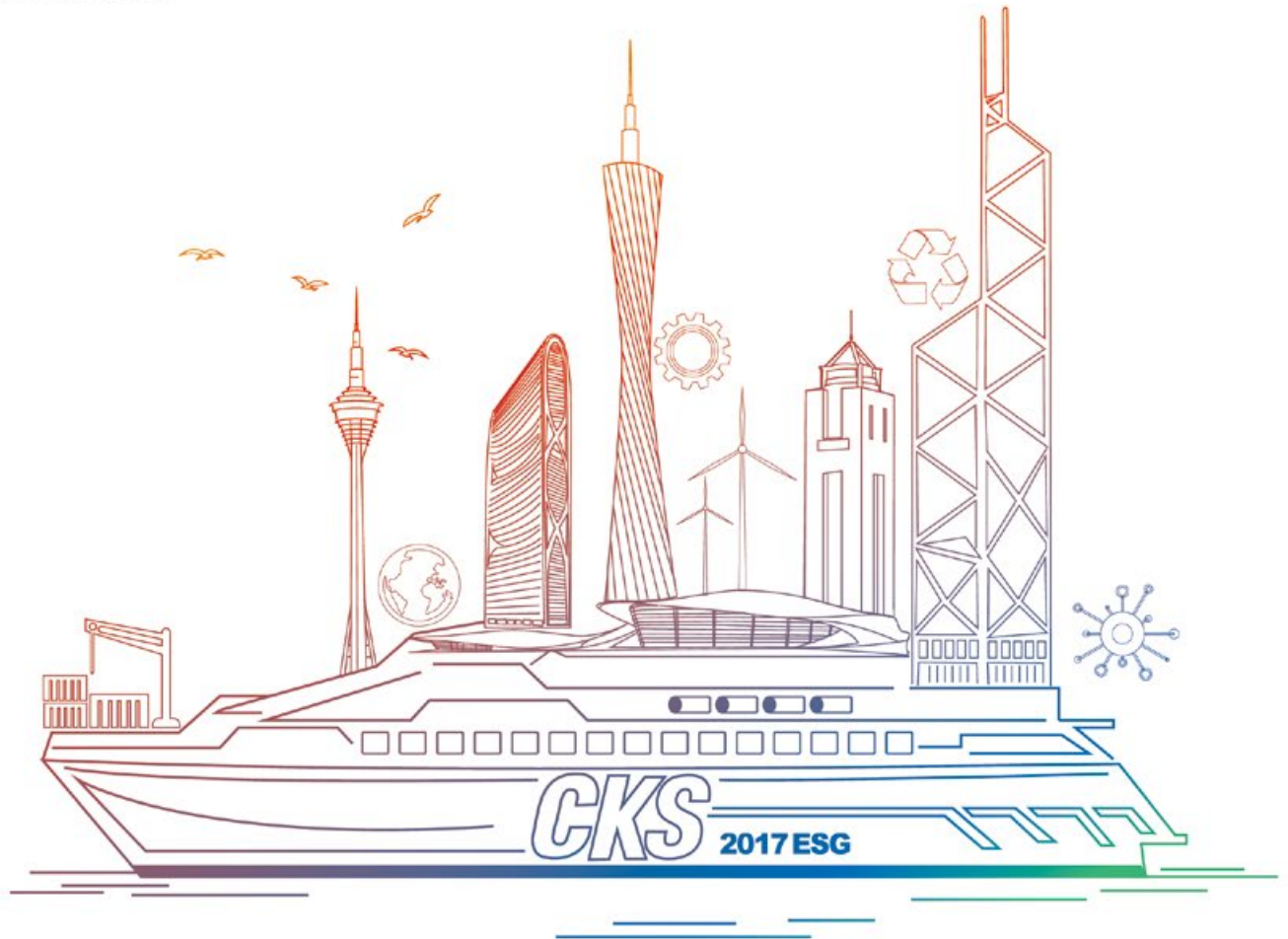




珠江船務企業(股份)有限公司
CHU KONG SHIPPING ENTERPRISES (GROUP) CO., LTD.

(Incorporated in Hong Kong with limited liability)

Stock Code: 00560



2017 Environmental, Social and Governance (ESG) Report



*Based in Hong Kong ,
Backed by the Mainland,
Facing the World*

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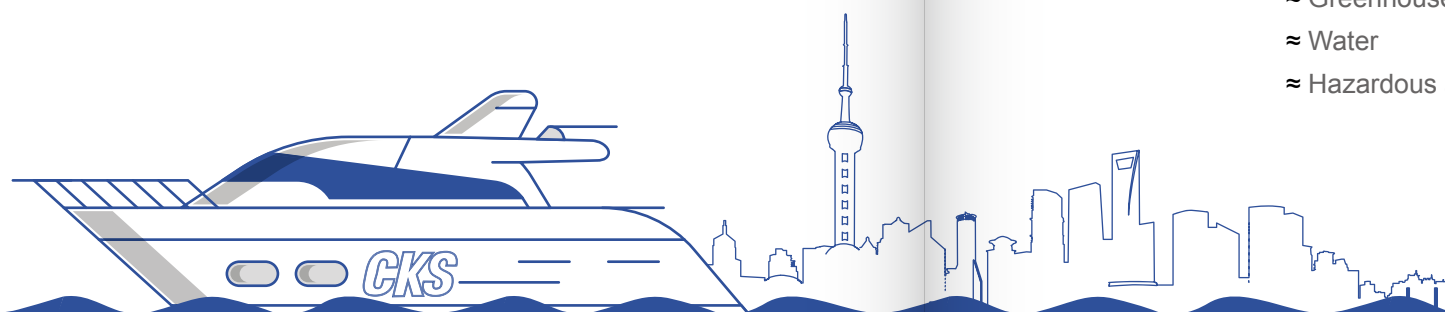
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01

**About this Report**

- ≈ Reporting Boundary
- ≈ Reporting Standard
- ≈ Publication of the Report
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01 About this Report

About this Report

This Environmental, Social and Governance (“ESG”) Report (the “Report”) serves as a review on the efforts and achievements made by Chu Kong Shipping Enterprises (Group) Company Limited and its subsidiaries (the “CKSG” together with its subsidiaries as the “Group”) for its sustainability issues in 2017. This Report as a channel of communication between the Group and the stakeholders responds the material issues concerned by the stakeholders to facilitate mutual understanding. Readers are recommended to read the Report in conjunction with the CKSG’s 2017 Annual Report, in particular the Corporate Governance Report contained therein.

Reporting Boundary

This Report covers the businesses with significant environmental and social impacts that the Group has control over, and mainly discloses the implemented measures and conducted activities from 1 January 2017 to 31 December 2017 (the “Reporting Period”). The entities covered in this Report include the headquarter in Hong Kong Special Administrative Region (“Hong Kong”) and the subsidiaries in Hong Kong, the People’s Republic of China (“PRC”) and Macau Special Administrative Region (“Macau”).

CKS Subsidiary introduction

- ≈ Chu Kong Shipping Enterprises (Group) Company Limited
- ≈ Chu Kong Shipping (Guangdong) Logistics Co., Ltd.
- ≈ Chu Kong Passenger Transport Company Limited (“CKPT”)
- ≈ Sun Kong Petroleum Company Limited (“Sun Kong Petroleum”)
- ≈ Cotai Chu Kong Shipping Management Services (Macau) Company Limited
- ≈ Chu Kong Tourism Company Limited (“CKTC”)
- ≈ Chu Kong Transhipment & Logistics Company Limited (“CKTL”)
- ≈ Chu Kong Agency Company Limited
- ≈ Chu Kong Air-Sea Union Transportation Company Limited
- ≈ Chu Kong Container Transportation Company Limited
- ≈ Chu Kong Godown Wharf & Transportation Company Limited
- ≈ Chu Kong Transportation (H.K.) Limited
- ≈ Chu Kong International Airfreight Company Limited
- ≈ Ever Sky Transportation Limited
- ≈ Chu Kong (Guangdong) International Freight Forwarding Co., Ltd.
- ≈ Chu Kong (Guangdong) International Shipping Agency Co., Ltd.



CKS Subsidiary introduction

- ≈ Shenzhen Zhu Chuan International Freight Forwarding Co., Ltd.
- ≈ Chu Kong Cargo Terminals (Gaoming) Co., Ltd. (**"Foshan Gaoming Port"**)
- ≈ Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd. (**"Zhaoqing Gaoyao Port"**)
- ≈ Zhaoqing Chu Kong Logistics (Sihui) Co., Ltd. (**"Zhaoqing Sihui Port"**)
- ≈ Zhaoqing Chu Kong Logistics (Dawang) Co., Ltd.
- ≈ Zhaoqing Chu Kong Transportation (Dawang) Co., Ltd.
- ≈ Zhaoqing Chu Kong Cargo Terminals (Dawang) Co., Ltd.
- ≈ Zhaoqing New Port Co., Ltd. (**"Zhaoqing New Port"**)
- ≈ Chu Kong Cargo Terminals (Kangzhou) Co., Ltd. (**"Zhaoqing Kangzhou Port"**)
- ≈ Chu Kong Cargo Terminals (Qingyuan) Co., Ltd. (**"Qingyuan Port"**)
- ≈ Zhongshan City Huangpu Port Cargo and Container Terminal Co., Ltd.
(**"Zhongshan Huangpu Port"**)
- ≈ CKS Container Terminal (Zhuhai Doumen) Co., Ltd. (**"Doumen Port"**)
- ≈ Civet (Zhuhai Bonded Area) Logistics Company Limited (**"Civet Port"**)

Reporting Standard

This Report is prepared in accordance with the ESG Reporting Guide ("ESG Guide") under Appendix 27 of the Main Board Listing Rules of The Stock Exchange of Hong Kong Limited ("SEHK"). For detailed information about the provisions of the Guide, please refer to the ESG Guide content index, Appendix 2 of the Report.

Publication of the Report

This Report shall be published both in Chinese and English. Should there be any discrepancy between the Chinese and the English versions, the English version shall prevail.

Feedback to this Report

The Group welcomes your feedback on this Report for its sustainability initiatives. Your support is important motivation for the Group to make continuous progress. Please contact us by the contacting information below.



Chu Kong Shipping Enterprises (Group) Co., Ltd.

24/F., Chu Kong Shipping Tower, 143 Connaught Road Central, Hong Kong.



E-mail: info-cksd@cks.com.hk



Website: www.cksd.com

02

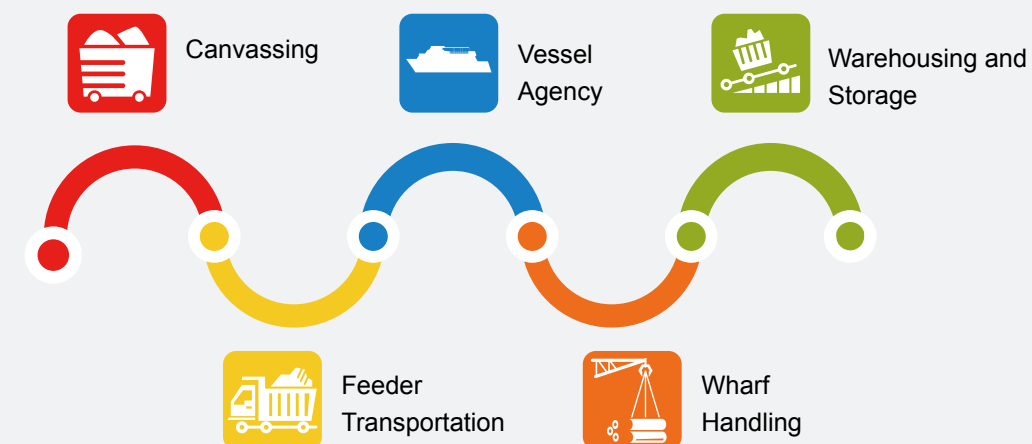
**CKSG
Sustainability
Strategy**

≈ Investor Relations



02 CKSG Sustainability Strategy

CKSG (Stock Code: 00560) is a listed company incorporated in Hong Kong held by Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE") and subject to Guangdong Province Navigation Group Company Limited ("GNG"). CKSG was listed successfully on the Main Board of the SEHK on 23 May 1997, and the principal business is investment holding. CKSG, as the major subsidiary of CKSE in the area of logistics and transportation, has acquired terminal navigation, passenger transportation, and fuel supply as its core businesses. The established freight terminal network in Guangdong and Hong Kong of the Group provides a basis for the Group to develop terminal navigation logistics and complete its service chain covering canvassing, feeder transportation, vessel agency, wharf handling, and warehousing and storage. The Group has developed into the largest operation agent of passenger transportation in Guangdong, Hong Kong and Macau based on the ferry service operation between the ferry terminals in this region. Fuel supply business of the Group mainly covers provision of diesel and lubricants for passenger ferries and cargo vessels in Hong Kong. Other businesses of the Group include the provision of operation and management of facility maintenance services for properties in Macau. There were no significant changes in the principal activities of the Group during the year.



The established freight terminal network in Guangdong and Hong Kong of the Group provides a basis for the Group to develop terminal navigation logistics and complete its service chain.

In this century, climate change, pollutions and resource scarcity are the challenges that corporates need to take into consideration. The Group recognizes the importance of sustainable development for its growth to overcome the challenges. Meanwhile, the Group is aware that these challenges not just pose a risk, but also provide an 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 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 the environmental and social aspects. The Group highly considers the ESG Report as an important channel for all its stakeholders and is dedicated to continue improving the effectiveness and quality of this channel.

Investor Relations

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.

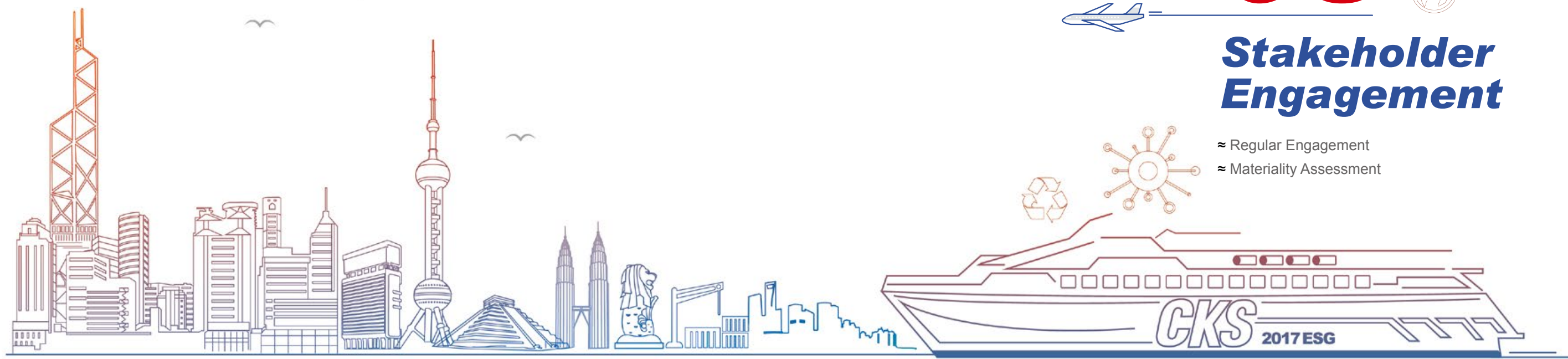
During the Reporting Period, there was no amendment to the constitutional document of the Company.



03

**Stakeholder
Engagement**

≈ Regular Engagement
≈ Materiality Assessment



03 Stakeholder Engagement

With the aim of achieving long-term sustainable development, communicating with the stakeholders and understanding their concerns are the essence of the Group's corporate social responsibility and sustainable development. The Group has recognized the expectation of the stakeholders and decided to conduct the materiality assessment. This is the first materiality assessment of the Group and its businesses.

Regular Engagement

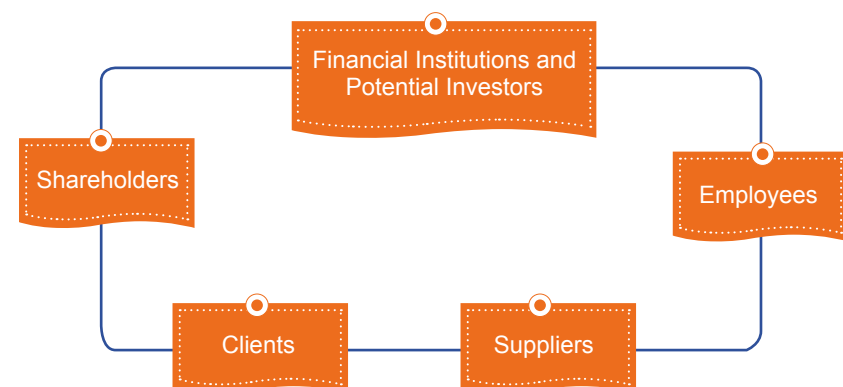
The Group identifies regulatory authorities, shareholders and investors, employees, customers, suppliers, potential investors, financial institutions, and the community as its major stakeholders based on its regular businesses, in which businesses' characteristics, target groups and impacts are considered. Various communication channels have been established and maintained, hence the Group can timely receive comments and information from stakeholders and vice versa.

The channels of communication with and the significant issues of the major stakeholders

Stakeholders	Communication Channels
Regulatory Authorities	<ul style="list-style-type: none"> On-site inspections Cooperation with the regulators in the terminals Regular and irregular meetings
Shareholders and Investors	<ul style="list-style-type: none"> Annual general meeting and other shareholder meetings Annual report and other announcements
Employees	<ul style="list-style-type: none"> Various regular meetings Training, seminars and briefing sessions Cultural and sport activities Newsletters
Customers	<ul style="list-style-type: none"> Website Email and customer service hotline Satisfaction survey
Suppliers	<ul style="list-style-type: none"> Open tendering Regular communication Examination and evaluation
Potential Investors and Financial institution	<ul style="list-style-type: none"> Potential investor briefings, roadshows, and analyst briefings
Community	<ul style="list-style-type: none"> Information disclosure, website, and email

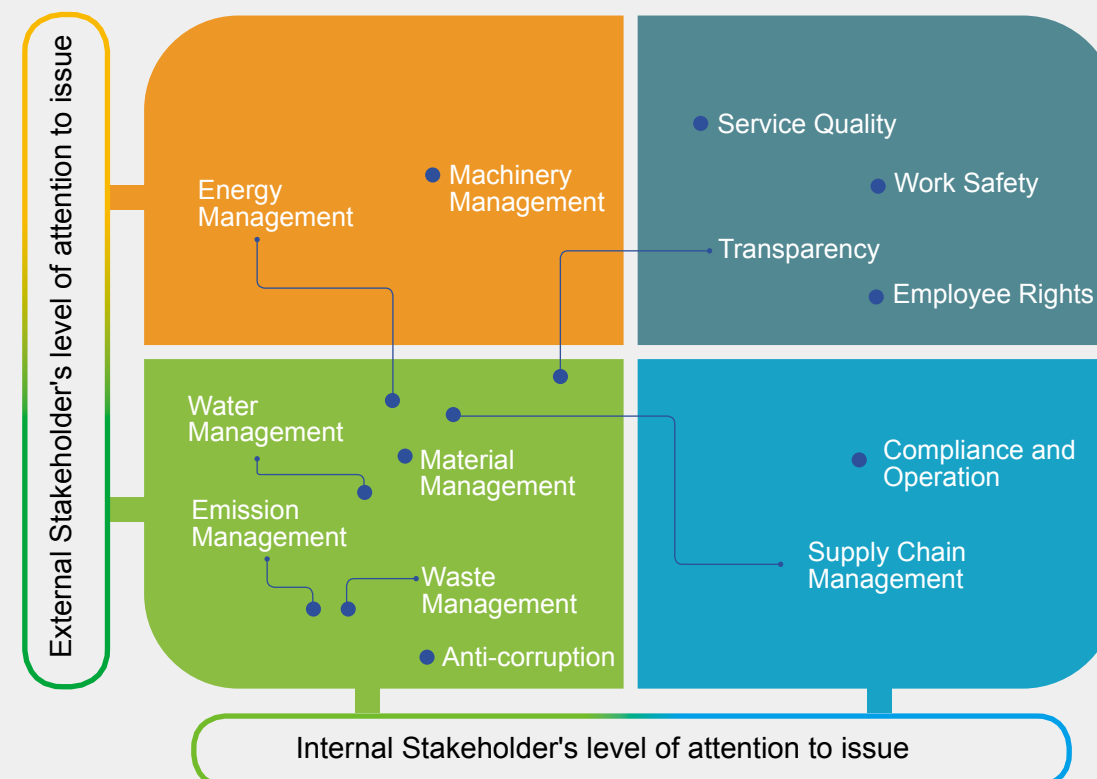
Materiality Assessment

The Group's first materiality assessment was commissioned by a third-party consultancy. During the sustainability issue screening, on the basis of the Principle of Materiality in the SEHK's ESG Guide, the *Green Port Guidelines – Sustainable Strategies for Port Developments and Operations* developed by the Port Authority of New South Wales and peer reports shed light on sustainability issues related to the Group. A materiality assessment survey was then conducted among the major stakeholders. The major stakeholders, including shareholders, clients, suppliers, employees, potential investors and financial institutions, participated in the survey are the parties highly related to the Group's businesses and the industry. The survey aimed to explore the stakeholders' levels of attention to sustainability issue and hence identify the material issues.



The following materiality assessment matrix lists the Group's major internal and external stakeholders' levels of attention to different issues. The issues that the closer to the upper right corner of the matrix indicates that the stakeholders are more concerned, and the closer to the lower left corner, the lower the attention.

CKSG 2017 Materiality Assessment



The analytical results of the materiality assessment show that "Work Safety", "Service Quality", and "Employee Rights" attract the major internal and external stakeholders' attention. The Report fully considers the level of attention of both major internal and external stakeholders on various issues and responds in the following sections.



Work Safety



Service Quality



Employee Rights

Relevant Impact and Responded Section of Each Issue

Issue (sorting by the level of attention)	The Responded Section
---	-----------------------

High Level of Attention

Work Safety	Occupational Health and Safety
Service Quality	Service Quality
Employee Rights	Employee Rights

Lower Level of Attention

Compliance and Operation	Contributing to Building a Sustainable Society Building Sustainable Business on Genuine Foundations
Transparency	Regular Engagement
Machinery Management	Air Emissions
Supply Chain Management	Supply Chain Management
Material Management	Material Usage
Energy Management	Energy Usage
Water Management	Water
Anti-corruption	Employee Rights
Waste Management	Hazardous Waste and Non-hazardous Waste
Emission Management	Air Emissions



04

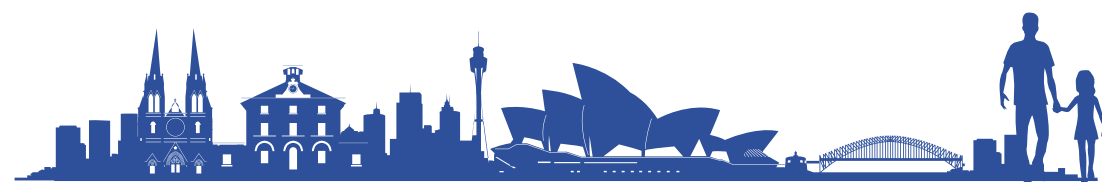
**Contributing
to Building a
Sustainable
Society**

- ≈ Occupational Health and Safety
- ≈ Service Quality
- ≈ Employee Rights
- ≈ Supply Chain Management
- ≈ Anti-corruption
- ≈ Community



04 Contributing to Building a Sustainable Society

The Group takes notice of the needs and pursuance of its stakeholders. The traditional communication channels only allow the Group to consider the stakeholders' concerns separately. In order to better explore the material issues of the Group, the materiality assessment provides an insight into the concerns of all stakeholders on the same platform, so the Group can comprehensively consider and adjust its sustainable development strategy.



Regarding employees' rights, benefits and working environment, the Group complies with the local laws and regulations relating to compensation, dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, other benefits and welfare, providing a safe working environment, protecting employees from occupational hazards, and preventing child and forced labour. Meanwhile, the Group with the aim of providing the best services complies with the local laws and regulations relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress (please refer to Appendix 1 for details).



During the Reporting Period, the Group did not receive any complaint about unequal employment and there were no cases of illegal child and forced labour that would have a significant impact on the Group. The Group was not subject to any punishment by the government or and not involved in any lawsuit and there was no fatality case. Meanwhile, the Group was not aware of any incidents of non-compliance with laws and regulations concerning the provision and use of the Group's products and services, including but not limited to, product and service information and labelling, marketing communications including advertising and promotion, and property rights including intellectual property rights that would have a significant impact on the Group.

We believe sustainable development is closely linked with corporate integrity. The Group complies with the local laws and regulations relating to bribery, extortion, fraud and money laundering (please refer to Appendix 1 for details). During the Reporting Period, the Group did not have any complaints or reports of violations of laws and regulations related to fraud, extortion, money laundering or bribery.



According to the assessment result, the material issues (with higher level of attention) "Work Safety", "Service Quality", and "Employee Rights" are responded in this section, as well as the issues "Compliance and Operation", "Transparency", "Supply Chain Management", and "Anti-corruption".



Our Social Impacts and Efforts

Occupational Health and Safety

Occupational health and safety is the most important part of our operation as we value the staff's health and safety. We place emphasis on improving our management relating to occupational risk, health and safety, and on enhancing workers' knowledge of job risk and safety. Relevant policies, operating procedures and guidelines have been formulated to govern operation so as to eliminate potential risks and protect our employees. The Group believes that building up a healthy, safe and positive working environment can benefit both its employees and operation.

Every new employee can receive a pre-employment health assessment and safety training such as fire-fighting training provided by the Group. Moreover, the Group requires all subsidiaries to provide adequate safety protective items based on the task content, and safety operation regulations must be established for on-site operation. Penalties for illegal operation have been imposed to create deterrence among employees. The Group strives to continuously optimise its management to provide a safe working environment for employees.

During the Reporting Period, the Group recognized that its subsidiaries have taken the measures below to enhance the relevant performance:

Foshan Gaoming Port in the sector of the terminal navigation logistics has focused on the establishment of individual occupational health management and elimination of potential risks.



Conducted regular and emergency health assessment for employees who are exposed to occupational risks, and documented their health records



Reassigned tasks for employees who suffer from occupational diseases



Reviewed the occupational risk monitoring system, optimized the monitoring, and announced the monitoring result; proposed rectification plans and monitored the rectification progresses for sites below safety standard





CKPT in the sector of the passenger transportation has enhanced the safety management.

- Introduced pre-employment health assessment and safety training
- Adopted the International Safety Management ("ISM") Code
- Received the Safety Management Certificate ("SMC") from an accredited organization



Sun Kong Petroleum in the sector of the fuel supply has attached weight to the management of employees' tiredness.

- Formulated a policy to manage the condition of employees
- A monthly summary of employees' working and rest hours is required to be submitted to assure adequate rest hours assigned properly to each employee



Civet Port and Zhaoqing Gaoyao Port in the sector of the terminal navigation logistics have adjusted the focus from developing policies and systems to taking care of employees' basic needs.

- Released allowance for hot weather to all employees
- Provided hydrating drinks to employees to help them maintain water balance during summer time



CKTC in the sector of the passenger transportation has focused on the management of insurance and budget.

- Provided extra insurance for staff working outdoor
- Increased the budget of workforce protection



What We Have Learned in 2017

In 2017, Typhoon Hato and Pakhar, which were both identified by the China Meteorological Administration as Typhoon Red Signal (颱風紅色預警信號), not just caused chaos in Hong Kong and Macau, but also struck Zhuhai and made an impact on the occupational safety in Zhuhai. Civet Port had been stroked by Hato first and followed by Pakhar. The staff made preparation with great efforts against typhoons and were evacuated orderly. The typhoons' impacts were as follows: the coastal sea level rose up; the containers in the yard were tipped over; the rooftop shelters of warehouse were damaged. The number of tipped containers was significant and Civet Port's management expressed concern over the container stability in extreme conditions.

Civet Port reviewed and improved the container stability criteria and placement method. The height limitation of container placement, for instance, can be adjusted to the lowest standard during typhoons, while more stability attachments are available to stabilize containers.

The Group particularly paid attention to the Hato and Pakhar impacts on occupational safety. Thus, a specialized taskforce was sent to Civet Port to provide guidance on typhoon precaution and safety management. Meanwhile, other ports, such as Zhongshan Huangpu Port, have also developed clear emergency plans and container placement requirement.

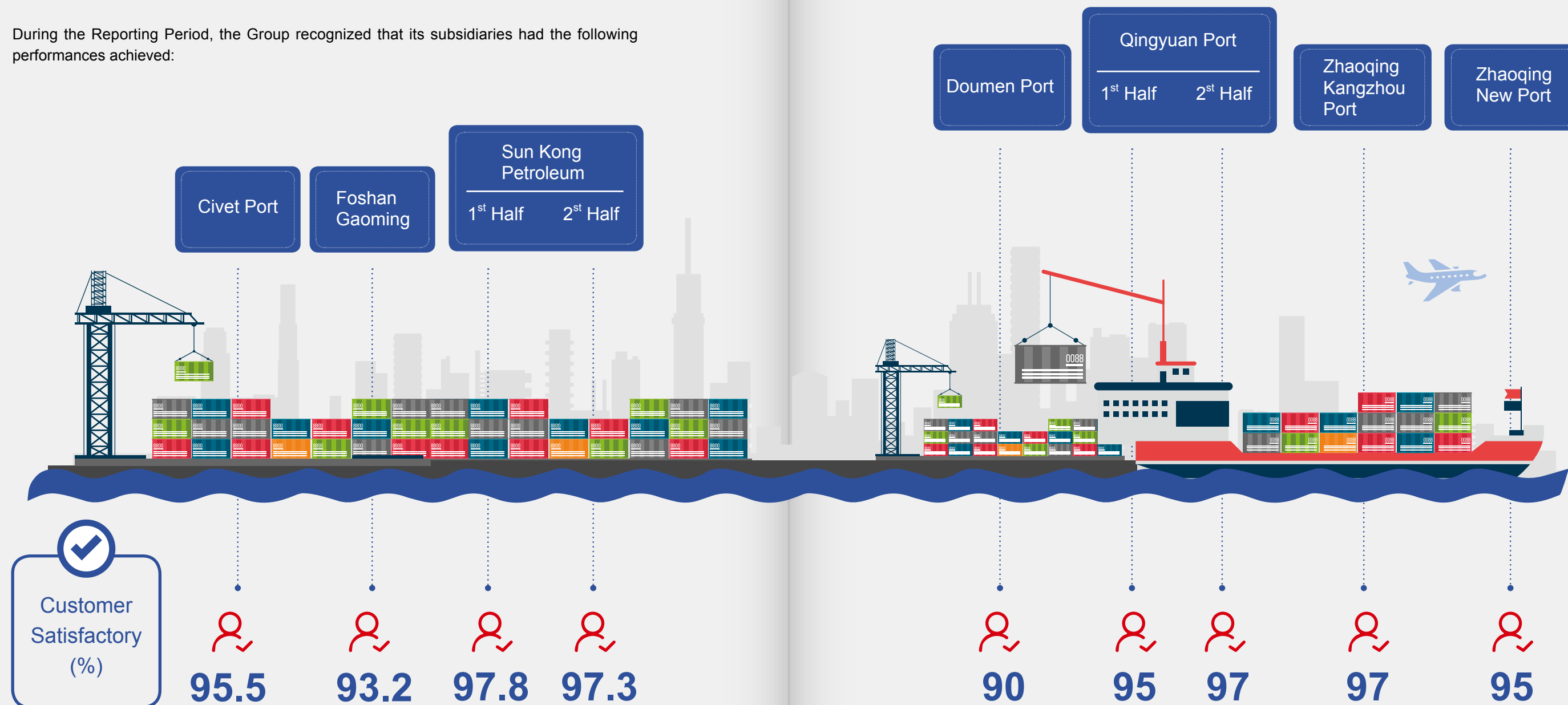
Service Quality

The Group cares about its customers in terms of satisfactory and upholds the philosophy of "your entrustment is our glory and responsibility". Customers and the Group mutually impact each other, and we believe sustainable development can benefit our relationships and maximize the values for the two parties. CKSG has established a set of provisions to monitor the quality of services provided by its subsidiaries. The Group also conducts an annual satisfaction survey according to the ISO9001: 2008 management requirement to manage and evaluate the performance of the company's services. The established customer complaint channel and improvement mechanism reflect that the Group places emphasis on customers' feedback and is determined to optimize its services (please refer to Appendix 3 for details). The information and materials relating to customers are treated as highly confidential within the Group. The Group neither experienced any customer data leakage, nor received any complaints about inappropriate use of customer information during the Reporting Period that would have a significant impact on the Group.

Setting target is compulsory practice for all the Group's subsidiaries, and flexibility in settling target is given in consideration of different situations that the subsidiaries face.



During the Reporting Period, the Group recognized that its subsidiaries had the following performances achieved:



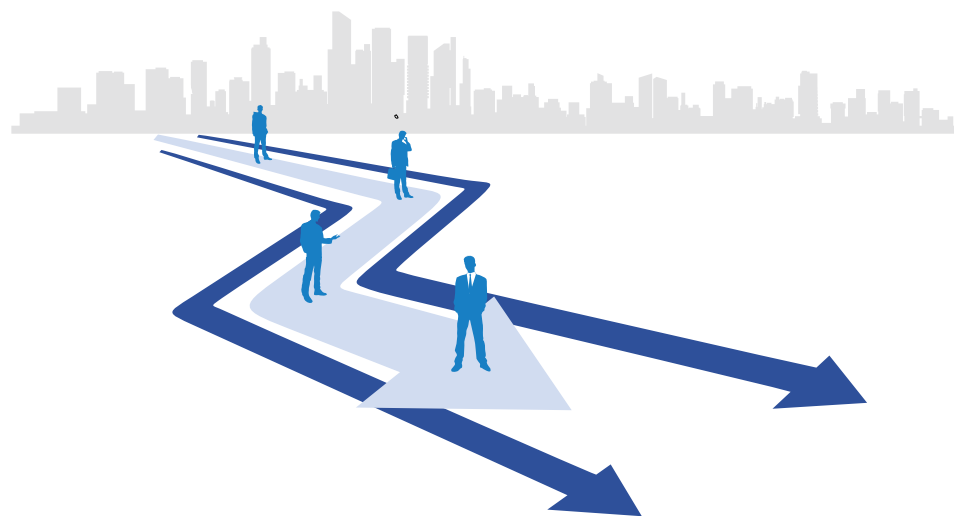


CKPT in the sector of the passenger transportation received the "Customer Service Excellence Programme Award" from Hong Kong International Airport.



Employee Rights

The Group believes that its continual growth is closely linked to its employees. Protecting rights helps employees settle down and are dedicated to prove their abilities. As we always believe employees are a critical part of our competitiveness, we strive to protect employee rights by maintaining sound labour practices and providing suitable training, and thus employees and we can grow together.



Labour Practices

We are committed to protect the rights of all the employees by complying with the relevant laws and regulations and governing by proper policies. The recruitment criteria, promotion standard, remuneration scale, work hours, rest breaks, holidays, employment termination, compensation matters and prevention of child labour or forced labour are all clearly stated in the *Employee Management Procedures* and other internal policies of the Group.

The recruitment and employment are conducted in a fair and equal manner. The Group recruits people through various channels to reach more different talents. Moreover, The Group works towards a diversified composition of employees with various races, education, work experience, nationalities, knowledge and skills. We believe a diversified composition of staff can benefit both the employees and the Group. The recruitment process and employment decision focus on the applicants' work experience, technical skills and work performance instead of their age, education, gender, nationality, race, sexual orientation, physical disability and marital status. According to the local laws and regulation relating to child labour, the Group has set the minimum age requirement for recruitment and employment. Labour contracts are entered into between the Group and employees, which clearly state the relevant details in order to safeguard mutual rights and interests. The termination of labour contracts and dismissal of employees are carried out in strict compliance with the relevant laws and regulations to fully protect the rights and obligations of both employees and the Group. The Group practises the principle of equality, voluntariness and consensus by offering employees equal pay for equal work. The Group offers a reasonable overtime payment to employees working after normal working hours if so requires. Regarding to the employee promotion, the Group considers and examines the performance and competence of each employee to achieve a fair and positive promotion.

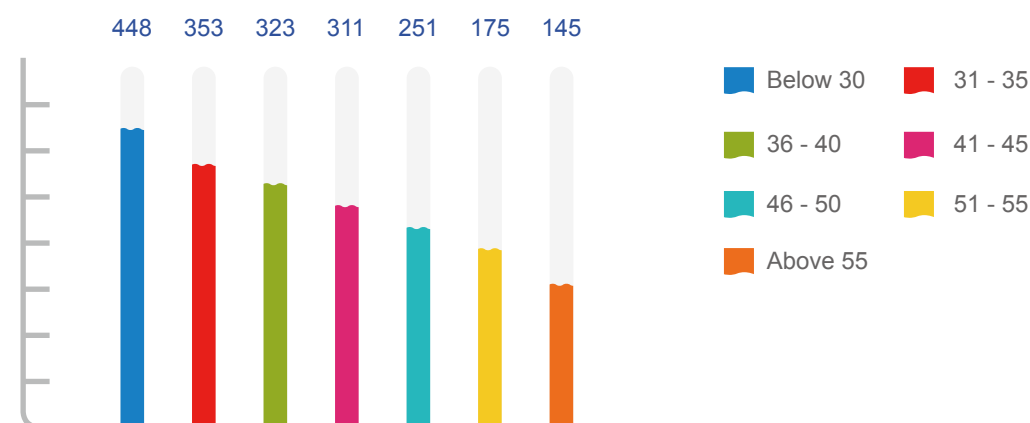


The Group truly understands the impacts of forced labour and devotes its effort to prohibit forced labour. If any cases of forced labour are reported, the Group will investigate the cases in order to settle the case and prevent the repetition. Moreover, most of the subsidiaries in the sector of terminal navigation logistics has adopted the work-shifting to avoid the employees from over-working, and channels for reporting forced labour have been established.

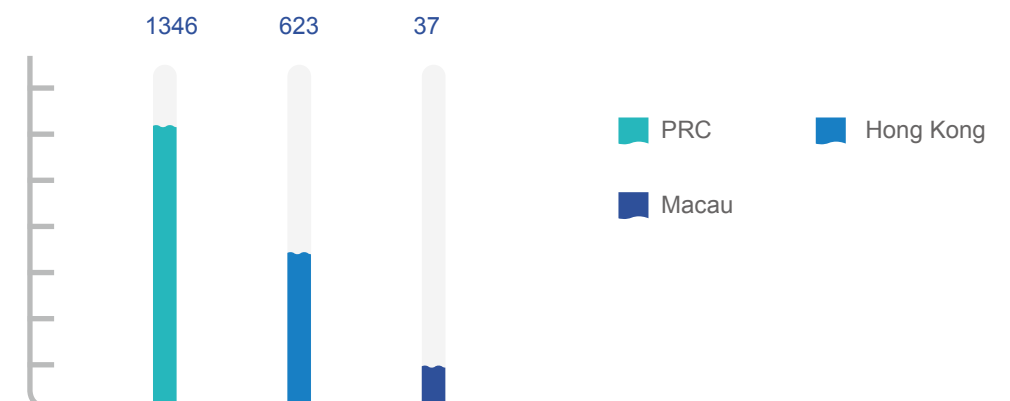
The successful growth of the Group relies on its employees, and thus the Group returns the favour by comprehensive welfare. Our employees are entitled to the statutory holidays, paid annual leaves, sick leaves, casual leaves, etc. Various benefits to employees such as subsidies on holidays and festivals, home leaves, meals, transportation and residential allowance are provided to employees. The Group advocates work-life balance culture through a diverse choice of activities such as annual dinners, trips, outstanding employee awards, etc.

The number of the Group's employees by age group and location:

The Number of Employees by Age Group



The Number of Employees by Location



Training and Development

Providing training to employees is always one of the best investment for a corporate. Apart from increasing quality of work, training can possibly help employees avoid risks. Thus, the Group encourages its subsidiaries to detailly plan the training to enhance the knowledge, skills and judgement of its employees.

The organization of training must be closely related to the career development and job duties of the employees. Training programmes are encouraged to take various forms, covering vision establishment, delicacy management, sales management, etc. The Group works with experts, colleges and universities to launch training seminars, symposiums and contests.



Vision Establishment



Delicacy Management



Sales Management

During the Reporting Period, the Group recognized that its subsidiaries have taken the measures below to enhance the relevant performance:



Terminal Navigation Logistics

Training Aims:

- To help employees understand safety production-related information
- To provide professional development to employees
- To enhance safety awareness and sailing skill
- To review the effectiveness of training

Training Activities:

- Operation-related Training
- Operation Safety Training
- Promotion of Safety Production-related Legislation, Regulations, Standards and Knowledge
- Training on Extreme Weather Precaution and Drills of the Relevant Emergency Plans
- Accounting Training
- Container Management
- Fire-fighting Training
- Risk Management



Passenger Transportation

Training Aims:

- To help employees understand new business and corresponding provisions
- To enhance service quality
- To enhance safety awareness and sailing skill

Training Activities:

- New Business Understanding
- Service Training
- Seminar on Ticketing Provision
- Communication Training
- Senior Crew Training



Fuel Supply

Training Aims:

- To enhance fuel oil safety awareness
- To enhance life-saving and sailing skills
- To increase industrial knowledge

Training Activities:

- Seminar on the Characteristics of H2S
- Seminar on the Hazards of Barge
- Off-shore Operation and First Aid Training

Supply Chain Management

The Group emphasizes the importance of supply chain management, in particular the social performance of its suppliers. Regarding supplier management, the Group has set stringent screening standards, and established a complete tendering process. A detailed investigation of the suppliers' background and historical performance is conducted whenever possible. To facilitate the supplier selection within the Group, we compile a list of the appropriate qualified suppliers to ensure that the engaged suppliers are all lawful and compliant, and their social performances are acceptable. The subsidiaries' procurement over certain level in terms of price and amount must be reported to the Group in order to proceed.

During the Reporting Period, the Group recognized that its subsidiaries have taken the measures below to enhance the relevant performance:

CKPT in the sector of the passenger transportation has enhanced the tendering process.

- Adopted relevant ISO standard to govern tendering process

Sun Kong Petroleum in the sector of the fuel supply conducted annual supplier evaluation, and only qualified supplier could continue cooperating with it.

Zhaoqing Sihui Port in the sector of the terminal navigation logistics has prepared and signed a *Business Cooperation Integrity Agreement* with all the suppliers.

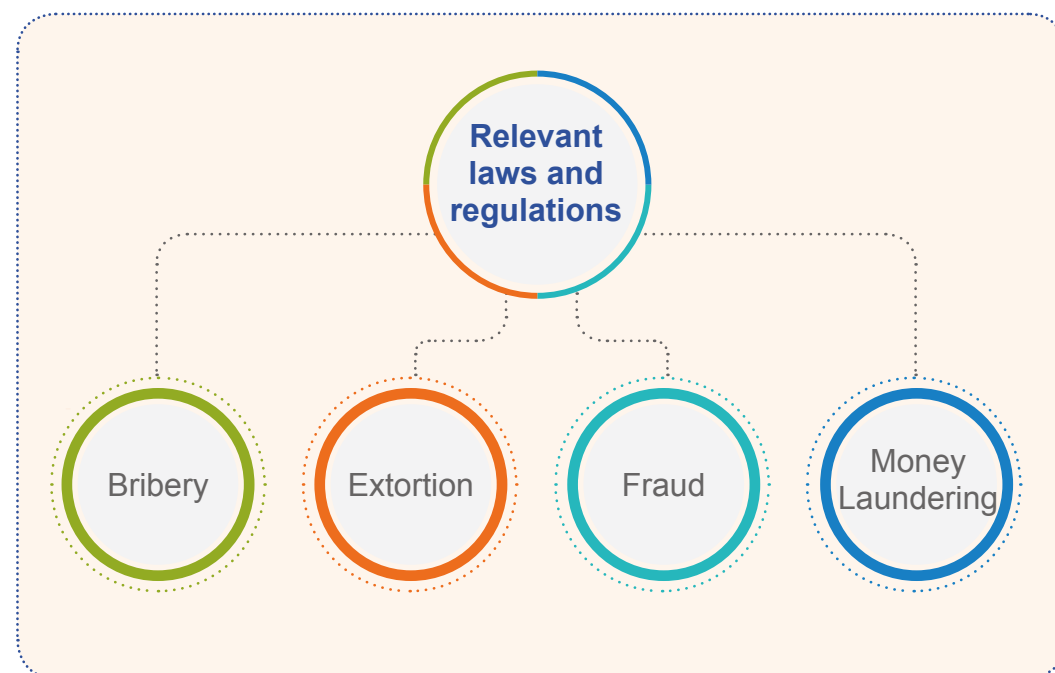
Zhaoqing New Port in the sector of the terminal navigation logistics has enhanced the supplier management.

- Implemented that: when procurement amount is over certain level, the selection of supplier is conducted by corporate assessment team (公司評審小組), while selection of supplier for smaller procurement is conducted by corporate procurement team (公司採購小組)



Anti-corruption

The Group strictly abides by the relevant laws and regulations and strongly prohibits bribery, extortion, fraud, money laundering and other illegal activities. We regulate the behaviour of all the Group's management members and employees with the establishment of the *Company's Code of Conduct for Employees* to prevent illegal acts including offering and accepting bribes and misappropriation of funds. Moreover, the Group's employees are encouraged to report on misconducts and malpractices through the whistleblowing system. The Group is committed in the *Whistle-blowing Policy* that the information of whistle-blowers is treated as strictly confidential. With the aim of maintaining an environment that employees can boldly report illegal activities, the Group will also cautiously deal with any acts, such as disturbance, revenge, retaliation, threat, menace and intimidation, performed or attempted to perform against any whistle-blowers who disclose improper or illegal activities. A comprehensive investigation into the relevant report will be conducted by the Group, once the relevant departments receive a report.



The internal control on operation and risk has been enhanced by the establishment of the internal audit department. It shows the determination of the Group to prevent corruption and promote the importance of integrity.

Community

The Group continues to explore the needs of the community and strives to maintain a mutually beneficial relationship with the community. Therefore, the Group take an active role in engaging the community. Apart from donations to charities, we proactively participate in various public service programmes, visits to schools, and local sports event.

The Group values its connection with the community and encourages its subsidiaries to positively influence the local community and minimize the negative impacts as far as possible.



05

**Building Sustainable
Business on Genuine
Foundations**

- ≈ Air Emissions
- ≈ Greenhouse Gas Emission
- ≈ Water
- ≈ Hazardous and Non-Hazardous Wastes
- ≈ Noise
- ≈ Energy Usage
- ≈ Material Usage
- ≈ Environmental Performance



05 Building Sustainable Business on Genuine Foundations

The Group is committed to fulfilling its environmental responsibilities and reducing the environmental impacts of its operation as far as practicable. The Group's businesses, focusing on terminal navigation logistics, passenger transportation, and fuel supply, involve mainly machinery operation, warehouse management, vessel and vehicle operation, and ticket selling. The resulting major direct emissions are air emission, solid waste and noise generation. The direct and indirect greenhouse gas (GHG) emissions from fossil fuel burning and purchased electricity are the major components of the Group's carbon footprint. The Group is aware of the negative impacts of the climate change on its businesses. Thus, the Group's corporate decision-making process involves environmental consideration, and its operations are conducted in accordance with sound environmental practices.

The Group attaches foremost importance to environmental compliance in each operation location and maintains gradual progress toward sustainable development. The subsidiaries are requested to follow the local environment-related laws and regulations and formulate the most suitable policies to regulate their specific environmental impacts on local environment. Announcements and implementation of policies are promoted to all employees. The Group ensures its employees to be aware of the environmental and health impacts of their jobs and requires them to strive to minimize the negative impacts.

The Group complies with and abides by significant and applicable local laws and regulations in the operating locations (please refer to Appendix 1 for details).

The effort made by the Group during the Reporting Period was determined. The Group has enhanced its foundations of sustainability by adopting advanced technologies, implementing new policies and cooperating with local agencies. We have confidence in the efforts that would help the Group to take a positive step towards sustainable development.



Adopting advanced technologies



Implementing new policies



Cooperating with local agencies

The issues "Compliance and Operation", "Machinery Management", "Material Management", "Energy Management", "Water Management", "Waste Management", and "Emission Management" identified during the process of screening in the materiality assessment are responded in this section.

Our Environmental Impacts and Efforts

Air Emissions

The Group truly understands the impacts of air emission and strives to reduce the emissions from its businesses. Air pollution can cause adverse effects on the community in the aspect of health, economy and environment, while dust suspension is not just an environmental risk to the community, but also a hazard to our employees. On the other hand, non-compliance with the relevant laws and regulations can lead to unstableness of operation.

Fossil fuel burning and machinery operation during operation lead to air pollutant generation and dust suspension respectively. The Group strives to ensure its vessels, vehicles and machinery' emission standards are in strict compliance with the relevant laws and regulations, and to regularly inspect and maintain the condition of the vessels, vehicles and machinery in order to minimize the generation of air pollutants. Moreover, the Group has insisted on promoting the use of electrical equipment in the sector of terminal navigation logistics. Meanwhile, various strong measures have been taken to control dust suspension.

During the Reporting Period, the Group recognized that its subsidiaries have taken the measures below to reduce the impact of air pollution on the local community and working environment:



Foshan Gaoming Port in the sector of the terminal navigation logistics has focused on enhancement of dust clearance and prevention of dust accumulation and suppression.

- Established the stringent operation procedures for the dust suppression systems in the container yards, terminal gates and examination sites

- Purchased fire-fighting and water-spraying vehicles for dust suppression in the examination sites

- Purchased a specialized vehicle for dust removal in container yards, examination sites, warehouses, gates, etc.

Zhaoqing Kangzhou Port in the sector of the terminal navigation logistics has required staff to regularly apply water-spraying to control dust suppression. In addition, aiming to improve indoor air quality, Zhaoqing Kangzhou Port installed airborne grease treatment systems in the kitchens according to the environmental regulation.

Sun Kong Petroleum in the sector of the fuel supply has expressed concern over the indoor air quality.

- Procured air quality filters for employees working in offices

Doumen Port in the sector of the terminal navigation logistics has dealt with the emission sources.

- Eliminated the vehicles with high emission

Greenhouse Gas Emission

The Group recognizes the importance of greenhouse gas (“GHG”) emission control. Climate change has been the greatest challenge for mankind since the beginning of this century, as well as corporates, as the physical environment is significantly reshaped and hence our businesses could be influenced. The influence, from our point of view, can be an opportunity for us to review business mode and discover the pathway towards the sustainable development.

Fossil fuel burning and purchased electricity consumption are the Group’s major sources of direct GHG emission and indirect GHG emission respectively. The Group proactively corporates with the related authorities to promote the importance of GHG emission control and implement the measures introduced by the authorities. At this stage, the Group attaches significance to the adoption of electrical equipment with the aim of reducing direct GHG (“Scope 1”) emission.

During the Reporting Period, the replacement for diesel-fueled equipment was promising. The Group has decided to procure electrical equipment for operation whenever feasible based on the consideration of working tasks, equipment specification and efficiency.

Water

Most of the Group’s operations are close to coastal areas and hence the Group pays attention on its water consumption and discharge. In consideration of our businesses, water is consumed in a reasonable amount for the purposes of dust control and drinking water. The water usage is not significant during the operation. Comparing with the water consumption, the Group recognizes the risk of its uncontrolled discharge is more critical for sustainable development. The uncontrolled discharge due to rainwater, for instance, could bring engine oil and dust on the container yards and examination sites into coastal areas. The Group on the basis of compliance with the relevant laws and regulations thus seeks corporation with the authorities to establish plans to control the discharge.

During the Reporting Period, the Group recognized that its subsidiaries have taken the measures below to tackle the uncontrolled discharge:

Foshan Gaoming Port and Qingyuan Port in the sector of the terminal navigation logistics have both focused on the establishment of rainwater collection and treatment system.



Engaged an accredited company to conduct feasibility study of the system and completed the construction within the Reporting Period; the water discharged meets the local discharge requirements

Zhaoqing Kangzhou Port in the sector of the terminal navigation logistics started treating living sewage with and collecting rainwater by the specialized facilities, which were constructed by an accredited company.

Zhaoqing Sihui Port in the sector of the terminal navigation logistics has focused on the enhancement of discharge monitoring.



- Formulated *Environmental Emergency Plan* based on the requirements of the local authority



- Constructed waste water collection system and connected with municipal sewage treatment facility



- Engaged an accredited company to conduct discharge sampling every half year

Zhaoqing Gaoyao Port in the sector of the terminal navigation logistics has started the construction of rainwater collection system and wastewater treatment facility according to the requirements stated in the environmental impact assessment report

Doumen Port in the sector of the terminal navigation logistics developed emergency plans, such as oil leakage from vessels, while Zhongshan Huangpu Port reviewed and updated the emergency plans for prevention of pollution from vessels and corresponding activities in river areas.

CKTL in the sector of the terminal navigation logistics has emphasized the importance of adequate effluent capacity of new facilities when expanding businesses.



- Built the new godown wharf in Tuen Mun with full consideration of the capacity of wastewater collection and treatment

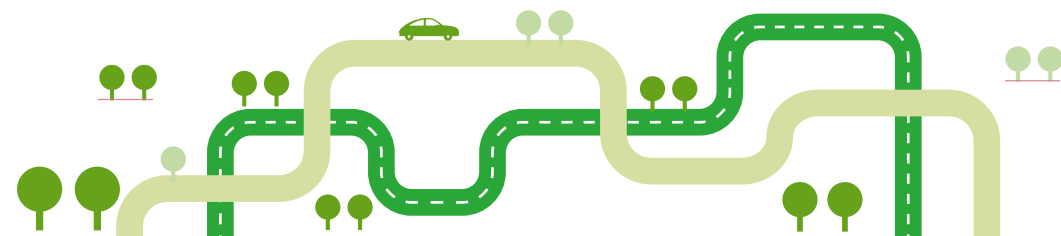
The Group's water is sourced from municipal water supply and there is no significant problem of water-sourcing.



Hazardous and Non-Hazardous Wastes

The Group understands the importance of proper waste treatment and disposal. Hazardous wastes can pollute water and land which people rely on to survive and grow, while improper treatment and disposal of non-hazardous wastes can cause problems, such as environmental degradation, harm towards animals and visual value reduction. The major hazardous wastes of the Group are engine oil and batteries, and the major non-hazardous wastes are tires, wire ropes, wrapping material, and living waste. There are clear guidelines on waste treatment and disposal from the local authorities, and the subsidiaries are required to engage accredited companies to treat and dispose all the hazardous wastes. The Group complies with relevant local laws and regulation and strives to minimize the wastes generated from operation.

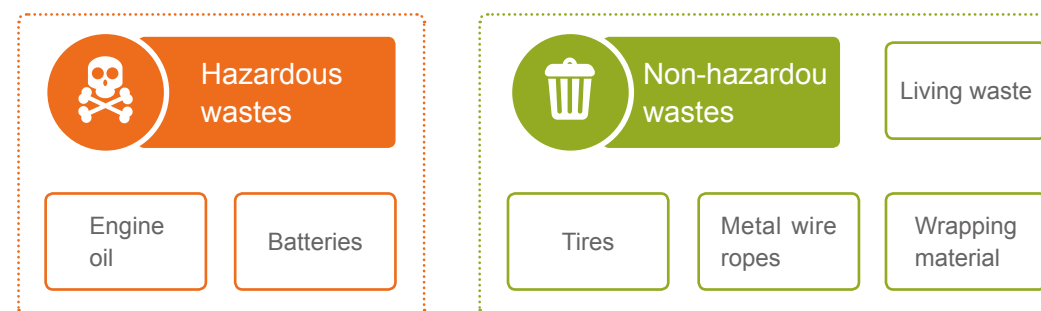
During the Reporting Period, the Group recognized that its subsidiaries have taken the measures below to ensure proper waste treatment and disposal:



CKTL in the sector of the terminal navigation logistics has focused on the enhancement of waste collection and disposal.

- Requested staff to place garbage bins in all temporary operation sites and engage accredited companies to treat and dispose wastes

The hazardous and non-hazardous wastes generated during operation were collected and treated by accredited units properly.



Noise

The Group realizes that noise from operating machineries has a significant impact on the surrounding environment and its employees. The Group encourages the subsidiaries to formulate suitable policies and implement reasonable measures to tackle noise pollution.

During the Reporting Period, the Group recognized that its subsidiary has taken the measures below to reduce the noise generation:

Foshan Gaoming Port in the sector of the terminal navigation logistics has focused on the promotion of the positive impact of good behaviour on noise reduction.

- Conducted training in noise prevention among staff
- Established policies providing guidance on driving behaviour within the terminal area, such as prohibition on speeding and unnecessary use of the horn
- Resurfaced the space within the container yard
- Affixed signs to clear spots to remind staff of noise reduction
- Enhanced the restriction on incoming vehicles

The noise level in the terminal reached the relevant local requirement during the Report Period.

Energy Usage

Energy usage, from the perspective of the Group, is not just a pursuance of environmental commitments, but also a critical component of the operation cost. The Group puts great store on improving energy efficiency in all of the business sectors. Improving energy efficiency could lead to possible benefits for our stakeholders; Shareholders and investors could enjoy the benefit from lowering operation cost; employees could complete tasks with less time; the general public could receive better services; less air pollutants could be generated from fossil fuel burning.

The major fuels consumed by the Group are diesel and electricity. The Group has sourced diesel and electricity from reliable suppliers and national electricity grid.

During the Reporting Period, the Group recognized that its subsidiaries have taken the measures below to improve energy efficiency:

The subsidiaries are required to conduct regular maintenance and inspection for machinery, vehicles and vessels to help maintaining the energy efficiency and hence reducing unnecessary energy consumption.

CKPT in the sector of the passenger transportation has focused on the introduction of new advanced vessels and optimization of routes.

- Started operating two cutting-edge high-speed passenger ferries made of carbon fiber
- Assisted the ferry owners to build four more carbon fiber high-speed passenger ferries
- Optimised routes from Hong Kong to China with the aim of reducing energy cost

Material Usage

The Group is committed to utilizing resources fully and reasonably. The type and amount of materials for operation are various and enormous respectively across the Group’s business sectors, and it leads to continuous exploration of natural resource. We, as a responsible corporate, realize we have responsibility to reduce the exploration of natural resources and keep the resources for the future generation. Therefore, we pursue the strategy of resource-saving which can reduce material consumption and hence operation cost.

During the Reporting Period, the Group recognized that its subsidiaries have taken the measures below to reduce material consumption:

CKPT in the sector of the passenger transportation has focused on the continuous promotion of electronic ticketing e-commerce platform in the market. CKPT recognized the good response to the electronic ticketing e-commerce platform from market, and therefore the platform had been upgraded comprehensively during the Reporting Period. As a result, we identified the volume of electronic ticketing has increased stably.

CKTC in the sector of the passenger transportation has focused on the reduction of paper usage.

- Started recycling papers
- Requested staff to adopt 2-sided printing
- Deeply integrated the ticketing with the electronic ticketing e-commerce platform



Environmental Performance

During the Reporting Period, the environmental data are as follows:

Indicator	2017	
	Amount	Intensity ³ (per '000,000HKD)
Air Emission (tonnes)		
NO _x	95.5	0.039
SO _x	42.7	0.018
Greenhouse Gas Emission (tonnes)		
Scope1		
Mobile Source ¹	4,171,658.3	-
Scope 2		
Purchased Electricity	5,655.2	-
Total Greenhouse Gas Emission	4,177,313.5	1,720.121
Hazardous Waste		
Waste Machine Oil (tonnes)	12.86	0.005

Non-hazardous Waste ⁴		
Waste Paper (tonnes)	1.20	0.0005
Waste Tire	776	0.320
Living Waste (tonnes)	42.9	0.018
Direct Energy Consumption		
Gasoline (L)	126,196.7	51.965
Diesel (L)	2,808,388.9	1,156.429

Diesel (For Vessels) (tonnes)	426.4	0.176
Indirect Energy Consumption		
Electricity Consumption (kWh)	10,176,474.4	4,190.436
Water Consumption (tonnes)		
Municipal Water Supply	168,715.2	69.473
Packaging Material ²		
Plastic Bag	16,700	6.877

1 The mobile sources include vehicles, vessels and machinery

2 Currently, the quantified units of packaging materials are various among subsidiaries, so only the data of plastic bag is selected and disclosed in the Report

3 The intensity is calculated based on the Group's revenue in 2017

4 Currently, the quantified units of disposal amounts of wrapping material and metal wire are various among subsidiaries. The Group will standardize the unit and disclose the data in the future

06



Appendix

- ≈ Significant and applicable local laws and regulations that the Group complies with and abides by
- ≈ ESG Guide Index
- ≈ Customer Compliant Channel



Appendix 1

Significant and applicable local laws and regulations that the Group complies with and abides by

Hong Kong

Significant Environment Related Laws and Regulations

Cap. 311Z Air Pollution Control (Non-road Mobile Machinery) (Emission) Regulation
Cap. 358 Water Pollution Control Ordinance
Cap. 354 Waste Disposal Ordinance
Cap. 313 Shipping and Port Control Ordinance
Cap. 311Y Air Pollution Control (Marine Light Diesel) Regulation

Significant Labour Related Laws and Regulations

Cap. 57 Employment Ordinance
Cap. 282 Employee Compensation Ordinance
Cap. 608 Minimum Wage Ordinance

Significant Work Safety Related Laws and Regulations

Cap. 509 Occupational Safety and Health Ordinance
Cap. 59J Factories and Industrial Undertakings (Lifting Appliance and Lifting Gear) Regulation
Cap. 59K Factories and Industrial Undertakings (Cargo and Container Handling) Regulation
Cap. 59AC Factories and Industrial Undertakings (Suspended Working Platforms) Regulation
Cap. 59AG Factories and Industrial Undertakings (Loadshifting Machinery) Regulation
Cap. 81 Port Control (Cargo Working Areas) Ordinance

Significant Anti-corruption Related Laws and Regulations

Cap. 201 Prevention of Bribery Ordinance

PRC

Significant Environment Related Laws and Regulations

Law of the People's Republic of China on the Environmental Protection
Law of the People's Republic of China on the Prevention and Control of Atmospheric Pollution
Law of the People's Republic of China on Prevention and Control of Environmental Pollution by Solid Wastes
Law of the People's Republic of China on the Prevention and Control of Water Pollution
Law of the People's Republic of China on Prevention and Control of Pollution From Environmental Noise
Law of the People's Republic of China on Water
Law of the People's Republic of China on the Conservation of Water and Soil
Law of the People's Republic of China on the Promotion of Cleaner Production
Law of the People's Republic of China on Ports
Regulations on the Administration of Construction Project Environmental Protection
Law of the People's Republic of China on Conserving Energy

Significant Labour Related Laws and Regulations

Law of the People's Republic of China on the Labour
Law of the People's Republic of China on the Labour Contract

Significant Work Safety Related Laws and Regulations

Law of the People's Republic of China on the Production Safety
Law of the People's Republic of China on the Prevention and Treatment of Occupational Diseases

Significant Anti-corruption Related Laws and Regulations

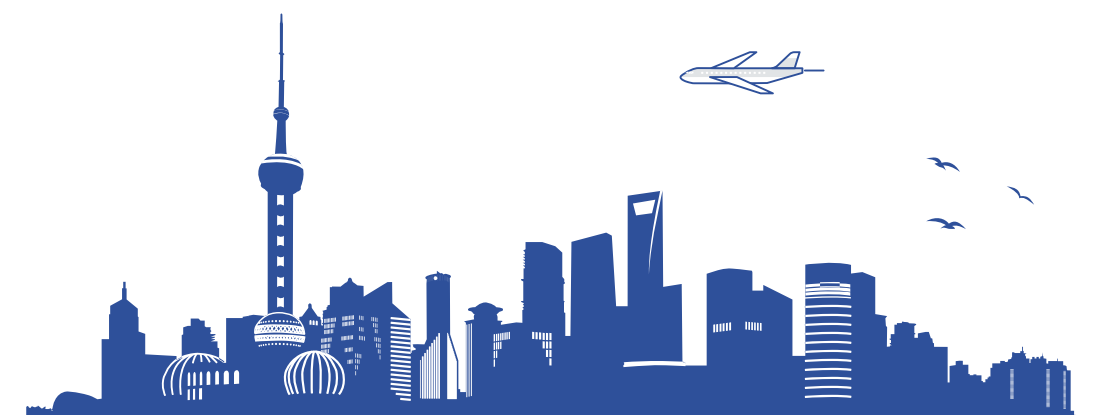
Criminal Law of the People's Republic of China

Appendix 2

ESG Guide Index

Subject Areas, Aspects, General Disclosures and KPIs			
“Comply or explain” Provisions			Section/ Reasons for Omissions
A : Environment			
Aspect A1: Emission	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to air and greenhouse gas emissions, discharges into water and land, and generation of hazardous and non-hazardous waste. Note: Air emissions include NOx, SOx, and other pollutants regulated under national laws and regulations. Greenhouse gases include carbon dioxide, methane, nitrous oxide, hydrofluorocarbons, perfluorocarbons and sulphur hexafluoride. Hazardous wastes are those defined by national regulations.		Building Sustainable Business on Genuine Foundations
	KPI A1.1	The types of emissions and respective emissions data.	Air Emissions Environmental Performance
	KPI A1.2	Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Greenhouse Gas Emission Environmental Performance
	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Hazardous and Non-Hazardous Wastes Environmental Performance

Aspect A1: Emission	KPI A1.3	Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Hazardous and Non-Hazardous Wastes Environmental Performance
	KPI A1.4	Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).	Hazardous and Non-Hazardous Wastes Environmental Performance
	KPI A1.5	Description of measures to mitigate emissions and results achieved.	Air Emissions Greenhouse Gas Emission
	KPI A1.6	Description of how hazardous and non-hazardous wastes are handled, reduction initiatives and results achieved.	Hazardous and Non-Hazardous Wastes



Aspect A2: Use of Resources	General Disclosure Policies on the efficient use of resources, including energy, water and other raw materials. Note: Resources may be used in production, in storage, transportation, in buildings, electronic equipment, etc		Water
			Energy Usage
			Material Usage
	KPI A2.1	Direct and/or indirect energy consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).	Environmental Performance
	KPI A2.2	Water consumption in total and intensity (e.g. per unit of production volume, per facility).	Environmental Performance
	KPI A2.3	Description of energy use efficiency initiatives and results achieved.	Energy Usage
Aspect A3: The Environment and Natural Resources	KPI A2.4	Description of whether there is any issue in sourcing water that is fit for purpose, water efficiency initiatives and results achieved.	Water
	KPI A2.5	Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced	Environmental Performance
	General Disclosure Policies on minimising the issuer's significant impact on the environment and natural resources.		Our Environmental Impacts and Efforts
	KPI A3.1	Description of the significant impacts of activities on the environment and natural resources and the actions taken to manage them.	Noise

Subject Areas, Aspects, General Disclosures and KPIs			
"Comply or explain" Provisions			Section/ Reasons for Omissions
B: Social			
Employment and Labour Practices			
Aspect B1: Employment	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare.		Employee Rights
	KPI B1.1	Total workforce by gender, employment type, age group and geographical region.	Employee Rights
Aspect B2: Health and Safety	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to providing a safe working environment and protecting employees from occupational hazards.		Occupational Health and Safety

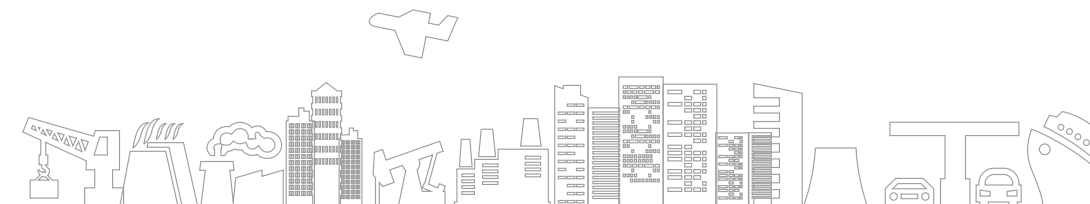
Aspect B3: Development and Training	General Disclosure Policies on improving employees' knowledge and skills for discharging duties at work. Description of training activities. Note: Training refers to vocational training. It may include internal and external courses paid by the employer.	Employee Rights
Aspect B4: Labour Standards	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to preventing child and forced labour.	Employee Rights
Operating Practices		
Aspect B5: Supply Chain Management	General Disclosure Policies on managing environmental and social risks of the supply chain.	Supply Chain Management

Aspect B6: Product Responsibility	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to health and safety, advertising, labelling and privacy matters relating to products and services provided and methods of redress.	Service Quality
Aspect B7: Anti- corruption	General Disclosure Information on: (a) the policies; and (b) compliance with relevant laws and regulations that have a significant impact on the issuer relating to bribery, extortion, fraud and money laundering.	Anti-corruption
Community		
Aspect B8: Community Investment	General Disclosure Policies on community engagement to understand the needs of the communities where the issuer operates and to ensure its activities take into consideration the communities' interests.	Community



Appendix 3

Customer Compliant Channel



For customer complaints against the high-speed waterway passenger transportation services provided by the Group, the Group's subsidiaries have established the following customer feedback mechanism:

- 1 Reply to the passenger that we are aware of the complaint and promise to follow it up
- 2 Refer the complaint to the relevant department for investigation
- 3 Based on the findings of the investigation, work out a solution and reply to the passenger
- 4 If the complaint is found to be our obvious service negligence upon completion of the investigation, causing dissatisfaction and/or substantial loss to the customer, the complaint is defined as a reasonable complaint. The company will offer the customer a settlement proposal according to the "Complaint Handling - Guidelines for Settlement Proposals"
- 5 For cases that have been assessed as reasonable complaints, the departments involved are required to make corrective and preventive measures for these cases
- 6 If necessary, the customer service department will arrange a complaint review meeting and invite the heads of the departments involved to attend it. The meeting will be chaired by the deputy general manager in charge of customer services, at which they will discuss the prominent problems in monthly customer complaints and work out solutions

For customer complaints against the warehousing logistics and terminal operation services provided by the Group, the Group's terminals have established the following feedback mechanism:

- 1 Reply to the customer that we are aware of the complaint and promise to follow it up
- 2 Refer the complaint to the relevant department for investigation
- 3 Based on the findings of the investigation, work out a solution and reply to the customer
- 4 If the complaint is found to be our obvious service negligence upon completion of the investigation, causing dissatisfaction and/or substantial loss to the customer, the complaint is defined as a reasonable complaint. We will offer the customer a settlement proposal
- 5 The departments involved are required to make corrective and preventive measures for this complaint
- 6 Convene a meeting of department heads to draw inferences about the relevant cases from one instance, and improve preventive measures



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