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

REVIEW

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

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

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

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

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

OUTLOOK

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

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

APPRECIATION

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

Huang Liezhang
Chairman

Hong Kong, 27th March 2019

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 2018, together with the comparative figures for the corresponding period in 2017 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31ST DECEMBER 2018

	Note	**2018**	2017
		HK$'000	*HK$'000*
Revenue	*4*	**2,404,496**	2,428,487
Cost of services rendered	*7*	**(2,004,387)**	(1,944,532)
Gross profit		**400,109**	483,955
Other income		**45,106**	39,481
Other gains, net	*8*	**46,749**	22,138
General and administrative expenses	*7*	**(311,196)**	(308,966)
Operating profit		**180,768**	236,608
Finance income		**20,852**	18,332
Finance cost		**(8,488)**	(6,127)
Share of profits less losses of :			
- Joint ventures		**55,946**	62,541
- Associates		**14,604**	14,289
Profit before income tax		**263,682**	325,643
Income tax expense	*9*	**(41,127)**	(49,308)
Profit for the year		**222,555**	276,335
Attributable to:			
Equity holders of the Company		**226,072**	268,988
Non-controlling interests		**(3,517)**	7,347
		222,555	276,335
Earnings per share (HK cents)	*11*		
Basic		**20.35**	24.68
Diluted		**20.35**	24.68

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31ST DECEMBER 2018

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

CONSOLIDATED BALANCE SHEET
AS AT 31ST DECEMBER 2018

	Note	**2018**	2017
		HK$'000	*HK$'000*
ASSETS			
Non-current assets			
Property, plant and equipment		**1,664,039**	1,631,142
Investment properties		**4,658**	4,715
Land use rights		**409,130**	440,255
Intangible assets		**44,112**	46,619
Investments in joint ventures		**414,379**	469,024
Investments in associates		**137,823**	107,795
Deposits		**4,778**	-
Deferred income tax assets		**4,840**	7,746
		2,683,759	2,707,296
Current assets			
Inventories		**1,265**	2,627
Trade and other receivables	*5*	**407,301**	546,201
Loans to joint ventures and fellow subsidiaries		**13,189**	13,509
Structured bank deposits		**320,703**	291,781
Cash and cash equivalents		**905,330**	769,152
		1,647,788	1,623,270
Assets of a disposal group classified as held for sale		**-**	134,192
		1,647,788	1,757,462
Total assets		**4,331,547**	4,464,758
EQUITY			
Share capital		**1,415,118**	1,376,295
Reserves		**1,663,934**	1,628,394
		3,079,052	3,004,689
Non-controlling interests		**287,410**	298,598
Total equity		**3,366,462**	3,303,287

CONSOLIDATED BALANCE SHEET (Continued)
AS AT 31ST DECEMBER 2018

	Note	**2018**	2017
		HK$'000	*HK$'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**85,141**	90,451
Deferred income		**10,064**	3,188
Long term borrowings		**159,011**	270,851
		254,216	364,490
Current liabilities			
Trade payables, accruals and other payables	*6*	**515,308**	605,449
Loans from an associate		**-**	1,053
Loan from a third party		**1,004**	
Amounts due to the non-controlling interests of subsidiaries		**82,145**	82,806
Income tax payables		**8,429**	12,564
Short term borrowings		**-**	90,000
Current portion of long term borrowings		**103,983**	4,175
		710,869	796,047
Liabilities of a disposal group classified as held for sale		-	934
		710,869	796,981
Total liabilities		**965,085**	1,161,471
Total equity and liabilities		**4,331,547**	4,464,758

Notes:

1. Statement of compliance

The financial information relating to the years ended 31st December 2018 and 2017 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 2017 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 2018 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).

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 2018 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.

2. Basis of Preparation

The announcement has been presented in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules").

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") and requirements of the Hong Kong Companies Ordinance (Cap. 622). The consolidated financial statements 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 for the first time for their annual reporting period commencing 1st January 2018:

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

3. Principal accounting policies (Continued)

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

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

HKFRS 9 Financial Instruments

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

Impairment of financial assets

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

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

- Trade and other receivables

3. Principal accounting policies (Continued)

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

HKFRS 9 Financial Instruments (Continued)

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

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

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

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

HKFRS 15 Revenue from Contracts with Customers

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

3. Principal accounting policies (Continued)

(ii) Standards and amendments to existing standards which are not yet effective

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

HKFRS16	Lease (1)
HK(IFRIC)-Int23	Uncertainty over Income Tax Treatments (1)
HKFRS 9 (Amendments)	Prepayment Features with Negative Compensation (1)
HKAS 28 (Amendments)	Long-term Interests in Associates and Joint Ventures (1)
HKFRSs (Amendments)	Annual improvements to HKFRs 2015-2017 Cycle (1)
HKAS 19 (Amendments)	Plan Amendment, Curtailment or Settlement (1)
HKAS 1 and HKAS 8 (Amendments)	Definition of material (2)
HKFRS 3 (Amendments)	Definition of a business (2)
HKFRS 17	Insurance Contracts (3)
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture (4)

Note:
(1) Effective for the Group for annual period beginning on 1st January 2019
(2) Effective for the Group for annual period beginning on 1st January 2020
(3) Effective for the Group for annual period beginning on 1st January 2021
(4) Effective date to be determined

3. Principal accounting policies (Continued)

(ii) Standards and amendments to existing standards which are not yet effective (Continued)

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

HKFRS 16 Leases

HKFRS 16 will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

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

The standard will affect primarily the accounting for the Group`s operating leases. As at the reporting date, the Group has non-cancellable operating lease commitments of HK$77,526,000. Based on the preliminary assessment undertaken to date, it is estimated that the adoption of HKFRS 16 would result in recognition of right-of-use assets and financial liabilities in the consolidated balance sheet primarily arising from leases of land and buildings. The interest expenses on the lease liabilities and the depreciation expenses on the right-of-use assets under HKFRS 16 will replace the rental charge under HKAS 17 in the consolidated income statement.

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

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.

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

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

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 2018						
Total revenue	1,392,474	484,280	198,513	661,900	35,982	2,773,149
Inter-segment revenue	(108,096)	(186,802)	-	(53,447)	(20,308)	(368,653)
Revenue (from external customers)	1,284,378	297,478	198,513	608,453	15,674	2,404,496
Segment profit before income tax expense	51,808	57,040	135,806	14,472	4,556	263,682
Income tax expense	(4,910)	(12,692)	(12,191)	(2,626)	(8,708)	(41,127)
Segment profit after income tax expense	46,898	44,348	123,615	11,846	(4,152)	222,555
Segment profit before income tax expense includes:						
Finance income	749	2,050	1,068	5	16,980	20,852
Finance cost	-	(7,845)	-	-	(643)	(8,488)
Depreciation and amortisation	(6,997)	(90,994)	(117)	(2,279)	(4,675)	(105,062)
Share of profits less losses of:						
Joint ventures	3,808	5,886	44,820	-	1,432	55,946
Associates	-	4,183	10,421	-	-	14,604
Gain/(loss) on disposal of subsidiaries	39,116	14,786	-	-	(111)	53,791

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	2,788,778
Inter-segment revenue	(116,201)	(170,998)	-	(38,904)	(34,188)	(360,291)
Revenue (from external customers)	1,310,942	372,849	207,484	492,098	45,114	2,428,487
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 HK$'000	Cargo handling and storage HK$'000	Passenger transportation HK$'000	Fuel supply HK$'000	Corporate and other businesses HK$'000	Inter segment elimination HK$'000	Total HK$'000
As at 31st December 2018							
Total segment assets	529,469	2,587,362	722,443	156,848	1,910,968	(1,575,543)	4,331,547
Total segment assets include:							
Joint ventures	31,152	153,996	229,231	-	-	-	414,379
Associates	-	51,458	86,365	-	-	-	137,823
Additions to non-current assets (excluding deferred income tax assets)	1,030	145,554	22,710	1,124	3,455	-	173,873
Total segment liabilities	(490,335)	(982,182)	(159,070)	(58,434)	(850,607)	1,575,543	(965,085)

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)

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:

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

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:

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

Trade receivables that are less than three months past due are not considered impaired. As of 31st December 2018, trade receivables of HK$30,462,000 (2017: HK$27,949,000) were past due but not impaired. Fully performing receivables and balances that are past due but not impaired relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of past due but not impaired trade receivables is as follows:

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

5. Trade and other receivables (Continued)

As of 31st December 2018, trade receivables of HK$4,795,000 (2017: HK$5,040,000) were impaired and have been fully provided for. The individually impaired receivables mainly relate to independent customers, which are in unexpected difficult economic situations or have defaulted on payments. The ageing of these receivables is as follows:

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

6. Trade payables, accruals and other payables

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

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

7. Costs and expenses by nature

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

8. Other gains – net

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

Note:

The gain on disposal as at 31st December 2018 mainly represented disposal gain of the disposal of the Group's entire equity interests in two of its subsidiaries, Zhaoqing Chu Kong Cargo Terminals (Dawang) Co., Ltd. and Zhaoqing Chu Kong Logistics (Dawang) Co., Ltd..

9. Income tax expense

Hong Kong profits tax has been provided at the rate of 16.5% (2017: 16.5%) on the estimated assessable profit for the year.

PRC corporate income tax has been calculated on the estimated assessable profit for the year at the income tax rate of the PRC entities of 25% (2017: 25%).

Macau profits tax has been provided at the applicable tax rate (2017: applicable tax rate) on the estimated assessable profit for the year.

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

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

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

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.

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

Diluted

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

Diluted earnings per share for the years ended 31st December 2018 and 2017 were calculated by adjusting the profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the company included share options. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

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.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

For the year ended 31st December 2018, the Group recorded a consolidated revenue of HK$2,404,496,000, representing a decrease of 1.0% over the same period last year. Profit attributable to the shareholders of the Company amounted to HK$226,072,000, representing a decrease of 16.0% over the same period last year.

Regarding freight transportation, the Group continued to promote professionalised operation for terminal navigation logistics business and give full play to the "Consolidated CKTL" platform, with its business volume remained stable. During the year, the container transportation volume reached 1,530,000 TEU, representing a year-on-year increase of 0.4% due to the Sino-US trade war and the Environmental Policy, while break bulk cargo transportation volume reached 430,000 tons, representing a year-on-year increase of 4.9%. As for cargo handling business, the container handling volume reached 1,205,000 TEU, representing a year-on-year decrease of 15.0%, while the break bulk cargo handling volume reached 3,426,390 tons, representing a year-on-year increase of 85.0%, and the container hauling and trucking volume amounted to 224,000 TEU, representing a year-on-year decrease of 16.0%.

Regarding the passenger transportation business, benefiting from favorable factors such as the recovery of the tourism market and the stability of the social environment in Hong Kong, the Group recorded growth in certain indicators of passenger transportation segment. However, the growth rate was narrowed due to the diversion of the high-speed rail and the Hong Kong-Zhuhai-Macao Bridge in the fourth quarter. During the year, the total number of passengers for agency services was 6,571,000, representing a year-on-year increase of 4.3%. The number of passengers for terminal services was 6,218,000 representing a year-on-year decrease of 1.2%.

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

I. TERMINAL NAVIGATION LOGISTICS BUSINESS

1. Cargo Transportation Business

Business Operation Indicators

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

	For the year ended 31st December		
Indicators	**2018**	2017	Change
Container transportation volume (TEU)	**1,530,000**	1,524,000	0.4%
Break bulk cargoes transportation volume (revenue tons)	**430,000**	410,000	4.9%
Volume of container hauling and trucking on land (TEU)	**224,000**	267,000	-16.1%

Subsidiaries

The Group continued to promote professionalised operation of "Consolidated CKTL" and the business of Chu Kong Transhipment & Logistics Company Limited ("CKTL") achieved a breakthrough. The container transportation volume for the year recorded 1,530,000 TEU, representing a slight year-on-year increase of 0.4%. As for the container transportation business between Guangdong and Hong Kong, the volume of domestic liner and international transhipment businesses both recorded increases which offset the decrease in the empty container shipment business at Machong. As for the break bulk cargo transportation business, the break bulk cargo transportation volume for the year reached 430,000 tons, representing a significant year-on-year increase of 4.9%, which was mainly due to the year-on-year increase in bulk cargo volume.

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

Regarding the air freight business, CKTL recorded air cargo transportation volume of 2,000 tons during the year, representing a year-on-year decrease of 21.9%. In the face of challenges, CKTL stepped up efforts in expansion of air freight business, and actively liaised with airlines and air freight forwarders to consider launching the delivery service between Tuen Mun Godown Wharf and Hong Kong International Airport to extend the business chain. Meanwhile, CKTL proactively exploited new air freight business by promoting high value-added businesses such as X-ray inspection business.

2. Cargo Handling and Storage Business

Business Operation Indicators

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

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

Subsidiaries

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

Subsidiaries (Continued)

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

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

Subsidiaries (Continued)

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

The overall performance of the terminals in Hong Kong region declined as compared with last year. The container handling volume in the region for the year was 339,000 TEU, representing a year-on-year decrease of 9.0%, which was mainly due to the decrease in the exported containers of renewable resources. Despite the above, CKTL exerted great efforts in exploiting business opportunities and explored new types of cargo transportation services for the export to the renewable resource market in Southeast Asia with a view to mitigating the impact caused by the tightened policies on environmental protection of China on its business. During the year, leveraging on the advantage of the "Consolidated CKTL" platform, CKTL strengthened cooperation between ports and navigation, and innovated marketing mode by establishing joint marketing team with ports to form integrated marketing efforts, so as to drive business at ports and wharfs, with a focus on the five routes in Zhongshan Huangpu Port, Gaoming Port, Doumen Port, Qingyuan Port and Sanbu Port. During the year, CKTL successfully completed the business transition between the old and the new Tuen Mun Godown Wharfs, ensuring the smooth operation of the new godown wharf and container yard, and constantly improved the intelligence level of the port operation.

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

Joint Ventures and Associates

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

The major terminals in 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 a container handling volume of 222,000 TEU, representing a year-on-year increase of 2.1%, of which Heshan Port recorded a container handling volume of 65,000 TEU, representing a year-on-year decrease of 12.4%. Sanbu Port recorded a container handling volume of 157,000 TEU during the year, representing a year-on-year increase of 9.7%. Sanbu Port consolidated its presence in market segments, took initiatives to adjust its responding strategies, strengthened marketing management, further explored existing sources and sought for new cargo sources. Meanwhile, Sanbu Port implemented upgrading of the intelligent container yards, effectively improving the working efficiency.

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

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	**2018**	2017	Change
Number of passengers for agency services	**6,571**	6,303	4.3%
Number of passengers for terminal services	**6,218**	6,293	-1.2%

Subsidiaries

The passenger transportation business of the Group gradually recovered. During the year, the total number of passengers for agency services of Chu Kong Passenger Transport Company Limited ("CKPT") was 6,571,000, representing a year-on-year increase of 4.3%; the number of passengers for terminal services was 6,218,000, representing a slight year-on-year decrease of 1.2%.

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

Subsidiaries (Continued)

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

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

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

Joint Ventures and Associates

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

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

III. FUEL SUPPLY BUSINESS

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

IV. CORPORATE AND OTHER BUSINESSES

As to the corporate and other businesses, the sharp depreciation of the renminbi during the year with the sharp appreciation of the renminbi in the previous year made the exchange gains and losses more variable, which had a significant impact on the segment profit. Cotai Chu Kong Shipping Management Services (Macau) Company Limited ("Macau Cotai") is committed to improve the efficiency of operations, focused on increasing the core competitiveness of the company and the new business opportunities in real time and pushed forward the implementation of the Group's Macau strategy. In addition to continuing to consolidate its existing businesses, the company also expanded its business scope by exploring businesses such as vessel repair and maintenance services.

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

The Group closely monitored its working capital and financial resources to maintain a solid financial position. As at 31st December 2018, the Group secured a total credit facilities of HK$975,000,000 and RMB260,000,000 (equivalent to approximately HK$296,736,000) (2017: HK$975,000,000 and RMB260,000,000 (equivalent to approximately HK$311,042,000)) granted by bona fide banks.

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

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

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

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

BANK LOANS AND PLEDGE OF ASSETS

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

Note:

1. The loans from banks located in Hong Kong in 2018 borne floating interest rate and were unsecured. The relevant terms of which are identical with those set out in 2017 Annual Report.
2. The loans from banks located in China in 2018 borne floating interest rate and was secured by the land use right of Zhongshan Huangpu Port and certain properties and the land use right of Civet Port. The relevant terms of which are identical with those set out in 2017 Annual Report.

CURRENCY STRUCTURE

As at 31st December 2018, 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, 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.

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 2018, the Group had no material contingent liabilities (2017: Nil).

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

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

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.

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 2018 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 22nd May 2019 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 (2017: HK3 cents and an interim special dividend of HK1 cent) per ordinary share, totaling HK$33,635,000 (2017: HK$44,076,000) and was paid on 15th October 2018. The Directors have proposed a final dividend of HK6 cents (2017: HK5 cents) per ordinary share for the year ended 31st December 2018, totaling HK$67,270,000 (2017: HK$55,094,000) to Shareholders whose names appeared on the register of members on 31st May 2019. The final dividend is expected to be paid in cash.

CLOSURE OF REGISTER MEMBERS

The register of members of the Company will be closed from 16th May 2019 (Thursday) to 22nd May 2019 (Wednesday), 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 22nd May 2019 (Wednesday), 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 15th May 2019 (Wednesday) for registration.

The register of members of the Company will be closed from 29th May 2019 (Wednesday) to 31st May 2019 (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 2018 to be approved at the AGM. In order to qualify for the final dividend for the year ended 31st December 2018, 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 28th May 2019 (Tuesday) for registration. The dividend warrants for the cash dividends are expected to be sent by ordinary mail to the Shareholders at their own risk on or around 21st June 2019 (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 2018 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 2018.

According to the provisions of the Code, a service term of over nine years is one of the key factors in determining the independence of an independent non-executive director. Mr. Chan Kay-cheung and Ms. Yau Lai Man have served as independent non-executive Directors for over nine years. During their years of service with the Company, Mr. Chan and Ms. Yau have contributed by providing independent viewpoints and advice to the Company in relation to its businesses, operations, future development and strategy. The Board considers that Mr. Chan and Ms. Yau have the character, integrity, ability and experience to continue to fulfill his/her role as required effectively. The Company believes that Mr. Chan and Ms. Yau can independently express opinions on matters of the Company and there is no evidence that his/her over nine years of service with the Company would have any impact on his/her independence and therefore his/her independence is confirmed. According to the provisions of Code A.4.3, if an independent non-executive director serves more than nine years, his/her further appointment should be subject to a separate resolution to be approved by shareholders. Mr. Chan retired on rotation at the annual general meeting held on 15th May 2018, and being eligible, offered himself for re-election at the said meeting. Mr. Chan had already been re-appointed by separate resolution of the then Shareholders at the said meeting. Ms. Yau will retire on rotation, and will be eligible, offer herself for re-election at the forthcoming annual general meeting. The Company will, in accordance with the provisions of Code A.4.3, propose the re-appointment of Ms. Yau by separate resolution to be approved by the Shareholders at the said meeting.

Ms. Yau Lai Man should have been subject to retirement by rotation at the annual general meeting for the year under the provision of Code A.4.2, but only one of the Directors is required to retire by rotation according to the provisions of the Articles of Association not being amended and the number of Directors required to retire by rotation. After careful consideration, it is determined that Ms. Yau Lai Man is unable to retire by rotation according to the provision of Code A.4.2 to avoid any violation of the Articles of Association, but will do so at the forthcoming annual general meeting. In order to bring the existing Articles of Association in relation to the rotation of Directors to comply with the requirements of the Listing Rules so as to further enhance corporate governance, and taking into account actual circumstance of the Company, the Board has proposed to amend Article 88 (i) of the Articles of Association and which has been approved at the annual general meeting for the year.

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 2018 Annual Report.

DIRECTORS

On 18th July 2018, Mr. Chen Jie, Mr. Leng Buli and Mr. Liu Wuwei were appointed as executive Directors while Ms. Ye Meihua was appointed as a non-executive Director. Mr. Zeng He and Mr. Cheng Jie were resigned as the executive Directors while Mr. Fan Linchun was resigned as the non-executive.

On 17th September 2018, Wu Qiang was appointed as an executive Director.

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 2018.

As at the date of this announcement, the executive Directors are Mr. Huang Liezhang, Mr. Wu Qiang, Mr. Chen Jie, Mr. Leng Buli and Mr. Liu Wuwei; non-executive Director is Ms. Ye Meihua; and independent non-executive Directors are Mr. Chan Kay-cheung, Ms. Yau Lai Man and Mr. Chow Bing Sing.

By Order of the Board
Wu Qiang
Managing Director

Hong Kong, 27th March 2019