BY AUDIT COMMITTEE

The audit committee of the Company (the "Audit Committee") has reviewed the accounting policies and principles adopted by the Group with the management, and discussed the relevant matters such as auditing, internal controls and financial reporting. The annual results for 2017 have been reviewed by the Audit Committee.

CORPORATE GOVERNANCE

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. Save as disclosed below, the Directors consider that the Company has complied with all applicable Code for the year ended 31st December 2017.

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

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

Ms. Yau Lai Man should have been subject to retirement by rotation at the forthcoming annual general meeting under the provision of Code A.4.2, but only one of the Directors is required to retire by rotation according to the provisions of the Article 88(i) of the Articles of Association of the Company and the number of Directors required to retire by rotation at present. After careful consideration, it is determined that Ms. Yau Lai Man will not retire by rotation according to the provision of Code A.4.2 to avoid any violation of the Articles of Association of the Company, but will do so as soon as possible at the annual general meeting in 2019.

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.

The details of the principles and procedures related to the corporate governance of the Company will be published in 2017 Annual Report.

DIRECTORS

On 17th November 2017, Mr. Huang Liezhang and Mr. Fan Linchun were appointed as an executive Director and a non-executive Director respectively while Mr. Xiong Gebing and Mr. Zhang Lei were resigned as the executive Director and the non-executive respectively.

Save as disclosed above, the Company is not aware of any change in the information of Directors required to be disclosed pursuant to Rule 13.51B of the Listing Rules during the period since 30th June 2017.

As at the date of this announcement, the executive Directors are Mr. Huang Liezhang, Mr. Zeng He and Mr. Cheng Jie; non-executive Director is Mr. Fan Linchun; and independent non-executive Directors are Mr. Chan Kay-cheung, Ms. Yau Lai Man and Mr. Chow Bing Sing.

By Order of the Board
Xiong Gebing
General Manager

Hong Kong, 23rd March 2018