



CHU KONG SHIPPING ENTERPRISES (GROUP) COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code : 00560



TRANSCEND

INNOVATE

TRANSFORM



ANNUAL REPORT 2021



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Sail on Friendly Waters to Favour the World

Work Together to Create and Share Good Fortune

By virtue of persistence, grittiness and perception, CKSG is committed to Guangdong-Hong Kong-Macao market, sets sail to new Silk Road and has become one of the largest waterway passenger transportation operators in the world and one of the largest navigation logistics operators in Guangdong-Hong Kong-Macao Great Bay Area. In active response to the national initiatives of “Guangdong-Hong Kong-Macao Great Bay Area” and “Belt and Road”, the Company seizes opportunities to build its five platforms for cross-border passenger transportation, Hong Kong transportation, terminal logistics, “Belt and Road” investment and capital operation, so as to accelerate business transformation and upgrading and promote innovation and development, with an aim to develop into an exemplary enterprise in implementing national initiatives, a pioneer in developing Guangdong-Hong Kong-Macao Great Bay Area and a leader of the terminal navigation industry in the Great Bay Area. CKSG will jointly create rich fortune, jointly enjoy great achievements and grasp the future with its stakeholders.

Financial Highlights

		2021	2020	Change ^{Note}
Results				
Revenue	<i>HK\$Million</i>	2,268.4	1,854.5	22.3%
Operating profit	<i>HK\$Million</i>	130.8	80.6	62.1%
Profit attributable to the equity holders of the Company	<i>HK\$Million</i>	44.1	49.8	-11.5%
Operating profit margin	(%)	5.8	4.3	34.9%
Financial Position				
Total assets	<i>HK\$Million</i>	4,697.9	4,573.7	2.7%
Total liabilities	<i>HK\$Million</i>	1,146.7	942.2	21.7%
Total equity	<i>HK\$Million</i>	3,551.2	3,631.5	-2.2%
Structured bank deposits, cash and cash equivalents	<i>HK\$Million</i>	1,045.1	964.1	8.4%
Current ratio		1.8	2.0	-10.0%
Debt ratio	(%)	24.4	20.6	18.4%

Note: Direct calculations may not be the same due to rounding



Corporate Information

Executive Directors

Mr. Liu Guanghui (*Chairman*)
Mr. Zhou Jun (*Managing Director*)
Mr. Liu Wuwei

Non-executive Director

Ms. Zhong Yan

Independent Non-executive Directors

Mr. Chan Kay-cheung
Ms. Yau Lai Man
Mr. Chow Bing Sing

Company Secretary

Ms. Cheung Mei Ki Maggie

Executive Committee

Mr. Liu Guanghui
Mr. Zhou Jun
Mr. Liu Wuwei

Audit Committee

Mr. Chan Kay-cheung
Ms. Yau Lai Man
Mr. Chow Bing Sing

Nomination Committee

Mr. Liu Guanghui
Mr. Chan Kay-cheung
Ms. Yau Lai Man
Mr. Chow Bing Sing

Remuneration Committee

Mr. Chan Kay-cheung
Ms. Yau Lai Man
Mr. Chow Bing Sing
Mr. Liu Guanghui

Auditor

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

Principal Banks

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

Registrar

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

Registered Office

22nd Floor, Chu Kong Shipping Tower
143 Connaught Road
Central
Hong Kong

Business Headquarter

24th Floor, Chu Kong Shipping Tower
143 Connaught Road
Central
Hong Kong
Tel: (852) 2581 3799
Fax: (852) 2851 0389
Website: www.cksd.com

Business Location



Passenger Terminals
(Including Ticket Agency)



Cargo Terminals
(Including Custody)

**Build Up
Five Platforms
Promote Five
Growth Drivers**



Chairman's Statement

On behalf of the Board of Directors (the "Board") of Chu Kong Shipping Enterprises (Group) Company Limited (the "Company"), I hereby present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31st December 2021 to the shareholders. The Group recorded a consolidated revenue of HK\$2,268,408,000 (2020: HK\$1,854,549,000), representing an increase of 22.3% as compared with last year. Operating profit amounted to HK\$130,773,000 (2020: HK\$80,647,000), representing an increase of 62.1% as compared with last year. Affected by the substantial reduction in non-operating epidemic subsidies, profit attributable to the shareholders of the Company amounted to HK\$44,074,000 (2020: HK\$49,821,000), representing a decrease of 11.5% as compared with last year.

REVIEW

In 2021, the ongoing COVID-19 epidemic had a significant adverse impact on the Group's overall performance. In response to the restrictions imposed by the government for epidemic prevention and control, apart from the passenger route between Shekou and the Hong Kong International Airport, which maintains two to three one-way voyages every day, other cross-border waterway passenger routes still remain suspended, resulting in a huge operation pressure faced by the Group's cross-border passenger transportation and related ancillary businesses. Benefiting from the growth of the Group's integrated logistics business and local ferry business in Hong Kong, the impact of the large decline in cross-border passenger transportation and its related auxiliary businesses has been mitigated, which contributes to a relatively stable profit for the Group.



Chairman's Statement

Facing continuously stacking challenges, the Group sought for new opportunities in the crises, and proactively participated in national strategic opportunities including but not limited to the Guangdong-Hong Kong-Macao Greater Bay Area, the construction of Shenzhen Pilot Demonstration Zone "Dual Zones", the construction of Hengqin and Qianhai Cooperation Zone, the "Belt and Road" Initiatives, etc., and accelerated the transformation and upgrading of the business. Under the circumstance of reducing government's anti-epidemic subsidies, the Group has successfully minimised costs, obtained new profits, and maintained operational stability by exploring internal potentials, strengthening internal control, refining business procedures, extending logistical services, and acquiring new projects. Among these, the local ferry business in Hong Kong has maintained a good momentum of development, with a significant increase in the number of passengers. The rapid development of the modernised logistics segment has enhanced the profitability of the terminal logistics business. The new warehouse in Tuen Mun which covers an area of about 8,300 square meters has been completed, and other major projects such as the construction of Qingyuan New Port are also progressing in an orderly manner.

The terminal logistics business's logistics upgrading strategy has yielded impressive results. The Group had given full play to the advantage of vigorously developing the modern logistics segment through establishing storage logistics, construction logistics, integrated logistics, cold chain food distribution, cross-border e-commerce, and air freight logistics. Chu Kong Transhipment & Logistics Company Limited ("CKTL") tendered for many large-scale construction logistics projects in the development of the third runway of the Hong Kong International Airport. Meanwhile, the second inspection line of Tuen Mun Warehouse's Hong Kong air cargo X-ray inspection business was put into operation, contributing to a significant increase in profitability of the air freight logistics business. The



Chairman's Statement

Group deepened the cooperation with the China Duty Free International Limited and introduced Macao e-commerce logistics business, which has significantly increased the e-commerce logistics business volume. Furthermore, Doumen Port has established a dedicated route for material transit for residents of Guangdong and Macao. In addition, Doumen Port has successfully won the bid again for the cargo inspection project of Hong Kong-Zhuhai-Macao Bridge Zhuhai Port, and cooperated with a third party to set up a "Bridge Terminal Warehouse" platform for carrying out the Hong Kong-Zhuhai-Macao Bridge warehouse business and provided "one-stop" logistics services. During the year, Tianjin Liaison Office of Chu Kong (Guangdong) International Freight Forwarding Co., Ltd. was established and actively integrated into the new development pattern "Domestic-international Dual Circulation", vigorously developing the domestic circulation market.

The Group has been progressively promoting its water public transportation strategy. Sun Ferry Services Company Limited ("Sun Ferry") has successfully obtained the new phase of 5-year ferry service licenses for 3 outlying island ferry routes and 3 inner harbour ferry routes. As the outbound travel has been hampered by the COVID-19 pandemic, the incentive of local residents to visit outlying islands and participate in the festive activities during the holiday has increased, resulting in a significant increase in the number of passengers and farebox revenue of Sun Ferry. In addition, Sun Ferry signed a green ferry funding agreement with the Government of the Hong Kong Special Administrative Region, with a plan to build new vessels for the outlying island and the inner harbour ferry routes. The sightseeing cruise "Oriental Pearl" was successfully put into operation, becoming the first large-scale high-end sightseeing cruise offering Victoria Harbour tours in Hong Kong. The Group is also promoting the Hong Kong airport strategy and actively participating in the tendering of various services for the Hong Kong International Airport. Chu Kong Passenger Transport Company Limited ("CKPT") successfully won the bid for the Hong Kong International Airport-related service projects such as the Hong Kong International Airport baggage handling project.

The fuel supply business has continuously improved. Sun Kong Petroleum Company Limited ("Sun Kong Petroleum") successfully completed the acquisition of the Yau Ma Tei area refueling buoy project, becoming the only oil supplier in Hong Kong that legally owns a marine bunkering base. Additionally, Sun Kong Petroleum obtained a new annual operating license of the oil supplying system for the China Hong Kong City.

While successfully promoting several major projects, the Group conscientiously carried out cost-reduction measures, reasonably optimised human resources, strictly controlled various costs and expenses to relieve its operating pressure.

Chairman's Statement

OUTLOOK

The COVID-19 epidemic situation remains severe in 2022, and we anticipate that it will continue to exert tremendous pressure on the Group's cross-border passenger transportation and related ancillary businesses. The Group will tightly grasp the strategic opportunities brought by the Domestic-international Dual Circulation, the development of the Guangdong-Hong Kong-Macao Greater Bay Area, the promotion of high-quality development of inland rivers by the Government of Guangdong Province, and the "Belt and Road" initiatives. The Group will also continue to promote its five major strategies including logistics upgrading, water public transportation, Hong Kong airport, technology terminals and navigation and the "Belt and Road", in order to deepen the reformation and innovation and expedite the transformation and upgrade of businesses. The Group will strive to overcome the significant adverse impact brought by the COVID-19 epidemic, achieve sustainable developments and create greater value for its shareholders.

Firstly, the Group will thoroughly implement the "Logistics Upgrading Strategy", focusing on the development of modern logistics businesses including construction logistics, air freight logistics, e-commerce logistics, supply chain logistics, duty free product storage, etc. The Group is planning to transform the new warehouse in Tuen Mun into a modernised integrated logistics warehouse which combines air freight logistics, integrated logistics, and high-end product storage. Besides, the Group's professional construction logistics centre located at Yau Ma Tei Terminal in Hong Kong was successfully put into operation in January 2022, with the aim of vigorously expanding the domestic and overseas building materials logistics market in the future. Moreover, the Group will actively participate in the integration of inland ports in the Guangdong Province as well as the development of a new comprehensive logistics centre that combines "Port, Industry, Park", into one platform so as to expand the extension of the service industrial chain.

Chairman's Statement

Secondly, the Group will thoroughly implement the "Water Public Transportation Strategy". The Group will enhance the management and service capabilities of the local ferry business, with the aim to further promote the local transportation livelihood business in Hong Kong. The Group will also promote the integration of resources in the cross-border passenger transportation market in order to build a passenger transport hub network in the Guangdong-Hong Kong-Macao region. The Group will actively develop the water cultural tourism business, endeavor to carry out the new business of "Water Passenger Transportation + Tourism and Sightseeing".

Thirdly, the Group will thoroughly implement the "Hong Kong Airport Strategy". The Group will actively participate in the bidding for the strategic quality projects of the Hong Kong International Airport, aggressively expand the businesses related to the construction of the third runway, deeply participate in the Hong Kong International Airport's core businesses, such as passenger services and supporting facilities management, and strive to become an integrated service provider of the Hong Kong International Airport.

Fourthly, the Group will thoroughly implement the "Belt and Road Strategy". The Group will accelerate the establishment of logistics business outlets in the ASEAN region, acquisition of investment projects with synergistic value, establishment of overseas bases, and actively explore the markets along the "Belt and Road".



Chairman's Statement

RESPONSE TO COVID-19 EPIDEMIC

Following the guidelines on epidemic prevention and anti-epidemic issued by the government of People's Republic of China and the Hong Kong Special Administrative Region, the Group quickly implemented appropriate epidemic prevention measures in order to protect its customers and employees while maintaining business continuity under the COVID-19 outbreak. The Group took multiple effective measures to minimise the risk of infection, such as flexible working hours, split-team operations, work-from-home arrangements and procurement of sanitary items.

Apart from conscientiously preparing the best in epidemic prevention and control, the Group earnestly fulfilled the corporate social responsibility, leveraged on the advantages of water transportation in the Guangdong-Hong Kong-Macao Greater Bay Area, opened up emergency waterway transportation routes, and made every effort to ensure the supply of the livelihood resources, epidemic prevention and anti-epidemic items in Hong Kong.

APPRECIATION

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



Liu Guanghui

Chairman

Hong Kong, 23rd March 2022



Set Sail for New Journey Set Sail for Start Off Again



Report of the Directors



The directors of the Company (the “Directors”) are pleased to present Report of the Directors together with the audited financial statements of the Group for the year ended 31st December 2021.

PRINCIPAL ACTIVITIES AND GEOGRAPHICAL OPERATIONS ANALYSIS

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

There were no significant changes in the principal activities of the Group during the year.

An analysis of the Group’s performance for the year by operating segments and geographical locations is set out in note 5 to the financial statements.

BUSINESS REVIEW

For the year ended 31st December 2021, the Group recorded a consolidated revenue of HK\$2,268,408,000, representing an increase of 22.3% over the same period last year. Operating profit amounted to HK\$130,773,000 (2020: 80,647,000) representing an increase of 62.1% over the same period last year. Affected by the substantial reduction in non-operating epidemic subsidies, profit attributable to the shareholders of the Company amounted to HK\$44,074,000, representing a decrease of 11.5% over the same period last year.

In 2021, the COVID-19 epidemic situation remained volatile continuously, resulting in slow global economic recovery, imbalanced world trade import and export patterns, and lagging return of empty containers in European and American ports. In addition to the chain effect led by “Black Swan Events”, such as the obstruction of the Suez Canal and the rapid outbreak of epidemic in Yantian Port, the navigation market was volatile. Meanwhile, the number of visitors to Hong Kong maintained a stagnant situation due to the unabated efforts to prevent and control the epidemic. Compared with the same period last year, parts of the Group’s terminal logistics business recorded a decline in performance, the waterway passenger transportation business was still in a trough. On the other hand, the local ferry transportation business in Hong Kong has maintained a steady growth. Facing the challenges from the external environment, the Group sought opportunities in crises and actively innovated. The Group further promoted the logistics upgrading strategy as well as the water public transportation strategy as needed. While implementing the Hong Kong airport strategy with centralised superior resources, the Group also steadily promotes the “Belt and Road” strategy. The Group comprehensively improves the corporate governance, strives for transformation and upgrading, and achieves leapfrog development by implementing the technological terminals and navigation strategy precisely.

Regarding the cargoes transportation business, the Group continued to leverage on advantages of the terminals’ network within the Guangdong-Hong Kong-Macao Greater Bay Area by combining “Master Plan of the Development of the Guangdong-Macao Intensive Cooperation Zone in Hengqin” and the “The Plan for Comprehensive Deepening Reform & Opening Up of the Qianhai Shenzhen-Hong Kong Modern Service Industry Co-operation Zone,” adhered to synergistic development on both domestic and foreign trade businesses and developed diversified businesses. By actively expanding “Composite Ports,” construction logistics, and livelihood material transportation, the Group enriched its diversity of cargo portfolio and effectively extended its logistics business chain. During the year, the container transportation volume reached 1,415,000 TEU, representing a year-on-year increase of 3.7%, while break bulk cargoes transportation volume reached 655,000 tons, representing a year-on-year decrease of 33.4%. As for the cargo handling business, the container handling volume reached 1,158,000 TEU, representing a year-on-year increase of 1.5%, while the break bulk cargoes handling volume reached 7,851,000 tons, representing a year-on-year decrease of 36.5%, and the container hauling and trucking volume amounted to 226,000 TEU, representing a year-on-year increase of 1.8%.



Report of the Directors

Regarding the passenger transportation business, the Group has fully complied with the policy of “Customs Closure for Epidemic Prevention” issued by the government, operations of the cross-border waterway passenger routes of urban areas and the airport were progressively suspended since the end of January 2020. Apart from the resumption of limited services of the one-way route from Shekou to the Hong Kong International Airport, other waterway passenger routes including Guangdong-Hong Kong and Hong Kong-Macao has not yet resumed, which results in a significant decline in relevant business operation indicators of cross-border waterway passenger transportation compared with the same period last year. With the completion of the acquisition of the remaining 40% equity interest in Sun Ferry at the end of 2021, Sun Ferry has become a wholly-owned subsidiary of the Company. It is expected that the local ferry business will bring more stable income to the Group. During the year, the total number of passengers for agency services was 104,000, representing a year-on-year decrease of 74.9%. The number of passengers for terminal services was 104,000, representing a year-on-year decrease of 72.0%. The number of passengers for local ferry transportation services was 12,803,000, representing a year-on-year increase of 13.5%.

I. Terminal Logistics Business

1. Cargo Transportation Business

Business Operation Indicators

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

Indicators	For the year ended 31st December		
	2021	2020	Change
Container transportation volume (TEU)	1,415,000	1,365,000	3.7%
Break bulk cargoes transportation volume (revenue tons)	655,000	983,000	-33.4%
Volume of container hauling and trucking on land (TEU)	226,000	222,000	1.8%

Subsidiaries

During the year, under the continuous impact of the COVID-19 epidemic, CKTL rose to the challenge, developed on the fundamental of stabilised operations, actively expanded into innovative projects, achieving balanced development on both operation and project development. The container transportation volume for the year recorded 1,415,000 TEU, representing a year-on-year increase of 3.7%. The volume of container hauling and trucking on land recorded 226,000 TEU, representing a year-on-year increase of 1.8%. Due to the completion of the sand supply project for the third runway of the Hong Kong International Airport, the volume of large-scale break bulk cargoes transportation decreased to 655,000 tons, representing a decrease of 33.4% compared with last year.

CKTL insists on improving the quality and efficiency, developing emerging businesses, deepening cooperation between cargo terminals and navigation, and consolidating its competitive strength. In terms of the progress of infrastructure projects, the inspection and acceptance check of the new warehouse in Tuen Mun was completed at the end of 2021. In order to empower business transformation and upgrading, and providing an important strategic anchor for strengthening the development of high-end warehousing and logistics business in the Greater Bay Area, CKTL plans to focus on developing air freight business and e-commerce logistics. By identifying the needs of customers and combining its own advantages, in terms of the construction logistics, CKTL had successfully undertaken a local logistic and transportation project for the third runway of Hong Kong International Airport and a Greater Bay Area logistic project from Beijing Urban Construction Group Co., Ltd., as well as a transportation project of the cement prefabricated parts and shield machine for the Hong Kong – Central Kowloon Route. Besides, CKTL won a tender for the ultra-high and ultra-wide vehicle transportation business of Jangho Curtain Wall Co., Ltd for Hong Kong Kai Tak, Melco Macao and Galaxy Macao, and was successfully shortlisted for the construction contract supplier of Gammon Construction. In terms of the e-commerce logistics, CKTL continued to strengthen cooperation with China Duty Free Group (“CDFG”), optimised operational procedures, improved service quality, and successfully won incremental businesses such as e-commerce logistics in Macao. In terms of the domestic trade forwarding market, the Tianjin Liaison Office of Chu Kong (Guangdong) International Freight Forwarding Co., Ltd. was established during the year. The office actively integrated into the new development pattern of “Domestic-international Dual Circulation” and vigorously developed the domestic circulation market. For the overseas layout, CKTL will strive to complete the establishment of Vietnamese outlets as soon as possible, improve the strategic layout of the “Belt and Road”, and penetrate the freight forwarding market of ASEAN countries.

Regarding the air freight business, CKTL actively explored the prospect of air freight business based on the Greater Bay Area airport strategy and “The Bridge Economy”. During the year, the business volume of air freight warehouse business increased by 101% year-on-year, and the profit increased by 100% compared with the previous year. Moreover, CKTL has successfully developed a number of air cargo warehouse customers and expanded its service scope by obtaining the US Transportation Security Administration qualification for Cathay Pacific America Line. The implementation of 100% air cargo screening measures has also brought opportunities to the CKTL’s X-ray machine inspection business. In the first quarter, the second X-ray machine was put into operation. Complementing air cargo palletisation and land-based surveillance distribution, CKTL established a comprehensive air freight warehouse operation platform which combined the air freight forwarding and warehouse businesses organically, enhancing the overall competitiveness in the air freight market.

2. Cargo Handling and Storage Business

Business Operation Indicators

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

Indicators	For the year ended 31st December		
	2021	2020	Change
Container handling volume (TEU)	1,158,000	1,141,000	1.5%
Break bulk cargoes handling volume (revenue tons)	7,851,000	12,364,000	-36.5%

Subsidiaries

During the year, the Group's overall container handling volume maintained a steady growth of 1.5% year-on-year despite the adverse impact of the ongoing pandemic. Leveraging on the competitive advantages of the port network, each subsidiary of the Group continuously optimises and integrates business models, actively develops business, improves the development quality, adheres to the distinctive operation, and achieves steady development.

The subsidiaries located in the Zhaoqing region had proactively coordinated and integrated the business resources, innovated and improved the business model, focused on realising the strategic transformation of cargo terminals and navigation and promoted the Greater Bay Area composite ports project with China Merchants Port South China Operation Center. The project achieved full coverage, with a total of 170,000 TEU of overall container handling volume, representing a year-on-year increase of 4.1%; Affected by the epidemic and environmental protection supervising policies, the overall break bulk cargoes handling volume recorded 5,617,000 tons, representing a year-on-year decrease of 49.9%. During the year, Zhaoqing New Port took advantage of its self-owned trailers to strengthen communication with domestic trade shipping companies and actively explored foreign trade customers of renewable resources. The container handling volume increased by 20.1% year-on-year, realising domestic and foreign trade synergy. Sihui Port increased its domestic trade bulk cargo handling business during the year. Sand, gravel, cement, and other building materials business became a new growth point and breakthrough and the bulk cargo handling volume recorded 278,000 tons. Within the same year, Gaoyao Port realised the transformation and upgrading from purely foreign trade to domestic and foreign trade. By deepening cooperation with domestic trade shipowners, the port seized market opportunities, optimised the structure of cargo sources, promoted the intelligent terminal of the composite ports project, and improved the efficiency of port operations. The additional sand and gravel conveyor belt at the Kangzhou Port was put into operation during the year. While continuing to expand the sand and gravel handling business, the port comprehensively improved the terminal's pollution prevention capability in order to achieve green operation.

The overall container handling volume in the Foshan region amounted to 438,000 TEU, representing a year-on-year increase of 0.4%, while the bulk cargo handling volume was 253,000 tons, representing a significant increase of 94.8% year-on-year. During the period, the container handling volume at Gaoming Port recorded 336,000 TEU, a decrease of 3.6% from the same period last year. Foshan Gaoming Port has seized the new opportunity of “Dual Districts and Dual Cores,” identified the new development pattern, operated and connected internally and externally, and cooperated with China Merchants Port to launch the pioneering “Gaoming-Shekou” composite ports model. Furthermore, the port successfully started comprehensive logistics business, imported renewable resources, land-to-water transportation, composite ports and other new business forms while orderly promoting cross-border e-commerce business and optimising the port business environment.

During the period, the container handling volume at Qingyuan Port recorded 102,000 TEU, representing a year-on-year increase of 16.4% and hitting a record high of exceeding 100,000 TEU. The break bulk cargoes handling volume was 220,000 tons, representing a significant year-on-year increase of 205.4%. Both domestic and foreign trade businesses performed well. Qingyuan Port cooperated with CKTL to strengthen business synergy, optimise the marketing strategy, and achieve balanced domestic and foreign exchange development. Qingyuan Port also innovatively launched the crane sharing model for domestic and foreign trade to speed up the turnover of goods and achieve cost reduction and efficiency improvement. While implementing preferential measures to reduce the customer costs and consolidating the essential supply of goods, the port explored, cultivated, and successfully introduced new businesses such as cotton yarn and food. Qingyuan Port achieved a year-on-year increase of 23.4% in revenue and a 201.2% year-on-year increase in net profit, creating a “double growth” in revenue and profit against the trend.

The overall container handling volume in the Zhuhai region recorded 200,000 TEU, representing a year-on-year decrease of 9.4%; the overall break bulk cargoes handling volume recorded 1,168,000 tons, representing a year-on-year increase of 227.5%. During the year, due to the impact of the epidemic, the cold chain business of Civet Port was suspended in September 2021, resulting in a decline in container handling volume. The accumulated container handling volume was 150,000 TEU, representing a year-on-year decrease of 13.1%. Taking the Hong Kong-Zhuhai-Macao Bridge as an opportunity, Civet Port has become the only terminal in Zhuhai that accepts freight vehicles from China and Hong Kong. The port facilitated the steady development of storage business, promoted the acceptance of Hong Kong-Zhuhai-Macao warehouses and frozen product inspection platforms, and achieved remarkable results in diversified operations. The port coordinated the deployment of cross-border e-commerce and explored new business forms of Zhuhai-Macao interconnection. The container handling volume at Doumen Port recorded 50,000 TEU, representing a year-on-year increase of 4.1%; the break bulk cargoes handling volume recorded 918,000 tons, representing a significant year-on-year of 10 times, mainly due to the substantial increase in domestic trade bulk cargo handling. Doumen Port delved into “The Bridge Economy”, successfully established the “Bridge-Port Warehouse” platform, provided “one-stop” logistics services for DHL, and built a new engine for road and bridge linkage together with “One Bridge”; Doumen Port won the bid twice for the port cargo inspection project of Hong Kong-Zhuhai-Macao Bridge (Zhuhai highway) and added new momentum to the promotion of terminal logistics upgrading strategy. Smoothly opened the route for the transportation of Macao livelihood materials and steadily promoted the new business of sand lighterage and sand supply to Hong Kong and Macao, the port provided a

Report of the Directors

strong guarantee for the mutually beneficial development of cities in the Greater Bay Area. Taking the prototype of the terminal featuring the development of construction materials handling business as the development orientation, the Doumen Port actively seized the planned development opportunities of the intelligent industrial park, successfully carried out the “Waste Mud Transfer Project”, created new source of profit growth, and turned profit during the year.

Zhongshan Huangpu Port has stabilised and made breakthroughs in foreign trade competition, consolidated domestic trade promotion, and proactively explored for new customers of pumice and electrical appliances based on exploring potential existing major customers. However, a severe shortage of containers and shipping spaces due to the epidemic gave rise to the soaring shipping price and diminishing customers’ trading intentions. During the year, the container handling volume recorded 29,000TEU, representing a year-on-year decrease of 18.8%; Zhongshan Huangpu Port newly added the foreign trade break bulk cargo business, and the break bulk cargoes handling volume recorded 139,000 tons, representing a year-on-year increase of 45.6%. The successful implementation of the “Zhongshan Huangpu-Shekou” composite ports project during the year will help Zhongshan Huangpu Port fully utilise the advantages of an abundant supply of manufacturing goods in the port’s economic hinterland and achieve seamless connection with international coastal terminals. A temporary LNG filling station was successfully put into operation and became China’s most prominent green shipping demonstration project. Zhongshan Huangpu Port also innovatively launched the break bulk cargo business model of “Internals to Externals + Collection to Distribution,” unified management and settlement of barge companies and their agency trailer business, revitalised idle land, increased the company’s revenue through multiple measures, and dealt with the challenges of the epidemic through a multi-pronged approach.

The performance of the terminals in the Hong Kong region was remarkable, with the container handling volume reaching 321,000TEU, representing an increase of 12.5% over the previous year; the break bulk cargoes handling volume recorded 674,000 tons, representing a year-on-year increase of 18.8%. During the year, CKTL gave full play to the synergistic function of the “Large-scale transshipment” system and successfully won the bids for several relatively large-scale integrated logistics and engineering logistics projects, such as Esquel Enterprises Ltd. integrated logistics project and Gammon Construction logistics project. The new Tuen Mun warehouse has provided room for developing integration of the Chu Kong Godown Wharf into the airport strategy and brought new profit-making opportunities for the air freight business and e-commerce logistics. Apart from continuously deepening the strategic cooperation with CDFG and actively developing the e-commerce supply chain business, terminals in Hong Kong region took a professional management path and made a diversified business layout.



CKS 西域码头
CIVET LOGISTICS

Joint Ventures and Associates

The terminals in the Jiangmen region include Guangdong Sanbu Passenger and Freight Transportation Co., Ltd. and Heshan County Hekong Associated Forwarding Co., Ltd.. Jiangmen region recorded a total container handling volume of 330,000 TEU, representing a year-on-year increase of 11.4%; the break bulk cargoes handling volume recorded 123,000 tons, representing a year-on-year increase of 6.3%. During the year, the container handling volume at Heshan Port recorded 181,000TEU, representing a year-on-year increase of 35.0%. Affected by the adverse impact of the overseas epidemic, the foreign trade container business volume of Heshan Port has declined. However, the overall container handling volume still recorded a relatively large increase as the domestic trade container handling volume nearly doubled, compared to the result from last year. The volume of bulk cargo such as steel has increased significantly, leading to the foreign-trade break bulk cargoes handling volume rising by 124.7% year-on-year. The break bulk cargoes handling volume of Sanbu Port for the year was 71,000 tons, representing a year-on-year increase of 62.7%. Sanbu Port carried out comprehensive logistics projects focusing on foreign bulk customers and introduced bulk steel and wheat bulk cargo handling business. The break bulk cargoes business thus achieved a significant increase, which offset the impact of the decline in container volume due to the epidemic and the coal-to-gas policy to the greatest extent.

The two terminals in the Foshan region include two ports, namely Foshan Nankong Terminal Co., Ltd. and Chu Kong Cargo Terminals (Beicun) Co., Ltd.. Among them, Foshan Nankong Terminal Co., Ltd. terminated its operation in August 2021, due to the expiration of its operation period, resulting in a decline in the overall handling volume of the region. The total container handling volume recorded 93,000 TEU, representing a year-on-year decrease of 28.8%. During the year, the container handling volume at Foshan Nankong Port recorded 57,000 TEU while the break bulk cargoes handling volume recorded 49,000 tons. The container handling volume at Foshan Beicun Port recorded 36,000 TEU, representing a year-on-year increase of 5.0%. Beicun Port seized the opportunity of closing the Nankong Port, introduced nearly 30% trade container sources and 65% of the bulk cargo business of the former Nankong Port, and established a long-term cooperative relationship with several well-known enterprises. The port strives to build a professional grain terminal by providing rice merchants with “one-stop” services throughout the rice supply chain, such as import booking agency, terminal declaration and sales and transportation agency. At the same time, Beicun Port expanded the foreign trade bulk cargo business such as steel, and the volume of foreign trade bulk cargo handling reached 109,000 tons annually, representing a year-on-year increase of 21.5%. Due to the expropriations of the lands for wharves and buildings erected on the ground at Foshan New Port Limited, its operation was suspended with no operating activity during the year. All business operations of Foshan Sanshui Sangang Containers Wharf Co., Ltd. continued to be suspended under the environmental protection policies.



II. Passenger Transportation Business

Business Operation Indicators

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

Indicators	For the year ended 31st December		
	Number of Passengers (in thousands)		
	2021	2020	Change
Number of passengers for agency services	104	415	-74.9%
Number of passengers for terminal services	104	372	-72.0%
Number of passengers for local ferry transportation (Note)	12,803	11,284	13.5%

Note: The number of passengers for local ferry transportation was the passenger volume of Sun Ferry. Although the acquisition of Sun Ferry was completed in May 2020, the calculation of passenger volume in 2020 was also started from January to facilitate comparison.

Subsidiaries

Affected by the global COVID-19 epidemic, most of the Group's Guangdong-Hong Kong and Hong Kong-Macao cross-border waterway passenger terminals have been closed. During the year, only the one-way route from Shekou to Hong Kong International Airport maintained limited service, and cross-border passenger transportation business was at a standstill. During the year, the total number of passengers for agency services of CKPT was 104,000, representing a year-on-year decrease of 74.9%; the number of passengers for terminal services was 104,000, representing a year-on-year decrease of 72.0%.

Regarding urban routes, in response to the Hong Kong government's announced requirements for epidemic control, the China Ferry Terminal and the Hong Kong Macau Ferry Terminal were closed at the end of January and early February 2020 respectively. The urban routes had been suspended since then, and the overall cross-border passenger transportation business operations of the Group had been facing severe challenges.

Regarding airport routes, the number of passengers served during the year was 104,000, representing a year-on-year decrease of 74.9%. Affected by the epidemic, all flights to and from the SkyPier at the Hong Kong International Airport and ports at the Pearl River Delta were cancelled since late March 2020. Meanwhile, the route from Shekou to the Hong Kong International Airport resumed at the end of October 2020, maintaining the operation of two to three "sea to air" one-way voyages every day. Although the airport routes suffered a hard blow, the Group still actively implemented the innovative business model of "sea to air intermodal" and expedited for openings of new routes for Hong Kong airport and Shenzhen airport. It is expected, under the premise that the epidemic situation will improve in the future, the airport routes would usher in good benefits for the Group.

Regarding local ferry services, the Group completed the acquisition of the remaining 40% equity interest in Sun Ferry at the end of 2021, and Sun Ferry has since become a wholly-owned subsidiary of the Company. During the year, the business performance of Sun Ferry was stable, and despite the unfavorable environment affected by the epidemic, it still set a record in passenger traffic during the Chinese New Year and Ching Ming holidays. At the beginning of the year, Sun Ferry successfully obtained the new phase of ferry service licenses for three inner harbour routes, achieving the convergence and continuation of core business and laying a solid foundation for strengthening, optimising and growing the local's livelihood business and implementing strategic goals of water public transportation. In November 2021, Sun Ferry signed a subsidy agreement for the electric ferry pilot scheme with the Environmental Protection Department of the Hong Kong Special Administrative Region Government, actively seized the opportunities for the renewal and development of green ferries, and promoted the implementation of Hong Kong's green environmental protection policies. The Group's wholly-owned holding of Sun Ferry can give full play to the synergy effect of various business segments of the Group, reduce overall costs, and bring long-term stable returns to the Group. During the year, the number of passengers recorded 12,803,000, representing a year-on-year increase of 13.5%.

Regarding water cultural tourism business, in order to build up reputation for Hong Kong's water tourism, Cotai Chu Kong Shipping Management Services Company Limited has put the sightseeing cruise "Oriental Pearl" into operation on 1st October 2021. The first large-scale high-end cruise ship for Victoria Harbour tour services has given new impetus to the Group to accelerate the promotion of innovation and upgrading of water tourism projects and continue to deepen the strategy of Hong Kong. During the year, a total of 249 flights were operated, with a passenger flow of 13,600.

During the year, in order to cope with the direct impact on the Group's core businesses from the epidemic, the Group took multiple measures to minimise the operating risk brought by the epidemic. The Group focused on the airport strategy so as to expedite routes in the Greater Bay Area while strengthening the development and expansion of Hong Kong International Airport business by actively participating in the bidding of new projects. During the year, CKPT successfully won the bid for the Hong Kong International Airport baggage handling service project and helipad vehicle sharing project. Leveraging on the cooperation between airlines and the airport to excel in the development of new routes and market promotion so as to facilitate the opening of new route from Shenzhen airport to China Hong Kong City. Moreover, the Group seeks to connect aviation cooperation resources and improve the sea-air combined transport service chain. CKPT signed the "Sea-air Combined Transport Cooperation Agreement" with China Southern Airlines in early November 2021 to carry out cooperation in code sharing, check-in service, baggage service, and "Aircraft & Ship" intermodal transportation. The Group strives to implement various financial subsidies while seeking supportive industry policies so as to effectively mitigate the operation pressure during the epidemic.



Report of the Directors

Joint Ventures and Associates

Affected by the epidemic, the number of passengers served by each joint venture and associate recorded a significant decrease. During the year, the number of passengers served by SkyPier (operated by Hong Kong International Airport Ferry Terminal Services Limited) amounted to 104,000, representing a year-on-year decrease of 62.6% and demonstrating a narrower decline. Zhongshan – Hong Kong Passenger Shipping Co-op Co., Ltd. and Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd. were suspended across the board.

Also affected by the epidemic, the Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Co., Ltd., an associate company of the Group, has recorded a sharp drop in the frequency of departures and the limited passenger capacity of the Hong Kong-Zhuhai-Macao Bridge shuttle bus business, which achieved a passenger volume of 140,000 passengers during the year.

III. Fuel Supply Business

As to the fuel supply business, being an auxiliary business to passenger and freight transportation businesses, the epidemic caused a decline in the number of passenger and cargo vessel voyages, subsequently reducing the sales volume of diesel and engine oil of Sun Kong Petroleum Company Limited (“Sun Kong Petroleum”). During the year, Sun Kong Petroleum recorded a sales volume of 28,000 tons for diesel, which was basically the same as the previous year, and a sales volume of 547,000 litres for engine oil, representing a year-on-year decrease of 6.6%. Sun Kong Petroleum completed the Sun Ferry fuel supply project ahead of schedule this year, as well as the acquisition of the refueling buoy project in the Yau Ma Tei area and its associated wind shelter project. In addition to the obtainment of a new annual license for the China Hong Kong City fuel supply system, such achievement greatly enhanced the fuel supply business capability and market competitiveness. In the future, Sun Kong Petroleum will continue to optimise the distribution process of oil supply business in the sea and provide “one-stop” oil products services for ships; make use of the scarce local water refueling buoyancy resources in Hong Kong, proactively expand government service projects, and continuously expand products’ service scope and agency varieties. At the same time, the construction of a 1,300-ton bunkering vessel will be implemented to ensure on-time delivery and further guarantee production and operation.

IV. Corporate and Other Businesses

As to the corporate and other businesses, Chu Ou Engineering and Technologies Company Limited (“Chu Ou Engineering”), whose main business is maintenance and repair of property facilities, recorded a year-on-year increase of 58.7% in operating income and an increase in profit, which was mainly due to the successful bid of Macao Municipal Administration pump station maintenance project, Macao Maritime and Water Affairs Bureau Outer Harbour Boarding Bridge Project and Sands Group Water Supply Pipeline Project. Chu Ou Engineering will continue to give full play to its technological advantages, develop diversified businesses, actively bid for projects, and strive to become an important force in ensuring the livelihood of Macao residents.

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

ENVIRONMENT, SOCIETY AND GOVERNANCE

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

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

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

Regarding environmental protection, the Group strictly abided by the laws and regulations that are related to environmental protection and have a significant impact on the Group. The Group attaches foremost importance to environmental compliance in each operating location and subsidiaries of the Group formulated policies, management systems, practices and measures according to their business natures and actual circumstances, managing their environmental impacts on the environment. The Group also strictly abided by the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》), the Law of the PRC on the Prevention and Control of Atmospheric Pollution (《中華人民共和國大氣污染防治法》), the Law of the PRC on Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固體廢棄物污染環境防治法》) and the Plan for Water Pollution Prevention and Control (《水污染防治行動計劃》) and other relevant laws and regulations during the operation process, so as to ensure that the discharge and treatment of all kinds of pollutants met the standards as required by the relevant laws and regulations. The Group formulated the environmental related emergency response plan including Waste Oil Management System at Ports and Terminals (《港口碼頭廢油管理制度》) and Ship Fuel Purchase and Oily Water Management System (《船舶燃油採購和油污水管理制度》), it outlines the potential environmental impacts in the usual course of business, identifies and evaluates the possible environmental risks and establishes emergency prevention and response mechanism, ensuring that the subsidiaries possess adequate capacity to react efficiently and orderly in the event of major environmental pollution incidents, so as

Report of the Directors

to minimise environmental impacts. The Group actively promoted environmental protection awareness to its employees, and encouraged its subsidiaries to improve utilisation efficiency of resources by reducing the use of fuel oil, water, electricity and other resources and guaranteed waste would be properly treated. The Group also promoted the use of electrical equipment during the operation process, so as to reduce the emissions from fuel combustion. Meanwhile, the Group regularly inspected machinery and equipment to ensure compliance with the relevant discharge standards. In addition, the Group has also established annual environmental goals and action plans in accordance with the key performance indicators of the Hong Kong Stock Exchange's new version of the Environmental, Social and Governance Reporting Guidelines (《環境、社會及管治報告指引》), and coordinated the promotion and construction of a resource-saving corporate culture to achieve an environmentally friendly global low-carbon target.

Regarding compliance operation, the Group endeavored to comply with the laws and regulations of jurisdictions where its businesses operated, including but not limited to the relevant laws and regulations applicable to Hong Kong, Mainland China and Macao and to operate in accordance with laws and regulations. During the reporting period, the Group operated its business in accordance with the requirements of the Guideline on Internal Control for Listed Companies (《上市公司內部控制指引》), Guidelines for Enterprise Internal Control (《企業內部控制基本規範》), the Listing Rules and the relevant rules promulgated by the State-owned Assets Supervision and Administration Commission of Guangdong Province, and made continuous efforts to improve and fine-tune its corporate governance structure. Through methods including the general meetings, the Board, the independent directors system, procedural rules and the Governance and Working Groups for ESG Report, the Group strived to ensure a clearly-defined responsibility system in its daily operation, transparent and open decision-making procedure and sound and effective internal control and feedback system. Based on business strategies and objectives, the Group has formulated the Comprehensive Risk Management Measures (《全面風險管理辦法》) which take into consideration the factors such as business growth, risk and profitability. It establishes an overall risk management structure by three layers of defense in the operating mechanism and puts forward requirements for risk management work. It also conducts risk assessments every year and incorporate key risks into audit priorities and ensure compliant operations by carefully reviewing relevant legal and regulatory requirements. To the knowledge of the Group, there was no material change in relevant laws and regulations which could have a material impact on the business and operation of the Group during the reporting period and the Group had complied with them in all material aspects without major non-compliance.

As for human resources, the Group pursues principles of equality, voluntariness and consensus and abides by people-oriented principle in affairs such as the provision of employment opportunities, remuneration, training, performance assessment, promotion and other employee benefits. In addition, the Group provides a smoke-free, healthy, well-equipped and safe office environment, in an effort to create a healthy and comfortable working environment for its employees. The Group also devotes resources in providing continuous training for its employees, enabling them to improve their professional skills, knowledge and get a better understanding of the relevant business and industry development updates as well as enhance their awareness of standardised operation, with an aim to help them to improve work-performance and achieve self-value. The Group strives to protect employees' rights by strictly complying with the laws and regulations related to employment and labour practices that have a significant impact on the Group. The Group has well established policies, practices and management standards to manage the procedures pertaining to compensation and dismissal, recruitment and promotion, working hours, period of leave, equal opportunity, diversity, anti-discrimination, benefits and welfare and prevention of child and forced labour.

As for operation, safety is always our utmost priority. Ensuring work safety is of paramount importance to the Group in its usual course of business. The Group established a safety culture and emphasised on improving its management relating to occupational risk, health and safety and enhancing employees' knowledge of job risk and safety. A robust safety management system is implemented in the Group to ensure that the highest standard of occupational health and safety is embedded in every business segment of the Group. Policies, operating procedures and guidelines such as the "Safety Production Inspection System" (《安全生產檢查制度》) and the "Measures for the Implementation of Safety Production Risk Assessment" (《安全生產風險評估實施辦法》) are in place to govern our operation so as to eliminate potential risks and protect our employees. Different safety precaution measures have been implemented thoroughly in every business segment of the Group. One of the priorities of the Group is to raise employees' awareness of occupational safety and health. Training is provided to employees to equip them with comprehensive knowledge of safety operation to ensure they possess requisite safety skills for the jobs.

The customers and suppliers, as the Group's important stakeholders, have always kept good cooperative relationships with the Group. As a responsible corporate citizen, through establishing a communication mechanism and intensifying information disclosure, actively communicating with key customers and suppliers through diversified channels, the Group knows their needs and takes corresponding and necessary measures. The Group also continuously explores various channels to maintain communication with the stakeholders and to strengthen interaction between them so as to establish a close relationship with the stakeholders. Through constructive communication, the Group tries to balance the opinions and interests of the stakeholders so as to

set the direction for the long-term development of the Group. Meanwhile, as a responsible service provider, the Group strives to deliver excellent services to its customers and provide customers with accurate information about its services. The Group protects customer privacy and strictly prevented abuse of customer information. The Group strictly complies with laws and regulations related to health and safety, advertisement, and privacy matters that have a significant impact on the Group. With regard to the selection of suppliers, the Group sets stringent screening criteria and established a comprehensive tendering process. The Group establishes the "Enterprise Tendering and Bidding Implementation Rules" (《企業招標投標實施細則》) to govern the tendering and bidding process, ensuring that the process is conducted in a fair and equal manner. For supplier management, the Group regularly evaluates the quality, delivery and services

of suppliers in accordance with the standards and procedures of the ISO9001:2015 quality management system every year to ensure that their products and services conform to the standards. If the conditions of any supplier are found to be incompatible with the requirements, the Group shall suspend its cooperation with the supplier and require the supplier to carry out rectification.



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The Group also identified material issues in 2021 through stakeholder questionnaires, and analyzed the issues in two dimensions namely “Material to the Group (including the opinions of directors and senior management)” and “Material to stakeholders (including the opinions of employees, major shareholders and investors, suppliers, customers and the public)”. The proportion of the number of stakeholders was evenly evaluated, so as to adopt the viewpoints of various stakeholders in a balanced manner. According to the materiality assessment matrix, 6 materiality issues are drawn, namely work safety, compliant operation, service quality, employee health, employee rights and interests and cargo safety. The Group will focus on responding to the concerns of stakeholders in its sustainable development work in accordance with the materiality principle in the new edition of the Environmental, Social and Governance Reporting Guidelines of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”) and disclose and review the implementation of material issues.

In 2021, under the onset of the repeated COVID-19 epidemic, the Group highly emphasised the health and safety of our employees and customers based on a people-oriented management concept. The Group closely monitored the epidemic conditions in Hong Kong, constructed comprehensive and multi-level prevention and control chain, and built the “Firewall” for epidemic prevention. The Group took multiple measures to carry out epidemic prevention and control in a regular manner, such as the implementation of flexible working hours, work-from-home arrangements, video conferencing with customers, procurement of anti-epidemic materials, arranging employees to perform COVID-19 nucleic acid tests from time to time, etc. so as to minimise the risk of infection among employees and customers.



FINANCIAL REVIEW

Financial Management and Control

The Group consistently adopted a prudent financial management policy. Fund management, financing and investment activities were all undertaken and monitored by the management of the Company.

Given the industry characteristics of the core business of the Group, the emphasis of routine financial control management was placed on the management of working capital, particularly the timely receipts of trade receivables. As at 31st December 2021, net trade receivables of the Group amounted to HK\$190,499,000, representing a decrease of 23.9 % as compared with last year, of which 78.5 % of trade receivables was aged within 3 months. Exposure to bad debts was controlled at a reasonable level.

Review of Financial Results

The Group recorded a profit attributable to equity holders of the Company of HK\$44,074,000, representing a decrease of HK\$5,747,000 or 11.5 % as compared with last year, details of which are as follows:

	2021 HK\$'000	2020 HK\$'000	Change HK\$'000
Net operating profit*	79,256	68,205	11,051
Share of profits less losses of joint ventures and associates	-35,182	-18,384	-16,798
Profit attributable to equity holders of the Company	44,074	49,821	-5,747

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

The Group's share of profits less losses of joint ventures and associates for the year decreased by HK\$16,798,000 or 91.4% from last year to losses of HK\$35,182,000. Among these, profit after taxation attributable to terminal navigation logistics business was HK\$9,687,000 (2020: HK\$19,701,000) and losses after taxation of passenger transportation business was HK\$44,869,000 (2020 losses: HK\$38,085,000).

Report of the Directors

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 2021, the Group secured a total credit facility of HK\$1,285,000,000 and RMB\$161,750,000 (equivalent to approximately HK\$197,835,000) (2020: HK\$1,285,000,000 and RMB\$117,250,000 (equivalent to approximately HK\$139,318,000)) granted by bona fide banks.

As at 31st December 2021, the current ratio of the Group, calculated by dividing current assets by current liabilities, was 1.8 (2020: 2.0).

As at 31st December 2021, the Group's cash and cash equivalents amounted to HK\$1,045,089,000 (2020: HK\$726,056,000), which represented 22.2% (2020: 15.9%) of the total assets.

As at 31st December 2021, the gearing ratio of the Group, represented by bank borrowings divided by total equity and bank borrowings, was 11.2% (2020: 6.2%) and the debt ratio, representing total liabilities divided by total assets, was 24.4% (2020: 20.6%).

After considering its current cash and cash flows from operating activities, as well as the credit facilities available to the Group, it is believed that the Group has sufficient capital to fund its future operations and for business expansion and general development purposes.

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



Bank Loans and Pledge of Assets

	As at 31st December 2021	As at 31st December 2020
Bank Loans		
Banks located in Hong Kong (Note 1)		
– Hong Kong Dollar	250,000,000	100,000,000
Bank located in China (Note 2)		
– Renminbi	161,750,000 (equivalent to approximately HK\$ 197,835,000)	117,250,000 (equivalent to approximately HK\$139,318,000)

Note:

- The loans from banks located in Hong Kong in 2021 borne floating interest rate and were unsecured. The relevant terms of which are identical with those set out in the 2020 Annual Report.
- The loans from banks located in China in 2021 borne floating interest rate and were secured by the land use right of Zhongshan Huangpu Port and certain properties and the land use right of Civet Port. The relevant terms of which are identical with those set out in the 2020 Annual Report.
- Detailed analysis on bank loans is set out in note 25 to the financial statements.

Currency Structure

As at 31st December 2021, the Group deposited its cash and cash equivalents with several reputable banks, of which 14.3% (2020: 45.6%) were denominated in Hong Kong dollar (“HKD”), 23.3% (2020: 39.9%) in Renminbi (“RMB”), 62.4% (2020: 14.2%) in United States dollar (“USD”), and a small amount (2020: small amount) in Macao pataca and in Euro (2020: small amount). Details are as follows:

	Amount HK\$'000	Percentage %
HKD	28,792	14.3
RMB	47,041	23.3
USD	126,058	62.4
Macao pataca	1	0.0
Euro	5	0.0
	201,897	100.0

Report of the Directors

Capital Commitments

Details of capital commitments of the Group are set out in note 37 to the financial statements.

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, JOINT VENTURES, AND ASSOCIATES

Details of information of subsidiaries, joint ventures and associates of the Group are set out in notes 11, 12 and 13 to the financial statements respectively.

On 30th November 2021, the Company and Chu Kong Shipping Enterprises (Holdings) Company Limited (“CKSE”) entered into a sale and purchase agreement, pursuant to which the Company acquired 40% of the entire issued shares of Sun Ferry from CKSE, at a consideration of HK\$152,000,000. The relevant acquisition was completed on 31st December 2021. Immediately after the acquisition, Sun Ferry has become an immediate wholly-owned subsidiary of the Company, the financial data of Sun Ferry starting from May 2020 have been consolidated into the consolidated financial statements of the Group.

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

SIGNIFICANT INVESTMENT

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

CONTINGENT LIABILITIES

As at 31st December 2021, the Group had no material contingent liabilities (2020: HK\$nil).

FINANCIAL SUMMARY

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



DIVIDENDS

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

The Board had not declared an interim dividend for the year ending 31st December 2021 (2020: HK0 cents per ordinary share). The Board has proposed a final dividend of HK2 cents (2020: HK2 cents) per ordinary share for the year ended 31st December 2021, totaling HK\$22,423,000 (2020: HK\$22,423,000) to Shareholders whose names appeared on the register of members on 10th June 2022. The final dividend is expected to be paid in cash.

With reference to the current cash and cash equivalents, the dividends declared for 2021 was HK2 cents per share, the percentage of total dividends over the profit attributable to equity holders of the Company (the “Dividend Payout Ratio”) increased as compared with previous year. The Group’s Dividend Payout Ratio in the last five years was as follows:

	Dividends per share HK\$	Total dividends HK\$’000	Profit attributable to equity holders of the Company HK\$’000	Dividend Payout Ratio %
2017	0.09	99,170	268,988	36.87
2018	0.09	100,905	226,072	44.63
2019	0.06	67,270	214,078	31.42
2020	0.02	22,423	49,821	45.01
2021*	0.02	22,423	44,074	50.88

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

EMPLOYEES AND REMUNERATION

As at 31st December 2021, the Group employed 2,212 employees (2020: 2,243) and remunerated its employees according to the duty of their positions and the market conditions. The staff costs of the Group for the year amounted to HK\$549,786,000 (2020: HK\$472,088,000), which included basic salaries and employee benefits such as discretionary bonus, medical and insurance plans, pension scheme and share option scheme, etc. The Group will also provide trainings for staff from time to time in addition to the above employee benefits.

In respect of the standards for determining the remuneration of the Directors, please see the disclosures in “Remuneration of Executive Directors”, “Remuneration of Non-executive Director” and “Remuneration of Independent Non-executive Directors” under the Corporate Governance Report of this annual report.

SIGNIFICANT RISKS AND UNCERTAINTIES

The operating results, financial position, business and corporate prospects of the Group may be affected by various risks and uncertainties. The followings are the significant risks and uncertainties identified by the Group. Save as disclosed below, other risks that may become significant in the future but are unknown to the Group or are currently insignificant may exist.

I. Fluctuating Demand and Market Risk

Under the ravages of the COVID-19 epidemic, the global economy is sluggish, the financial crisis continues to spread, coupled with the impact of Sino-US trade friction and geopolitics, the external environment of the market continues to deteriorate, the supply chain is disrupted and the logistics costs soar, resulting in a significant increase in the risks of demand fluctuations. First of all, the uneven international shipping capacity, the lack of freight cargo routes space, and the phenomenon of shortage of containers and spaces, Companies in the terminal logistics segment have a shortage of containers, as a result, their business cannot be carried out according to the work plan. Moreover, the relevant policies of the joint inspection department have been adjusted to limit the daily throughput of ships at the gate. All those problems have resulted in the inability to meet the needs of the market and customers, and the limited storage spaces also cannot meet the increasing demand for cargo volume. In response to the navigation market risks, the Group actively took effective measures. Firstly, the Group will integrate the resources by linking its various terminals to expand the capacity of value-added service based on traditional businesses, strived to seek new business growth, focusing on developing high value-added businesses, such as air freight business, bulk cargoes handling business, construction logistics business, etc. Secondly, the Group will strengthen the communication with major liners in order to respond to the changes of the global transportation market by adjusting the business strategies, formulating comprehensive customer and supplier visit plans, and actively maintain existing resources and customer relationships. Thirdly, the Group will coordinate supplier resources, enhance the bargaining power of major liners at prices and vessel spaces through the business centers in Guangzhou and Shenzhen. At the same time, the Group will guide the regional marketing staff in making quotations and the proper arrangement of the vessel spaces. Fourthly, the group will strengthen the communication with the joint inspection department and the customers of renewable resources so as to gather the sourcing news and the changes of regulatory policies in a timely manner. The Group resists the market risks by constantly exploring innovative business models, and new forms of terminal logistics.

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

II. Competitive Risk

Competitive risks are mainly reflected in three aspects. First of all, there is a lack of internal resources integration and an effective competition mechanism, this enables the Group to advertise and promote port services to international full liners with comprehensive strength, resulting in insufficient support from major liners for some ports. Furthermore, the expansion of the external market is limited while there is homogeneous competition between adjacent terminals and fierce competition among ports in the same hinterland. In addition, the land transportation network in the Pearl River Delta developed continuously, it further erodes the waterway cargo transportation market since it has obvious advantages when compared with waterway toll transportation in terms of price. At the same time, disordered competition among competitors has worsened the competitive environment. Moreover, the closure of navigation due to annual maintenance of gate has seriously affected the confidence of the market and customers. Faced with the increasingly fierce market competition, firstly, the Group will continue enhance the marketing team and further enrich the sales incentive mechanism, integrate the route resources and strengthen terminals and navigation cooperation in order to improve overall competitiveness. Secondly, the Group will grasp market changes and improve service quality. At the same time, the Group will deeply grasp the customer needs, provide specialized services, achieve differentiated competition through smart logistics, informative infrastructure, improving throughput and efficiency of terminals and provide high quality services to the market. Thirdly, the Group will expand integrated logistics business, multimodal transportation businesses as well as the scope of business development in order to enhance our integrated logistics competitiveness. Fourthly, the Group will strive to provide quality value-added services and pay attention to service details. The Group will also enhance service quality, operational efficiency, cost control and reduce unnecessary operations. Fifthly, the Group will pay attention to changes in government policies and allocate marketing efforts and resources accordingly. Sixthly, the Group will emphasize our competitive relationship with competitors based on our characteristics and the competitiveness strength of the routes so as to enhance the Group's benefits.

III. Strategic Risk

The global economic uncertainties and slow recovery of the surrounding economic environment, coupled with the COVID-19 epidemic during the entire year of 2021, made it difficult for the Company to realize its strategic planning, with the Company facing an unprecedented predicament. In order to tie with the government's strategy for epidemic prevention and control, the Group's operations of the cross-border waterway passenger routes between Guangdong, Hong Kong and Macao were suspended since January 2020. Although individual airport routes had resumed temporarily or provided limited services in 2021, the overall business growth and financial performance were seriously affected. The local ferry business had also been severely undermined by market downturn under the epidemic. To reduce strategic risks and promote sustainable development, the passenger transportation segment needed to break through the traditional framework and promote the transformation and upgrade of traditional industry in an innovative development landscape so as to achieve profit and revenue generation. Firstly, the Group will align with the airport's new strategy and bid for new service projects of the Hong Kong International Airport. Secondly, the Group will continue to expedite the deployment of new routes so as to achieve an early and smooth operation of new routes, such as Pazhou, Shenzhen airport and Huangpu, and make appropriate adjustments in the frequency and capacity of each route according to the changes in market condition. Thirdly, the Group will enhance the strategic position and develop terminal business of Nansha Port, transforming Nansha Port into an integrated terminal with cross-border passenger transportation, domestic logistics, and tourism routes which translates into a new growth driver. Fourthly, the Group will study the development of local vessel demand in Hong Kong, actively follow up the progress of the "Lantau Tomorrow Vision" project, expedite the third runway project of the Hong Kong International Airport while striving towards new projects, and study the impact of the development trend of local public transportation on the Company's routes, especially the opening arrangement of the "Shatin to Central Link". Fifthly, the Group will reduce the reliance of auxiliary business segment on traditional passenger transportation business and provide new business growth by extending industrial chain, new sales channels as well as operating size.

IV. Construction Risk

The main construction risk is that the progress of the construction projects which coordinated with the engineering unit cannot be carried out as expected, resulting in delays in the construction period, increased construction costs, material over-budget settlement of the projects, and shortage of funds. Also, the relocation compensation plan cannot pass through legal procedures or unsatisfactory compensation results; and the wharf construction is restricted by factors such as land use, approval, joint inspection departments, etc resulting in rising costs and slow progress. The main measures of risk prevention taken include: Firstly, the Group will strengthen communication with the government and the joint inspection units at terminals. Secondly, the Group will endeavor to manage the project files and assign special personnel to track the implementation and progress of the entire project. Thirdly, while involving the government factors, the Group will follow up the compensation matters in accordance with the opinions and recommendations of consultants and lawyers.

V. Human Resources Risk

The development and operation of the logistics and passenger transportation industries have undergone significant changes in recent years. As a result of the change in market environment and industry adjustments, the competitiveness of the salaries and wages of our subsidiaries in the market had decreased, resulting in low business morale and a loss of core employees. Furthermore, the Group was still undergoing business transformation and there was a lack of echelon construction of talent teams within the company, resulting in absence of reserve force for key senior management talents and various professional and technical talents. Insufficient professional training or inadequate training time, the fierce competition for high-quality talents in market, all led to difficulties in recruiting backup talents and resulted in a high turnover rate of new employee. Our risk prevention measures include: Firstly, the Group will enhance the human resources information management system, strengthen employee information management, and standardize staff allocation and labor management. Secondly, the Group will establish comprehensive salary system, annual performance appraisal management methods, employee promotion management methods, strengthen the incentive mechanism, and strive to achieve diversified, differentiated and long-term incentives. Thirdly, the Group will strengthen employee training, analyze internal training needs, formulate executable and effective training programs and settings. The Group will focus on the pre-job training for new employees as well as the quality of the skilled staff and the operation training offered to them. Also, the Group will search for external training resources, and strengthen business knowledge training and talent training at various levels. Fourthly, the Group will strengthen the construction of talent echelon and reserve talents. Employees can become more familiar with the work process of other departments of the company through job rotation learning, allowing them to better understand the work procedures and content of other departments and positions, improve communication and understanding between departments, and explore their full potential. Fifthly, all levels of the Group will actively convey positive energy, improve the work enthusiasm of employees in all aspects, increase employees' income by expanding business volume, and ultimately improve employees' sense of satisfaction and belonging. Sixthly, the Group will explore recruitment channels, identify candidates groups based on recruitment needs, and select the recruitment methods based on pertinence and purpose. In order to attract professional talents, the Group will also improve the salary system to be more reasonable and attractive.



VI. Operation Risk

The risk of downtime, absence of employee and infection emerged when the epidemic situation was severe and level of emergency response to COVID-19 was high, seriously affecting the normal operation of the Company. To address the issue of crew scheduling, the Group had adopted various measures to maintain the stability of our employees. By leveraging on the policy that no quarantine was required for crew working under domestic feeder routes, the Group rotated crew on domestic feeder routes and routes between Guangdong and Hong Kong so as to speed up the frequency of changing shift after ensuring safety and compliance to the law. The Group also actively coordinated with terminals and freight forwarding offices to ensure the supplies for the crew on board; make advance arrangement and coordination for crew members with temporary shift under special circumstances so as to achieve both operation and smooth changing shift; underwrote all the expenses of the crew during quarantine so as to reduce their economic pressure; provided a guaranteed salary to employee not able to resume work or work normally due to the need of epidemic prevention and control so as to avoid brain drain. To address the prevention and control of the epidemic, the Group requested subordinate terminals to thoroughly deploy epidemic prevention and control work from the local governments, joint inspection units and other relevant departments, as well as strictly monitor employees who were in direct contact with imported cargo; implemented “three zones” district management for all workplaces involving imported goods, carried out various measures to prevent and control the epidemic in cross-border cargo transportation. At the same time, the Group will be vigilant to the epidemic-prevention control such as quarantine staff working in the high-risk areas and equip them with sufficient anti-epidemic materials.

VII. Funding Risk

Currently, the day-to-day operations and investment activities of the Group’s subsidiaries are concentrated in Guangdong Province, Hong Kong, and Macao, with operating revenues and expenses mainly denominated in HK dollar, as well as in RMB and USD. RMB revenue from Mainland China may be used for payment of expenses incurred in Mainland China denominated in RMB. HKD or USD revenue received in Mainland China may be remitted to the Group’s bank accounts in Hong Kong through proper procedures as planned. So long as the linked exchange rate system in Hong Kong with USD is maintained, it is expected that the Group will not be subject to any significant exchange risk. In 2021 due to the impact of the Sino-US trade war and appreciation of Renminbi against the US dollar, the regulatory authorities in Mainland China tightened the regulation on the remittance of funds abroad, and the remittance of funds abroad may be delayed. The Group has enhanced communication with banks, kept abreast of policy directions and gotten well prepared in advance. Under the guidance of the Group, subsidiaries are required to make sufficient risk assessment on the financing size, method, and channel in the process thereof. The Group will increase the registered capital contributed by the shareholders of certain subsidiaries as needed for strategic investment and development, so as to effectively reduce the financing cost.

CORPORATE STRATEGIES AND PROSPECTS

Focused on the objective of becoming a first-class waterway public transportation service provider and a first-class full scope logistics services provider in the Guangdong-Hong Kong-Macao Greater Bay Area, the Group will continue to take advantage of the strength in resource integration, increase innovation in terminal logistics, optimise the layout of water passenger routes, and develop new routes under agency service. Moreover, the Group proactively carries out material strategic equity investments with an aim to improve profitability.

In 2022, the Group will continue to deepen the “five strategies” including logistics upgrading, water public transportation, Hong Kong airport, technology terminal and navigation, and “Belt and Road” investment. The Group accelerates business transformation and upgrading, focusing on waterway passenger transportation business, terminal logistics business and supplemented by auxiliary businesses to achieve overall improvements in the principal business of the Group. The Group strives to innovate enterprise development models by developing air freight logistics, storage logistics, construction logistics, the Hong Kong airport, local ferries, as well as the environmental protection businesses. The Board and the management are optimistic about the long-term development of the Group in the future and will endeavor to get well prepared to embrace the challenges and opportunities arising in the coming year.

PURCHASE, REDEMPTION OR SALE OF THE COMPANY’S LISTED SECURITIES

No listed securities of the Company were purchased or sold by the Company or any of its subsidiaries for the year. The Company did not redeem any of its shares during the year.

CAPITAL RAISING ACTIVITIES DURING THE YEAR AND USE OF PROCEEDS

There was no capital raising activity by the Group during the year.

SHARE CAPITAL

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

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in consolidated statement of changes in equity and note 39 to the financial statements respectively.

DISTRIBUTABLE RESERVES

As at 31st December 2021, the Company’s distributable reserves, calculated in accordance with Part 6 of Hong Kong Companies Ordinance, amounted to HK\$1,428,417,000 (2020: HK\$1,365,076,000), of which HK\$22,423,000 (2020: HK\$22,423,000) has been proposed as final dividend for the year.

MAJOR CUSTOMERS AND SUPPLIERS

During the year ended 31st December 2021, the combined value of the Group's contracts with its five largest suppliers accounted for less than 30% of the total value of supplies purchased. The Group's five largest customers together contributed less than 30% of its total revenue and other income during the year ended 31st December 2021.

DIRECTORS

During the year and up to the date of this report, the Directors were as follows:

EXECUTIVE DIRECTORS:

Mr. Liu Guanghui (Chairman of the Board, appointed on 27th August 2021)

Mr. Zhou Jun (Managing Director, appointed on 7th February 2022)

Mr. Liu Wuwei

Mr. Huang Liezhang (Chairman of the Board, resigned on 27th August 2021)

Mr. Wu Qiang (Managing Director, resigned on 7th February 2022)

Mr. Chen Jie (resigned on 10th November 2021)

Non-executive Director:

Ms. Zhong Yan

Independent Non-executive Directors:

Mr. Chan Kay-cheung

Ms. Yau Lai Man

Mr. Chow Bing Sing

In accordance with Article 84 of the Articles of Association of the Company (the "Articles of Association"), Mr. Liu Guanghui and Mr. Zhou Jun shall retire at the forthcoming annual general meeting and, being eligible, shall offer themselves for re-election at the meeting.

In accordance with Article 88(i) of the Articles of Association, Ms. Zhong Yan and Ms. Yau Lai Man shall retire by rotation at the forthcoming annual general meeting and, being eligible, shall offer themselves for re-election at the meeting.

DIRECTORS OF SUBSIDIARIES

The names of all directors who have served on the boards of the subsidiaries of the Company (as included in the consolidated financial statements of the Company for the year ended 31st December 2021) from 1st January 2021 up to 23rd March 2022 (being the date of approval of the Company's 2021 Annual Report) are available on the Company's website at www.cksd.com.

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS

Save for the Share Option Scheme disclosed below, at any time during the year or at the end of 2021, neither the Company nor any of its subsidiary undertakings were a party to any arrangements to enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of the Company or any other body corporate.

DIRECTORS' SERVICE CONTRACTS

The Company has entered into letters of appointment with all current Directors for a fixed term of three years, but they are subject to retirement by rotation and re-election in accordance with the Articles of Association.

Save as disclosed above, no Director proposed for re-election at the forthcoming annual general meeting has a service contract with the Company which is not determinable by the Company within one year without compensation other than statutory compensation.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Save as disclosed in the section "Directors and senior management" of this annual report, none of Directors has any other relationship with any Directors, senior management, substantial Shareholders or controlling Shareholders of the Company.

REMUNERATION OF DIRECTORS AND FIVE HIGHEST-PAID EMPLOYEES

Details of the remuneration of Directors (on a named basis) and the five highest-paid employees are set out in notes 40 and 34 to the financial statements, respectively.

ADOPTION OF MODEL CODE FOR SECURITIES TRANSACTION BY DIRECTORS

The Company has adopted a code of conduct prescribing standards and requirements no less than that required by the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules as its code of conduct of Directors for conducting securities transactions. All Directors have confirmed, following specific enquiry of all Directors that they have fully complied with the required standards set out in the Model Code in relation to such transactions during the accounting period covered by this annual report.

DIRECTORS' AND CHIEF EXECUTIVE'S INTERESTS AND/OR SHORT POSITIONS IN THE SHARES, UNDERLYING SHARES AND DEBENTURES OF THE COMPANY OR ANY ASSOCIATED CORPORATION

At 31st December 2021, the Company has not been notified of any interests or short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO; or were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

EQUITY-LINKED AGREEMENT

Share Option Scheme

In accordance with the share option scheme (the "Share Option Scheme") approved and adopted on the general meeting of the Company held on 8th December 2015 (the "Adoption Date"), the Board may grant share options to the incentive objects in accordance with the terms and conditions stipulated in the Share Option Scheme upon satisfaction of the specified conditions by the Company and the incentive objects.

Details of the Share Option Scheme are disclosed in the circular of the Company dated 23rd November 2015, the main details of which are as follows:

Purposes

The purposes of the Share Option Scheme are to:

- (1) enhance Shareholders' value and safeguard the interest of the stakeholders;
- (2) optimise the reform of the remuneration system of the Company to form a profit-sharing and risk sharing mechanism among the shareholders, the Company and its employees, and to effectively motivate the incentive of the senior management and key personnel of the Company;
- (3) assist the management of the Company to balance short-term and long-term objectives and assist the strategic realization and long-term sustainable development of the Company; and
- (4) attract and retain quality management and key business personnel to ensure the long-term development of the Company.



Report of the Directors

Incentive Objects

The grantees of share options shall, in principle, include the senior management including the chairman, Directors (excluding independent non-executive Directors), general manager, deputy general manager, financial controller, secretary to the Board, assistant to general manager and other members of the management of the same rank and taking executive positions of the Company and its subsidiaries.

Any grant of share options to Directors, chief executives or substantial Shareholders or their respective associates by the Company shall be subject to the approval of the independent non-executive Directors.

The Board may only grant share options to the incentive objects in accordance with the Share Option Scheme upon satisfaction of the following conditions by the Company and the incentive objects:

- (1) None of the following circumstances has occurred to the Company:
 1. a qualified opinion or disclaimer of opinion by the auditor in the auditor's report on the issued financial and accounting report for the most recent accounting year;
 2. imposition of administrative penalties by the regulatory authorities during the most recent year due to material non-compliance of laws and regulations; and
 3. other circumstances that in the opinion of the Stock Exchange would render the implementation of the Share Option Scheme impossible.
- (2) According to the measures on the performance appraisal of the Company, the performance appraisal on the proposed incentive objects in the preceding financial year prior to the initial grant of share options must reach pass grade or above.
- (3) None of the following circumstances has occurred to the incentive objects:
 1. public censure or declaration as ineligible candidate to be a director by the Stock Exchange in the most recent three years;
 2. imposition of administrative penalties or public censure by the regulatory authorities during the most recent three years due to material non-compliance of laws and regulations.

Save as disclosed above, the Board is also entitled in accordance with the business performance of the Company to set concrete business performance indicators and targets as the additional conditions of grant of share options and to adjust the number of share options to be granted based on the fulfilment of performance-based conditions. Subject to the terms of the Share Option Scheme and the Listing Rules, the Board may in its absolute discretion impose any conditions, constraints, or restrictions as it sees fit upon the offer.

Limit

The total number of new shares of the Company that may be issued upon exercise of options that may be granted under the Share Option Scheme shall not, in aggregate, exceed 10% of the relevant class of shares of the Company as at the date on which the Share Option Scheme is approved by the Shareholders (the "Scheme Mandate Limit"), and the Company may at any time as the Board thinks fit, seek approval from the Shareholders to refresh the Scheme Mandate Limit, except that the number of shares to be issued upon exercise of all the share options granted but yet to be exercised under the Share Option Scheme and any other schemes shall not exceed 30% of the total number of issued shares of the Company from time to time; whereas the total number of the shares to be issued upon exercise of all the share options granted but yet to be exercised under all equity incentive schemes of the Company that are currently in force shall not, in aggregate, exceed 10% of the total number of issued shares of the Company from time to time.

The total number of share options to be granted initially under the Share Option Scheme shall not exceed 1% of the total number of issued shares of the Company.

Unless approved by the Shareholders, the total number of shares which are issued and will be issued upon exercise of options (including those exercised, cancelled and outstanding) granted and to be granted to any particular incentive object under the Share Option Scheme and any other share option schemes of the Company within any 12-month period must not exceed 1% of the total number of issued shares of the Company from time to time. Any further grant of share options to an incentive object which would result in the shares issued and to be issued upon exercise of options in the 12-month period up to and including the date of such further grant representing in aggregate over 1% of the total issued shares shall be subject to approval of the Shareholders in general meeting with such incentive object and his/her close associates (or his/her associates if such incentive object is a connected person) abstaining from voting.

Acceptance of Offer of Share Options and Payment

Upon the Board's approval of the grant of share options proposed by the Remuneration Committee, an offer which sets out the conditions of the offer of the share options is made to the incentive objects. Where the incentive objects accept the offer within 21 days from the offer date (or any other date as determined by the Board in its discretion in accordance with the Listing Rules) and a payment of HK\$1.00 is made to the Company as consideration of accepting the grant of share options, the offer shall be deemed to have been accepted and become effective. Such payment shall in no circumstances be refundable or deemed to be part of the subscription price.

Where the offer is not accepted in the manner stated in the Share Option Scheme within 21 days from the date on which the offer is made, the offer shall be deemed to have been irrevocably rejected and shall automatically lapse.



Report of the Directors

Effective Date of Share Options

All incentive objects shall not exercise their share options granted under the Share Option Scheme within two years from the grant date and in principle, from the grant date:

- a) one-third (1/3) of the share options granted to each incentive object shall be vested after its second anniversary (after 24 months);
- b) another one-third (1/3) of the share options granted to each incentive object shall be vested after its third anniversary (after 36 months);
- c) the remaining one-third (1/3) shall be vested after its fourth anniversary (after 48 months).

The Board is also entitled in accordance with the business performance of the Company to set concrete business performance indicators and targets as the additional conditions of the vesting of share options and to adjust the number of share options to be vested based on the fulfilment of performance-based conditions, provided that the details of the performance-based conditions shall be determined by the Board and incentive objects be notified upon the grant of share options.

Validity Period of Exercise of Share Options

The validity period of exercise of options granted under the Share Option Scheme shall be five (5) years from the effective date. Upon expiry of the validity period, the outstanding share options shall automatically lapse and cannot be exercised retrospectively.

Exercise Price

The exercise price of the share options shall be determined by the Board in its absolute discretion upon the grant of share options with reference to the fair market price and shall not be less than the higher one of the following two prices:

- a) the closing price of the shares of the Company as stated in the daily quotation sheet of the Stock Exchange on the date of grant; and
- b) the average closing price of the shares of Company as stated in the daily quotation sheets of the Stock change for five consecutive business days immediately preceding the date of grant.

Validity Period of the Share Option Scheme

Unless the Share Option Scheme has been otherwise terminated as provided therein, it shall be valid for ten (10) years from the Adoption Date and will terminate on 7th December 2025.

The Shares Issuable under the Share Option Scheme

The total number of shares that may be issued under the Share Option Scheme is 108,000,000, representing 9.6% of issued shares of the Company as at the date of this annual report. On 18th December 2015, the Company granted share options (which were duly accepted by the eligible persons subsequently) under the Share Option Scheme to certain eligible persons to subscribe for a total of 9,165,000 ordinary shares. All granted share options have lapsed due to reasons including failure to meet performance indicators, employee resignations or retirements, etc.

During the year, no share options were granted under the Share Option Scheme, so the Company did not receive any consideration.

The remaining total number of shares which may be issued under the Share Option Scheme amounts to 98,608,000 shares, representing approximately 8.8% of the issued shares of the Company as at the date of this annual report.

Other than the Share Option Scheme mentioned above, no equity-linked agreements were entered into by the Company during the year or subsisted at the end of the year.

DIRECTORS' INTERESTS IN CONTRACTS

During any time of the year or at the end of 2021, there was no transactions, arrangements or contracts of significance in relation to the Group's business which the Company, any of its subsidiaries, its holding company or any of the subsidiaries of its holding company was a party to or involved in, and in which a Director or its connected entity had a material interest, whether directly or indirectly.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the year, no Director has any interest in a business which competes or is likely to compete, either directly or indirectly, with the Company's business.

SUBSTANTIAL SHAREHOLDERS' INTERESTS OR SHORT POSITIONS IN THE SHARES OF THE COMPANY

So far as was known to the Directors and the chief executive, on 31st December 2021, the following persons, other than a Director or the chief executive, had, or were deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Report of the Directors

Ordinary shares of the Company

Name of shareholder	Capacity/ Nature of interest	Number of Shares (Note 1)	Percentage of shareholding (Note 2)
(i) CKSE (Note 3)	Beneficial owner	784,817,520 (L)	70.00%
(ii) Guangdong Provincial Port & Shipping Group Company Limited ("GDPS") (Note 3)	Interest of controlled corporation	784,817,520 (L)	70.00%

Notes:

1. The letter "L" denotes long position in the shares of the Company.
2. Percentage of shareholding is calculated on the basis of 1,121,166,885 issued shares of the Company as at 31st December 2021.
3. CKSE is wholly owned by GDPS and GDPS is deemed to be interested in all the shares held by CKSE pursuant to the SFO. Accordingly, the interests of shareholders (i) and (ii) as disclosed above are in respect of the same shareholding.

Save as disclosed above, on 31st December 2021, the Directors and the chief executive were not aware of any other person who had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, it is confirmed that there is sufficient public float of no less than 25% of the Company's issued shares as of the date of this report.

CONNECTED TRANSACTIONS

Details of connected transactions with parent company, immediate holding company, fellow subsidiaries and related entities are as follows:

CONNECTED TRANSACTIONS ("CT")

On 30th November 2021, the Company (as a purchaser) and CKSE (the Company's immediate holding company, as a seller) reached a sale and purchase agreement, pursuant to which the Group acquired 40% of the entire issued shares of Sun Ferry from CKSE at a consideration of HK\$152,000,000. The above transactions are subject to the reporting, announcement, and independent shareholders' approval requirements in Chapters 14 and 14A of the Listing Rules. The transactions were completed in December 2021. For details of the transactions, please refer to the announcement of the Group dated 30th November 2021 and the circular dated 15th December 2021.

Continuing Connected Transactions (the "CCT")

1. Master Passenger Transportation Agency Services Agreement

On 12th October 2018, the Company (on behalf of the Group, as a service provider) entered into a master passenger transportation agency services agreement (the "Master Passenger Transportation Agency Services Agreement") with GDPS (the Company's parent company, on behalf of the GDPS Group, as a service recipient) in respect of appointing any member of the Group as the exclusive agent/sub-agent of any member of the GDPS Group, in connection with their waterway passenger transport business in Hong Kong (for routes to and from Pearl River Delta region) to provide the passenger transportation agency services to (a) the ferries operated and owned by such member of the GDPS Group; and/or (b) the relevant ferries operated and owned by any independent third parties for which any member of the GDPS Group is acting as agent, from time to time.

The term of the Master Passenger Transportation Agency Services Agreement is three years from 1st January 2019 to 31st December 2021. The passenger transportation agency fee was agreed from time to time after arm's length negotiation between the parties by referring to the prevailing market rate of the passenger transportation agency services provided by other suppliers (with scale similar to the Group) to other customers (with scale similar to the GDPS Group) at the relevant time. The annual caps of the Master Passenger Transportation Agency Services Agreement for the years ended 31st December 2019, 2020, and 2021 are HK\$15,000,000, HK\$16,000,000 and HK\$17,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2021 was HK\$0.

Report of the Directors

2. Master Ferry Technical Support Agency Services Agreement

On 12th October 2018, the Company (on behalf of the Group, as a service recipient) entered into a master ferry technical support agency services agreement (the “Master Ferry Technical Support Agency Services Agreement”) with GDPS (the Company’s parent company, on behalf of the GDPS Group, as a service provider). To facilitate any member of the Group in providing the passenger transportation agency services (as one-stop integrated agency services, which include services for arranging ferries for regular maintenance and repairing, and emergency ad hoc repairing in Hong Kong) to those ferries for which such member of the Group was appointed as agent and/or sub-agent for the provision of the passenger transportation agency services (the “Relevant Ferries”), such member of the Group would acquire from any member of the GDPS Group the ferry technical support agency services under the Master Ferry Technical Support Agency Services Agreement from time to time.

The term of the Master Ferry Technical Support Agency Services Agreement is three years from 1st January 2019 to 31st December 2021. The service fee for the provision of the ferry technical support agency services were agreed from time to time after arm’s length negotiation between the parties by referring to the prevailing market rate of the ferry technical support agency services provided by other suppliers (with scale similar to the GDPS Group) to other customers (with scale similar to the Group) at the relevant time. The annual caps of the Master Ferry Technical Support Agency Services Agreement for the years ended 31st December 2019, 2020, and 2021 are HK\$10,000,000, HK\$11,000,000 and HK\$12,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2021 was HK\$11,900,000.

3. Master Ferry Terminal Luggage Facilities and Handling Services Agreement

On 12th October 2018, the Company (on behalf of the Group, as a service recipient) entered into a master ferry terminal luggage facilities and handling services agreement (the “Master Ferry Terminal Luggage Facilities and Handling Services Agreement”) with GDPS (the Company’s parent company, on behalf of the GDPS Group, as a service provider) in respect of the provision of ferry terminal luggage facilities and handling services by any member of the GDPS Group to any member of the Group (who stop their ferries at the relevant terminal for passengers departing from and arriving in Hong Kong). The provision of the ferry terminal luggage facilities includes (among others) the provision of such facilities at the relevant terminals, which allows the passengers departing from and arriving in Hong Kong at the relevant terminals to check-in and/or undergo clearance of their luggage at the relevant terminals. The provision of luggage handling services includes (among others) the operation, maintenance and repairing of the luggage handling system and equipment situated at the relevant terminals, and the provision of luggage handling services and berthing services to all passenger ferries using the relevant terminals.

The term of the Master Ferry Terminal Luggage Facilities and Handling Services Agreement is three years from 1st January 2019 to 31st December 2021. The service fee for the provision of the ferry terminal luggage facilities and handling services comprises (a) the passenger levy (which is based on the number of passengers departing from and arriving at the relevant terminals); and (b) luggage handling charges (which is based on the number of luggage handled at the relevant terminals). The passenger levy and the luggage handling charges were agreed from time to time after arm's length negotiation between the parties by referring to the prevailing rate chargeable against other ferry service carriers (other than the Group) for other routes at the same relevant terminals at the relevant time. The annual caps of the Master Ferry Terminal Luggage Facilities and Handling Services Agreement for the years ended 31st December 2019, 2020, and 2021 are HK\$6,000,000, HK\$6,500,000 and HK\$7,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2021 was HK\$0.

4. Master Sub-baggage Handling Services Agreement

On 12th October 2018, the Company (on behalf of the Group, as a service provider) entered into a master sub-baggage handling services agreement (the "Master Sub-baggage Handling Services Agreement") with GDPS (the Company's parent company, on behalf of the GDPS Group, as a service recipient) in respect of appointing any member of the Group as the sub-contractor of any member of the GDPS Group (who is appointed and authorized by the relevant government authorities to provide terminal luggage facilities and handling services at the relevant terminal) for the provision of the baggage handling services to all ferry service carriers who stop their ferries at the relevant terminal for passengers departing from and arriving in Hong Kong (including but not limited to the Group itself) at the relevant terminal directly. The provision of baggage handling services includes, among others, the operation, maintenance and repairing of the baggage handling system and equipment situated at the relevant terminal, and the provision of baggage handling services and berthing services to all passenger ferries using the relevant terminal.

The term of the Master Sub-baggage Handling Services Agreement is three years from 1st January 2019 to 31st December 2021. The baggage handling charges were agreed from time to time after arm's length negotiation between the parties by making reference to the amount of the handling charges received by the relevant member of the GDPS Group from all ferry service carriers based on the number of luggage handled at the relevant terminal. The annual caps of the Master Sub-baggage Handling Services Agreement for the years ended 31st December 2019, 2020, and 2021 are HK\$8,000,000, HK\$8,500,000 and HK\$9,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2021 was HK\$38,000.

5. Master Rental Agreement

On 12th October 2018, the Company (on behalf of the Group, as a lessee) entered into a master rental agreement (the "Master Rental Agreement") with GDPS (the parent company of the Company, on behalf of the GDPS Group, as a lessor) in respect of leasing premises (including but not limited to warehouses, offices, car parks and staff quarters) owned by any member of the GDPS Group to any member of the Group from time to time.

The term of the Master Rental Agreement is three years from 1st January 2019 to 31st December 2021. The rent in respect of the leasing of the premises was based on arm's length negotiation between the parties involved with reference to the prevailing market rent for similar properties in the same region. The annual caps of the Master Rental Agreement for the years ended 31st December 2019, 2020, and 2021 are HK\$22,000,000, HK\$22,000,000 and HK\$22,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2021 was HK\$17,816,000.

Report of the Directors

6. Master Vessels Rental Agreement

On 12th October 2018, the Company (on behalf of the Group, as a lessee) entered into a master vessels rental agreement (the “Master Vessels Rental Agreement”) with GDPS (the parent company of the Company, on behalf of the GDPS Group, as a lessor) in respect of (a) leasing the GDPS Group’s cargo vessels (inclusive of related expenses for operating the cargo vessels but excluding fuel charge) to the Group; and (b) the provision of non-scheduled vessel space or charter vessels for transportation of cargo between the PRC and Hong Kong to the Group from time to time.

The term of the Master Vessels Rental Agreement is three years from 1st January 2019 to 31st December 2021. The rent in respect of the leasing of cargo vessels was determined with reference to the prevailing market rental of cargo vessels and the relevant cost of expenses for operating the cargo vessels (excluding fuel charge), while the service fees in respect of the provision of non-scheduled vessel space or charter vessels were based on the cargo space and the destination of transportation. The rental and services fees were based on arm’s length negotiation between the parties. The annual caps of the Master Vessels Rental Agreement for the years ended 31st December 2019, 2020, and 2021 are HK\$35,000,000, HK\$37,000,000 and HK\$39,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2021 was HK\$37,099,000.

7. Master Ferries Rental Agreement

On 12th October 2018, the Company (on behalf of the Group, as a lessee) entered into a master ferries rental agreement (the “Master Ferries Rental Agreement”) with GDPS (the parent company of the Company, on behalf of the GDPS Group, as a lessor) in respect of leasing ferries of the GDPS Group to the Group.

The term of the Master Ferries Rental Agreement is three years from 1st January 2019 to 31st December 2021. The rent in respect of the leasing of ferries was based on arm’s length negotiation between the parties involved with reference to the number of chartered trips and the prevailing market rental of ferries. The annual caps of the Master Ferries Rental Agreement for the years ended 31st December 2019, 2020, and 2021 are HK\$3,500,000, HK\$3,800,000 and HK\$8,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2021 was HK\$5,786,000.

8. Master Transportation Agreement

On 12th October 2018, the Company (on behalf of the Group, as a service recipient) entered into a master transportation agreement (the “Master Transportation Agreement”) with GDPS (the parent company of the Company, on behalf of the GDPS Group, as a service provider) in respect of the provision of (a) shipping transportation services, (b) hauling and trucking services; (c) wharf cargo handling services; and (d) cargo agency services between Hong Kong and the PRC by the GDPS Group to the Group.

The term of the Master Transportation Agreement is three years from 1st January 2019 to 31st December 2021. The service fees were to be determined based on the destination of transportation, size of the cargo, weight of the cargo and the number of cargoes after arm’s length negotiation between the parties. The annual caps of the Master Transportation Agreement for the years ended 31st December 2019, 2020, and 2021 are HK\$63,000,000, HK\$66,000,000 and HK\$70,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2021 was HK\$51,347,000.

9. Master Fuel Supply Agreement

On 12th October 2018, the Company (on behalf of the Group, as a supplier) entered into a master fuel supply agreement (the “Master Fuel Supply Agreement”) with GDPS (the parent company of the Company, on behalf of the GDPS Group, as a customer) in respect of supplying of diesel and lubricants to the passenger ferries and cargo vessels owned, chartered, operated or acted as agent by GDPS Group in Hong Kong.

The term of the Master Fuel Supply Charge Agreement is from 1st January 2019 to 31st December 2021. Depending on the term of supply and the size of customers, the price of the diesel was determined by the Group after making reference to the followings: (a) the aggregate sum of (i) the monthly average spot price for diesel as quoted in the Singaporean market and (ii) the handling fees charged by the diesel supplier(s) plus an operational handling fees; (b) the selling price is to be adjusted from time to time based on the trend of the change in selling price of diesel as quoted by one of the largest diesel suppliers in Hong Kong; or (c) based on the spot price for diesel as quoted in the Singaporean market on the date preceding the supply of diesel, and with reference to the trends of the change in the Brent Crude Oil price and the selling price of diesel as quoted by one of the largest diesel suppliers in Hong Kong. The price of lubricants was determined by the Group on the basis of cost plus a prevailing market rate. The annual caps of the Master Fuel Supply Agreement for the years ended 31st December 2019, 2020, and 2021 are HK\$145,000,000, HK\$166,000,000 and HK\$182,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2021 was HK\$59,370,000.

10. Management Agreement

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

The term of the Management Agreement was 3 years from 1st July 2020 to 30th June 2023. The management fees were determined after arm’s length negotiation between the parties with reference to the total value of the assets concerned. The annual caps of the Management Agreement for the years ended 31st December 2020, 2021, 2022, and 2023 are HK\$15,000,000, HK\$30,000,000, HK\$30,000,000 and HK\$15,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31st December 2021 was HK\$30,000,000.

The above CCT were beneficial for the operations of the Group and/or provided stable income and profit to the Group. The items (1) to (8) and (10) above were CCT subject to the reporting and announcement requirements and exempt from the independent Shareholders’ approval requirement, while item (9) was CCT subject to the reporting, announcement requirement and the independent Shareholders’ approval requirements which was approved by the independent Shareholders at the general meeting held on 12th December 2018.

The aforesaid CCT have been reviewed by the independent non-executive Directors. The independent non-executive Directors confirmed that these connected transactions were entered into (a) in the usual course of business of the Group; (b) on normal commercial terms or better terms; (c) in accordance with the agreements relating to the transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole; and (d) without exceeding the relevant cap amount disclosed in the previous announcements.

Report of the Directors

The Board engaged the auditor of the Company to report on the Group's CCT in accordance with Hong Kong Standard on Assurance Engagement 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 (Revised) "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the CCT set out above in accordance with Rule 14A.56 of the Listing Rules. The auditor has confirmed that the aforesaid CCT: (1) have been approved by the Board; (2) were in all material respects, in accordance with the pricing policies of the Group where the transactions involve the provision of goods or services by the Group; (3) were entered into, in all material respects, in accordance with the agreements relating to the transactions; and (4) have not exceeded the respective caps. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

In addition, the aforesaid CCT (1) to (9) expired on 31st December 2021 and the Group has re-entered relevant agreement with GDPS for a period of three years from 1st January 2022 to 31st December 2024. The new agreement involves aforesaid CCT in items (1) to (7) which are subject to reporting and announcement requirements but are exempt from independent shareholders' approval requirements; CCT in items (8) to (9) are subject to reporting requirements, announcement and independent shareholders' approval requirements, and the transaction was approved by the independent shareholders at the general meeting held on 20th January 2022.

Part of the related party transactions (the "RPT") disclosed in note 38 to the financial statements are the CT/CCT under Chapter 14A of the Listing Rules. The table below shows the amounts of the CT/CCT as defined in Chapter 14A of the Listing Rules among the RPT as disclosed in note 38 to the financial statements:

RPT Items	For the year ended 31st December 2021		For the year ended 31st December 2020	
	RPT Amount HK\$'000	of which constitute CT/CCT HK\$'000	RPT Amount HK\$'000	of which constitute CT/CCT HK\$'000
Revenues:				
Shipping agency, river trade cargo direct shipment and transshipment income	6,589	2,966	5,027	2,486
Passenger transportation agency fees	–	–	1,256	426
Ferry terminal operation service fees	–	–	1,578	209
Sub-baggage handling services fee	38	38	266	266
Management service fees	40,903	30,689	39,358	30,605
Vessel rental income	5,590	2,982	3,627	2,647
Interest income	100	–	195	–
Fuel supply income	11,073	59,051	24,162	19,575
Marine bunkering service	319	319	1,022	1,008
Consulting and software service	1,752	1,427	244	202
Agency service fee	506	388	847	525
Repairing and maintenance service	61	58	–	–

RPT Items	For the year ended 31st December 2021		For the year ended 31st December 2020	
	RPT Amount HK\$'000	of which constitute	RPT Amount HK\$'000	of which constitute
		CT/CCT HK\$'000		CT/CCT HK\$'000
Expenses:				
Shipping agency, river trade cargo direct shipment and transshipment expenses	4,476	4,476	4,115	4,115
Wharf cargo handling, cargo transportation and godown storage expenses	56,574	46,871	88,785	49,283
Agency fee expenses	–	–	92	3
Ferry terminal operation services fee	–	–	325	325
Luggage handling fee	–	–	303	303
Ferry rental expenses	5,786	5,786	3,341	3,341
Vessel rental expenses	38,682	37,099	35,508	35,508
Warehouse rental expenses	5,000	5,000	5,000	5,000
Office rental expenses	9,347	9,347	9,743	9,743
Staff quarter rental expenses	2,779	2,779	3,095	3,095
Property management fee expenses	690	690	771	771
Loan interest expenses	422	–	426	–
IT Management fee expenses	2,948	2,948	2,948	–
Repair and maintenance expenses	11,900	11,900	1,622	1,622

The Company has complied with the disclosure requirements under Chapter 14A of the Listing Rules from time to time in respect of the aforementioned CT/CCT.

CONTRACTS OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS OR ITS SUBSIDIARIES

Save as disclosed in this annual report, there were no contracts of significance or material contracts on the provision of services between the Company or any of its subsidiaries and the Company's controlling shareholders or any of its subsidiaries during the year.

MANAGEMENT CONTRACTS

No contracts, other than employment contracts, concerning the management and administration of the whole or any substantial part of the business of the Company were entered into by the Group or existed during the year.

INSURANCE ARRANGEMENT FOR DIRECTORS/PERMITTED INDEMNITY PROVISION

In order to facilitate the exercise of power by the Directors, the Company has already arranged suitable insurance in respect of the possible legal actions against the Directors to indemnify them from the liabilities that may arise from their participation in the decision-making process of the Company. These provisions were effective for the financial year ended 31st December 2021 and remained effective as at the date of this report.

DONATIONS

There was not any charity and other donations of the Group for the year (2020: HK\$nil).

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICE

In the opinion of the Directors, save as disclosed in the Corporate Governance Report, the Company has complied with the code provisions of the Corporate Governance Code as set out in Appendix 14 of the Listing Rules during the accounting period covered by this annual report. Please refer to the Corporate Governance Report on pages 63 to 79 of this annual report.

EXECUTIVE COMMITTEE

The Company has established an executive committee to approve and undertake transactions on behalf of the Board in respect of various investment projects or other day-to-day business operations within the authorised limit. Members of the committee shall be the chairman of the Board or/and executive Directors and the committee has written terms of reference.

AUDIT COMMITTEE

The Company has an audit committee which was established in accordance with the requirements of the Listing Rules for the purposes of reviewing and supervising the Group's financial reporting process, internal controls, risk management and corporate governance. The committee comprises three independent non-executive Directors. The committee meets at least twice a year and has written terms of reference.

REMUNERATION COMMITTEE

The Company has established a remuneration committee in compliance with the requirements of the Listing Rules to formulate the remuneration policy of the Company and determine the remunerations for the executive Directors and the senior management. The committee comprises three independent non-executive Directors and one executive Director. The committee meets at least twice a year and has written terms of reference.

NOMINATION COMMITTEE

The Company has established a nomination committee in compliance with the requirements of the Listing Rules for proposing the nomination of Directors and senior management to the Board. Members of the committee shall comprise Directors and the number of which shall not be less than three, with a majority of independent non-executive Directors. The committee has written terms of reference.

AUDITOR

KPMG will retire on the expiry of its term at the 2022 annual general meeting of the Company. A resolution to reappoint KPMG as the auditor of the Company and to authorise the Directors to fix its remuneration will be proposed at the 2022 annual general meeting of the Company.

BY ORDER OF THE BOARD



Zhou Jun

Managing Director

Hong Kong, 23rd March 2022

Directors and Senior Management

EXECUTIVE DIRECTORS

Mr. Liu Guanghui, aged 50, was appointed as executive director of the Company and chairman of the Board on 27th August 2021, responsible for the strategic planning and decision-making of the Group. Mr. Liu graduated from InterAmerican University with a master degree in business administration in 2011 and graduated from the Graduate School of the Party School of the Central Committee of the Communist Party of China in 2016 with a postgraduate degree in economics. Mr. Liu joined the shipping industry in 1991 and began to engage in shipping and tourism management related works. He was successively appointed as deputy general manager and general manager of Guangdong Zhujiang International Travel Services Co., Ltd. from July 2000 to December 2006, appointed as the general manager of Blue Dolphin Cruises Branch of Guangdong Zhujiang Shipping Co., Ltd. and Guangdong Zhujiang International Travel Services Co., Ltd. from January 2007 to January 2009, the director and deputy general manager of Guangdong Zhujiang Shipping Co., Ltd., the general manager of Blue Dolphin Cruises Branch of Guangdong Zhujiang Shipping Co., Ltd. and Guangdong Zhujiang International Travel Services Co., Ltd. and the chairman of Guangdong Zhuhang Tourism Automobile Co., Ltd. from January 2009 to December 2010, the general manager of Guangdong Zhujiang Shipping Co., Ltd. from January 2011 to May 2012, the chairman of Guangdong Zhujiang Shipping Co., Ltd. from June 2012 to April 2014, the chairman of Guangdong Zhujiang Shipping Co., Ltd. and Guangdong Zhanjiang Shipping Group Co., Ltd. from May 2014 to October 2014, the chairman of Guangdong Zhanjiang Shipping Group Co., Ltd. from October 2014 to August 2021. He is currently the director of Chu Kong Shipping Enterprises (Holdings) Co., Ltd. and chairman of Guangdong Chu Kong Shipping Co., Ltd. Mr. Liu has more than 30 years of experience in operation and administration management in the navigation and tourism industries.

Mr. Zhou Jun, aged 50, was appointed as executive director and general manager of the Company on 7th February 2022, responsible for the production, operation and development of the Group. Mr. Zhou was graduated from Changsha Jiaotong University in 1995 majoring in finance, and obtained a master degree in business administration from Changsha University of Science & Technology in 2013. He is also a certified senior economist of the People's Republic of China. Mr. Zhou has 26 years of experience in finance and investment management industry since 1995. Mr. Zhou worked successively as the chief accountant, director and general manager of Foshan Guang-San Expressway Company Limited from 1999 to 2013, director and general manager of Guangdong Yue-Gan Expressway Company Limited and Guangdong Hehui Expressway Co., Ltd. from 2013 to 2015, director and deputy general manager of Guangdong Litong Real Estate Investment Co., Ltd. from 2015 to 2019, general manager of the capital operation department of Guangdong Provincial Port & Shipping Group Company Limited from August 2019 to January 2022 and deputy general manager of the Company from April 2020 to February 2022. He is currently the director of CKSE and Guangdong Chu Kong Shipping Co., Ltd., the vice-chairman of Guangzhou Foshan Expressway Ltd. and chairman of Hong Kong International Airport Ferry Terminal Services Limited.

Mr. Liu Wuwei, aged 50, was appointed as executive director and deputy general manager of the Company on 18th July 2018, mainly responsible for production, operation and management of the Group. Mr. Liu graduated from University of South Australia with a master degree in business administration and is also a certified economist in the People's Republic of China. Mr. Liu has joined the Group since 1992, and worked successively as the deputy general manager and the managing director of CKTL from 2006 to 2013 and the director, deputy general manager of Chu Kong Shipping (Guangdong) Logistics Co., Ltd. from 2013 to 2018. Currently, he is also the director of Chu Kong River Trade Terminal Co., Ltd., the deputy chairman of Heshan County Hekong Associated Forwarding Co., Ltd. and Heshan Port Construction & Development General Company. Mr. Liu has 29 years of experience in logistics, river trade terminal operation management and marketing.

Directors and Senior Management

Mr. Huang Liezhang, aged 54, was appointed as executive director of the Company and chairman of the Board on 17th November 2017, responsible for the strategic planning and decision-making of the Group. Mr. Huang resigned on 27th August 2021. Mr. Huang graduated from Jimei University in July 1988 and obtained a master degree in business administration from Asia International Open University (Macao) in August 2004. He is also a certified economist in the People's Republic of China. Mr. Huang has worked in the shipping sector since 1988 and was successively appointed as the deputy managing director and general manager of Guangdong Pearl River Tanker Transportation Co., Ltd. from June 1999 to July 2005, the chairman of the Company from August 2005 to May 2006, the executive managing director of CKSE from July 2005 to June 2011, the managing director of the Company from June 2011 to May 2013, and the assistant to general manager of GDPS and the chairman of Guangdong Province Zhujiang Shipping Co., Ltd. from May 2013 to November 2017. Mr. Huang has more than 30 years of experience in navigation operation management and administration management.

Mr. Wu Qiang, aged 56, was appointed as executive director and general manager of the Company on 17th September 2018, responsible for the production, operation and development of the Group. Mr. Wu resigned on 7th February 2022. Mr. Wu graduated from Wuhan Technical College of Communications, majoring in material management and is also a certified economist in the People's Republic of China. He joined the material management and navigation management sector since 1986 with over 30 years of working experience. Mr. Wu was successively appointed as the deputy general manager and the managing director of Chu Kong Air-Sea Union Transportation Company Limited from 2005 to 2012, the chief marketing officer, the deputy general manager and the director of CKTL from 2010 to 2012, the managing director of Guangzhou Nansha Economic & Technological Development Zone Tung-Fat Cargo Terminal Ltd. from 2012 to 2014, the executive deputy general manager and director of Guangdong Province Zhanjiang Navigation (Group) Co., Ltd. and the chairman of Guangdong Xuwen Terminal and Shipping Co., Ltd. from 2014 to 2018 and the executive deputy general manager of the Company from 18th July 2018 to 16th September 2018.

Mr. Chen Jie, aged 56, was appointed as executive director and deputy general manager of the Company on 18th July 2018, mainly responsible for safety production, administration and logistics as well as legal affairs. Mr. Chen resigned on 10th November 2021. Mr. Chen graduated from Adult Education College of Renmin University of China, majoring in business administration and is also a certified economist in the People's Republic of China. He joined the human resources management sector since 1984 with over 30 years of working experience. Mr. Chen worked successively as the deputy general manager of human resources department, the general manager of supervisory department and the general manager of human resources department of CKSE from 2005 to 2013, deputy general manager and general manager of human resources department of GDPS from 2013 to 2018.

Directors and Senior Management

NON-EXECUTIVE DIRECTOR

Ms. Zhong Yan, aged 46, was appointed as non-executive director of the Company on 1st April 2020, participating in strategic planning and decision-making of the Group. Ms. Zhong graduated from Shanghai Maritime University in 1997, majoring in Computer Science and Computer Application and minoring in International Container Transportation Management, and studied a master degree in Global Economy at Sun Yat-Sen University between 2000 and 2003. She is also a certified assistant engineer and certified economist in the People's Republic of China. She has 24 years of experience in information technology, disciplinary inspection, supervisory audit and trade union management since 1997. She has joined GDPS since 2000 and worked successively in the information center, general manager's office, comprehensive management department and female staff association, etc. Ms. Zhong was successively appointed as the chairman of the union and secretary of the commission for discipline inspection of Guangdong Bonny Fair Heavy Industry Limited from 2013 to 2018, member of the commission for discipline inspection and deputy manager of the supervision and audit department of GDPS from 2016 to 2019, deputy general manager of Guangzhou Hangcheng Real Estate Development Operation Co., Ltd. from 2019 to March 2020. She is currently the director of CKSE.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Chan Kay-cheung, aged 75, was an executive director and the deputy chief executive of The Bank of East Asia, Limited and he was the vice chairman of The Bank of East Asia (China) Limited. Mr. Chan joined The Bank of East Asia, Limited in 1965 and possesses extensive knowledge and experience in the banking industry. Mr. Chan is a fellow member of the Hong Kong Institute of Bankers. Mr. Chan is also an independent non-executive director of China Electronics Corporation Holdings Company Limited and SOCAM Development Limited. He was an independent non-executive director of Dah Chong Hong Holdings Limited and Hong Kong Food Investment Holdings Limited. Mr. Chan was appointed as independent non-executive director of the Company in April 1998.

Ms. Yau Lai Man, aged 58, was appointed as independent non-executive director of the Company on 1st January 2005. Prior to joining the Group in 2001, Ms. Yau had worked with a "big four" accounting firm and a multinational corporation. Ms. Yau obtained a master degree in business administration from The University of Warwick in the United Kingdom. Ms. Yau is a member of the Hong Kong Institute of Certified Public Accountants and is also a member of the Institute of Chartered Accountants in England & Wales. Ms. Yau presently is an executive director of Essex Bio-Technology Limited listed on the Main Board of The Stock Exchange of Hong Kong Limited. Ms. Yau is a director of Essex Bio-Investment Limited, Essex Bio-Pharmacy Limited, Zhuhai Essex Bio-Pharmaceutical Company Limited, Zhuhai UNO Technology Company Limited and UNO Medical (Zhuhai) Company Limited, all being subsidiaries of Essex Bio-Technology Limited.

Directors and Senior Management

Mr. Chow Bing Sing, aged 72, was appointed as independent non-executive director of the Company on 1st June 2011. Mr. Chow graduated as a bachelor of social sciences at the University of Hong Kong in 1974. He worked as a social worker in his early career years and later joined the aviation industry. He had held senior management positions with the Civil Aviation Department of the Government of the HKSAR and the Airport Authority Hong Kong and has over 30 years of experience in the aviation and logistics sectors. Mr. Chow is a chartered member of the Chartered Institute of Logistics and Transport in Hong Kong and a member of the Hong Kong Logistics Association.

SENIOR MANAGEMENT

Mr. Yu Junjie, aged 39, was appointed as deputy general manager of the Company on 10th November 2021, mainly responsible for safety production, administration and logistics, confidentiality as well as legal affairs. Mr. Yu graduated from Dalian Maritime University with a bachelor degree in logistics engineering in 2004 and obtained a master degree in operations and supply chain management from the City University of Hong Kong in 2012. Mr. Yu joined the logistics and shipping management sector since 2004 with 17 years of working experience. Mr. Yu was appointed as deputy manager of the integrated logistics department of Chu Kong Transshipment & Logistics Company Limited from 2010 to 2013, and general manager of Chu Kong Logistics (Singapore) Pte. Ltd. from 2013 to October 2021.

Mr. Ye Fei, aged 46, was appointed as financial controller of the Company in August 2020, responsible for financial management and control of the Group. Mr. Ye graduated from the Guangdong University of Business Studies in 1998, majoring in accounting, and obtained a master degree in accounting from Jinan University in 2011. He is also a certified senior accountant of the People's Republic of China. Mr. Ye has been engaged in financial and management sector since 1998 and worked successively as the finance manager of CKPT and Guangdong Province Zhujiang Shipping Co., Ltd. He worked as the deputy general manager of the finance department of GDPS from 2014 to 2020. Mr. Ye has more than 23 years of experience in accounting and financial management. Currently, Mr. Ye is also the vice-chairman of Foshan Nanhai Pinggang Passenger Transportation Co., Ltd. and Doumen-Hong Kong Passenger Transportation Integrated Co., Ltd., as well as the director of Chu Kong Transshipment & Logistics Company Limited, CKPT, Chu Kong High-Speed Ferry Company Limited, Sun Kong Petroleum Company Limited, Chu Kong River Trade Terminal Co., Ltd., China Hong Kong Macau Duty Free Goods Limited, GTF Maritime Financial Leasing Co., Ltd., Zhongshan Zhongshan-HongKong Passenger Shipping Co-op Co., Ltd., CNT Security Company Limited and Bonny Fair Development Limited, etc.

Directors and Senior Management

Mr. Lin Shengqi, aged 46, was appointed as development officer, general manager of investment & development department (research department) and capital operation department of the Company in May 2019, mainly responsible for the investment development and capital operation of the Group. Mr. Lin graduated from Sun Yat-Sen University in 1998, majoring in international finance and Jinan University in 2006 with a master degree in business administration. Mr. Lin has been working in the investment development management sector since 1998, he was successively appointed as the deputy general manager and the general manager of investment development department of CKSE from 2008, the general manager of investment development department of the Company from 2011, the managing director of Guangzhou Nansha International Logistics Park Development Co., Ltd. from 2012 and the deputy general manager of strategic development department of GDPS from 2016. Mr. Lin is currently the chairman of China Ferry Terminal Services Limited and Guangdong Zhuan Duty Free Co., Ltd., as well as the director of Guangzhou Nansha Feeders Terminal Co., Ltd., Brodrene AA Shipyard in Norway, Bonny Fair Development Limited, Pazhou (Guangzhou) Hong Kong and Macao Passenger Transport Company Limited, Chu Kong Shipping Investment (Norway) Limited, Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Company Limited, Guangdong Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Company Limited, Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Company (Hong Kong) Limited, Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Company (Macau) Limited, Shenzhen State-owned Duty Free Goods (Group) Co., Ltd, Chu Kong Passenger Transport Company Limited, and Sun Ferry Services Company Limited. Mr. Lin has over 23 years of experience in warehouse logistics management and investment development.

Ms. Cheung Mei Ki Maggie, aged 55, joined the Company in 2008, and was appointed as the company secretary on 1st April 2012, and appointed as the deputy general manager of the capital operation department in 2018, responsible for the Group's capital planning, investor relations, company secretarial and corporate governance matters. Ms. Cheung was appointed as the financial controller of Sun Ferry Services Company Limited on 27th May 2020, responsible for the financial management of the company. Ms. Cheung served as the general manager in assurance and the deputy general manager of the internal audit department of the Company. Before joining the Company, Ms. Cheung had held position in Hong Kong Air Cargo Terminals Limited. Ms. Cheung graduated from the Hong Kong Polytechnic University in 2010 with a master degree in corporate governance and graduated from The University of Strathclyde (in the United Kingdom) in 2003 with a master degree in business administration. She is a member of The Hong Kong Chartered Governance Institute (formerly known as The Hong Kong Institute of Chartered Secretaries), The Chartered Governance Institute in the United Kingdom (formerly known as The Institute of Chartered Secretaries and Administrators), the Hong Kong Institute of Certified Public Accountants, a fellow of the Association of Chartered Certified Accountants in the United Kingdom, a fellow of the Taxation Institute of Hong Kong and a Certified Tax Adviser in Hong Kong. She has over 30 years' experience in accounting, financial management and corporate governance.

Corporate Governance Report

The Company strives to maintain a high standard of corporate governance practices and procedures to safeguard the interests of its shareholders. The corporate governance level is constantly improved and enhanced by establishing an internal control and risk management system and enhancing accountability and transparency.

CORPORATE GOVERNANCE PRACTICE

The Directors have adopted various policies to ensure compliance with the code provisions of the Corporate Governance Code (the “Code”) under Appendix 14 to the Listing Rules. The Board considers that the Company has complied with all applicable Code during the year except with the deviation as disclosed in this report. In the future, the Company will also adopt more Recommended Best Practices as set out in the Code according to actual needs, so as to further enhance the level of corporate governance.

DIRECTORS’ AND EMPLOYEES’ SECURITIES TRANSACTIONS

The Company has adopted a model code of conduct no less than that required by the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) as set out in Appendix 10 to the Listing Rules as its code of conduct of directors conducting securities transactions. All Directors have confirmed, following specific inquiry of all Directors by the Company, that they have complied with the required standards set out in the Model Code in relation to such transactions during the year.

The Company has also formulated written guidelines regarding the securities transactions by the employees of the Company who may be exposed to insider information. The requirements of the written guidelines are no less exacting than those set out in the Model Code. The Company recorded no non-compliance events during the year.

THE BOARD OF DIRECTORS

The Board is responsible for formulating the overall development strategy, operation and financial reporting of the Company, internal control and risk management, major acquisitions, substantial connected transactions, annual and interim results, proposed interim and final dividends, proposed appointment or re-election of directors, appointment of auditor, share issue and repurchase and other operational and financial matters relating to the Company. On 1st October 2019, the Board approved and adopted the “Management Measures for the Board of Directors” (《董事會管理辦法》) to regulate the operation of the Board.

Composition of the Board

As at 31st December 2021, the Board consisted of seven members, namely three executive Directors (Mr. Liu Guanghui, Mr. Wu Qiang and Mr. Liu Wuwei), one non-executive Director (Ms. Zhong Yan) and three independent non-executive Directors (Mr. Chan Kay-cheung, Ms. Yau Lai Man and Mr. Chow Bing Sing). The Company forms its Board based on the characteristics and uniqueness of its operations to ensure that each Director possesses the required industrial experience and managerial expertise. The personal biographies of the Directors are set out in pages 58 to 61 of the annual report. The Directors clearly understand that they should fulfill their duties diligently in the best interest of the Company and its shareholders.

Corporate Governance Report

The Company has signed appointment letters with all Directors for a fixed term of three years unless terminated by either party giving to the other not less than 1 month's prior notice in writing, but the Directors are subject to retirement by rotation and re-election according to the Articles of Association.

The Board delegated its authorities and obligations in the management of daily operations, business strategies and the Group's business to the executive Directors and senior management, and delegated certain specific responsibilities to the committees under the Board.

Relationship between Board Members

To the best knowledge of the Company, there is no financial, business, family or other material/relevant relationship between the Board members.

Responsibilities of the Chairman and Managing Director

It is the consistent policy of the Company to appoint different individuals to act as chairman and managing director so as to ensure the accountability and independence of the policymaking process of the Company. The chairman of the Group is responsible for leading the Board. The chairman should ensure that the Board works effectively and discharges its responsibilities, and be responsible for building the management of the Company, organising the formulation of the development strategies, etc. The managing director is responsible for managing the daily business operations of the Company, implementing the development strategies formulated by the Board, expediting the development of high-end integrated logistics business, driving the development of the passenger transportation business, etc. and strengthening the internal management.

According to the provisions of the Code, the chairman of the Group has held a meeting with the non-executive Director without other executive Directors' presence.

Independent Non-executive Directors

In order to ensure the independence of the policymaking process of the Board and protect the interest of its shareholders, the Company appoints three qualified independent non-executive Directors, as such, the Company complies with Rule 3.10A of the Listing Rules of having at least one-third of the Board being represented by independent non-executive Directors. They are professionals experienced in banking, finance and logistics services. One of the independent non-executive Directors has the appropriate professional qualifications and accounting and related financial management expertise required under Rule 3.10(2). The Company undertakes to give them adequate access to the information of the Company and encourages them to thoroughly discuss and provide independent opinions on matters of the Company.

According to the provisions of the Code, a service term of over nine years is one of the key factors in determining the independence of an independent non-executive director. Mr. Chan Kay-cheung, Ms. Yau Lai Man and Mr. Chow Bing Sing have served as independent non-executive Directors for over nine years. During their years of service with the Company, Mr. Chan, Ms. Yau and Mr. Chow have contributed by providing independent viewpoints and advice to the Company in relation to its businesses, operations, future development and strategy. The Board considers that Mr. Chan, Ms. Yau and Mr. Chow have the character, integrity, ability and experience to continue to fulfill his/her role as required effectively. The Company believes that Mr. Chan, Ms. Yau and Mr. Chow can independently express opinions on matters of the Company and there is no evidence that his/her over nine years of service with the Company would have any impact on his/her independence and therefore his/her independence is confirmed. According to the provisions of Code A.4.3, if an independent non-executive director serves more than nine years, his/her further appointment should be subject to a separate resolution to be approved by shareholders. Mr. Chan and Mr. Chow retired on rotation at the annual general meeting held on 21st May 2020, and being eligible, offered themselves for re-election at the said meeting. Mr. Chan and Mr. Chow had already been re-appointed by separate resolution of the Shareholders at the said meeting. Ms. Yau will soon retire on rotation, and being eligible, offers herself for re-election at the forthcoming annual general meeting. According to the provisions of Code A.4.3, re-appointment of Ms. Yau by separate resolution of the Shareholders at the said meeting will be recommended by the Company.

The Company has received from each of the current independent non-executive Directors an annual confirmation of his/her independence in accordance with Rule 3.13 of the Listing Rules. The Company considers that all the independent non-executive Directors have maintained their respective independence in accordance with the Listing Rules.

Board Diversity Policy

Pursuant to the Code, the Board has adopted the Board Diversity Policy since 15th August 2013 which has been revised on 1st January 2019 and is posted on the Company's website. To attain diversity of the Board, it is the Company's policy to consider an array of factors including skills, knowledge, professional experience, age, gender, cultural and educational background when appointing and re-appointing a member of the Board. All appointments of the Board members are based on merits, in the content of the talents, skills and experience the Board as a whole requires to be effective.

Directors' Responsibilities for Financial Statements

During each financial period, the Directors are responsible for the preparation of the financial statements that give a true and fair view of the state of affairs of the Group and of its results and cash flows during the relevant period. In preparing the financial statements for the year, the Directors selected and applied consistently appropriate accounting policies, made careful and reasonable judgment and estimates, and prepared the financial statements on a going concern basis. The Directors are responsible for the filing of appropriate accounting records that reasonably and accurately disclose the financial position of the Company at any time. The Board is not aware so far of any significant uncertain events or circumstances which would affect the business of the Company or its ability to continue its operation. The responsibilities of the Company's external auditor are set out in the Independent Auditor's Report on pages 80 to 84 of the annual report.

Board Meeting Procedures

The Board held regular meetings during the year. The company secretary assists the chairman in establishing the meeting agenda, and each Director/committee member may request inclusion of items in the agenda. The date and agenda of the Board meeting will be available to the Directors at least 14 days in advance and related documents will be available to the Directors at least 7 days in advance to enable each Director to fully understand the matters to be discussed and make an informed opinion. Draft and final versions of the minutes of Board meetings and Board committee meetings prepared in sufficient details by the secretary of the meetings, were circulated to the Directors for their comment and record respectively. Originals of such minutes, being kept by the company secretary, are open for inspection at any reasonable time on reasonable notice by any Director. Each Director has the right to seek independent professional advice in furtherance of his/her duties at the expense of the Company. No Director has requested to seek professional advice as mentioned above during the year.

If a Director has a conflict of interest in a matter to be considered at the meetings of the Board and the committee which the Board has determined to be material, such Director may express his/her recommendations but shall not be counted in the quorum and shall abstain from voting on the relevant resolution.

All Directors have unrestricted access to the company secretary who is responsible for ensuring that the Board/committee procedures are complied with, and for advising the Board/committee(s) on compliance matters.

Attendance at Meetings and Time Commitment of Directors

During 2021, the attendance of the Board members at general meetings, the meetings of the Board and respective committees were as follows:

	Attendance in person/number of meetings held					
	General Meeting	Board	Executive Committee	Audit Committee	Remuneration Committee	Nomination Committee
Mr. Liu Guanghui (Chairman of the Board, appointed on 27th August 2021)	1/2	1/4	4/12	N/A	0/2	0/1
Mr. Wu Qiang (Managing Director)	2/2	4/4	12/12	N/A	N/A	N/A
Mr. Liu Wuwei (Executive Director)	1/2	4/4	12/12	N/A	N/A	N/A
Ms. Zhong Yan	1/1	4/4	N/A	N/A	N/A	N/A
Mr. Chan Kay-cheung (Independent Non-executive Director)	2/2	4/4	N/A	2/2	2/2	1/1
Ms. Yau Lai Man (Independent Non-executive Director)	2/2	4/4	N/A	2/2	2/2	1/1
Mr. Chow Bing Sing (Independent Non-executive Director)	2/2	4/4	N/A	2/2	2/2	1/1
Mr. Huang Liezhang (Chairman of the Board, resigned on 27th August 2021)	1/2	3/4	12/12	N/A	2/2	1/1
Mr. Chen Jie (Executive Director, resigned on 10th November 2021)	2/2	3/4	10/12	N/A	N/A	N/A

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

Committees under the Board

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

Executive Committee

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

The Executive Committee comprises:

Mr. Liu Guanghui (Chairman of the committee, appointed on 27th August 2021)
Mr. Wu Qiang
Mr. Liu Wuwei
Mr. Huang Liezhang (Chairman of the committee, resigned on 27th August 2021)
Mr. Chen Jie (resigned on 10th November 2021)

Audit Committee

The Audit Committee was established in 2001 to review the Company's financial reporting, internal control, risk management, appointment of auditor and corporate governance issues and make recommendations to the Board. The Audit Committee consists entirely of independent non-executive Directors, who are experienced in finance, internal audit, banking and logistics, and are therefore capable of providing expert opinions on the steady financial operations of the Company. Currently, the Audit Committee comprises three independent non-executive Directors.

The Audit Committee comprises:

Mr. Chan Kay-cheung (Chairman of the committee)
Ms. Yau Lai Man
Mr. Chow Bing Sing

Corporate Governance Report

The Audit Committee held two meetings in 2021 with an average attendance rate of 100% to review the following matters with the Company's senior management and independent auditor:

- Accounting principles adopted by the Company for preparing financial statements;
- Draft annual report, interim report and financial statements of the Company;
- Scope of audit work of external auditor;
- Independent audit results of the Company's financial statements;
- Internal recommendations issued by external auditor to the management and the management's response;
- Appointment of external auditor for providing non-audit services to the Company;
- Proposed audit fee for 2021;
- Internal audit function (including its effectiveness) of the Company, including internal audit policy, internal audit plan and internal audit reports, covering financial monitoring, internal control and risk management;
- Corporate governance of the Company; and
- Connected transactions of the Company.

Reference to the functions of the Audit Committee is available under the terms of reference of the Audit Committee which have been published on the websites of the Company and the Stock Exchange.

To further enhance the independence of the external independent auditors, some parts of the above meetings were only attended by independent non-executive Directors and the independent auditors.

Since 2009, the Board has delegated the corporate governance functions to the Audit Committee in accordance with the provision of Code D.3, as it considered members of the Audit Committee to be better positioned to provide an objective and independent guidance on governance-related matters.

The Audit Committee has reviewed the Company's compliance with the provisions of the Code for the year and the disclosure in this Corporate Governance Report.

Remuneration Committee

The Remuneration Committee was established in 2005 to make recommendations to the Board on the remuneration policy of the Company and the remunerations of the Directors and executives appointed by the Board. The Remuneration Committee met twice in 2021 with an average attendance rate of 100%. Currently, the Remuneration Committee comprises three independent non-executive Directors and one executive Director and is chaired by an independent non-executive Director.

The Remuneration Committee comprises:

Mr. Chan Kay-cheung (Chairman of the committee)

Ms. Yau Lai Man

Mr. Chow Bing Sing

Mr. Liu Guanghui (Executive Director, appointed on 27th August 2021)

Mr. Huang Liezhang (Executive Director, resigned on 27th August 2021)

Reference to the functions of the Remuneration Committee is available under the terms of reference of Remuneration Committee which have been published on the websites of the Company and the Stock Exchange.

During the year, the Remuneration Committee reviewed the remuneration packages of the Directors of the Company (including executive Directors, non-executive Director and independent non-executive Directors) and discussed on the remuneration and benefits system and policy of the staff of the Group.

Remuneration of Executive Directors:

The remuneration of the executive Directors of the Company mainly includes basic salary, bonus and directors' fee, which were determined by the Board by reference to various factors (including market conditions) upon the recommendations of the Remuneration Committee to the Board. The Company considers various factors in determining the remuneration such as market conditions, comparable companies and time of the executive Directors spent on managing the affairs of the Company. The executive Directors currently do not receive any director's remuneration.

Remuneration of Non-executive Director:

Currently, the non-executive Director does not receive any director's remuneration.

Remuneration of Independent Non-executive Directors:

The Company pays emoluments to independent non-executive Directors in form of directors' fee. The Remuneration Committee will present a proposal to the Board, and the Board will make decisions based on market conditions.

Nomination Committee

The committee was established in 2011 and it is mainly responsible for making recommendations to the Board on the appointment of Directors and senior management. The Nomination Committee held one meeting in 2021 with attendance rate of 100%. Currently, the committee comprises four Directors, of which three are independent non-executive Directors. On 1st October 2019, the Board approved and adopted the Nomination Policy which was proposed by the Nomination Committee.

The Nomination Committee comprises:

Mr. Liu Guanghui (Chairman of the committee and Executive Director, appointed on 27th August 2021)

Mr. Chan Kay-cheung

Ms. Yau Lai Man

Mr. Chow Bing Sing

Mr. Huang Liezhang (Chairman of the committee and Executive Director, resigned on 27th August 2021)

Reference to the functions of the Nomination Committee is available under the terms of reference of Nomination Committee which have been published on the websites of the Company and the Stock Exchange.

During the year, the Nomination Committee has made recommendations to the Board on re-election of retiring Directors. The Nomination Committee also reviewed the structure, size and composition of the Board and believed that the composition of the Board is diversified (also as disclosed in “Composition of the Board” above). The Nomination Committee considers the Board Diversity Policy when nominating the Directors (see the “Board Diversity Policy” above). The Nomination Committee has also reviewed the nomination policy in the year.

According to the Articles of Association, all Directors are subject to retirement by rotation and re-election at annual general meetings of the Company. New directors appointed by the Board during the year are required to retire and offer themselves for re-election at the first annual general meeting immediately following their appointments. Further, at each annual general meeting, one-third (if not a multiple of three, then the number nearest to one-third) of Directors shall retire from office by rotation and according to the provision of Code A.4.2, every Director shall be subject to retirement by rotation at least once every three years.

In accordance with Article 84 of the Articles of Association, Mr. Liu Guanghui and Mr. Zhou Jun will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election. The Nomination Committee recommended to the Board that Mr. Liu Guanghui and Mr. Zhou Jun be nominated for re-election at the forthcoming annual general meeting of the Company.

In accordance with Article 88(i) of the Articles of Association, Ms. Zhong Yan and Ms. Yau Lai Man will retire at the forthcoming annual general meeting of the Company and, being eligible, offer themselves for re-election. The Nomination Committee recommended to the Board that Ms. Zhong Yan and Ms. Yau Lai Man be nominated for re-election at the forthcoming annual general meeting of the Company.

Training for Directors and Company Secretary

All Directors have been given relevant guideline materials regarding the duties and responsibilities of being a Director, the relevant laws and regulations applicable to the Directors, duty of disclosure of interest in shares and business of the Group and such induction materials will also be provided to newly appointed Directors shortly upon their appointment as Directors. All Directors have also been updated on the latest development regarding the Listing Rules and other applicable regulatory requirements to ensure compliance with relevant regulations and enhance their awareness of good corporate governance practices.

All Directors confirmed that they have complied with the provision of Code A.6.5 on directors' training. During the year, all Directors have participated in continuous professional development by reading materials or attending seminars/briefing sessions to develop and refresh their knowledge and skills and provided records of training to the Company. Current Directors have participated training on the following topics during the year:

	Corporate governance/ updates on laws, rules and regulations		Accounting/financial/ management or other expertise	
	Reading materials	Attending seminars/ briefing sessions	Reading materials	Attending seminars/ briefing sessions
Mr. Liu Guanghui (Chairman of the Board)	✓	✓	✓	✓
Mr. Wu Qiang (Managing Director)	✓	✓	✓	✓
Mr. Liu Wuwei (Executive Director)	✓	✓	✓	✓
Ms. Zhong Yan (Non-executive Director)	✓	✓	✓	✓
Mr. Chan Kay-cheung (Independent Non-executive Director)	✓	✓	✓	✓
Ms. Yau Lai Man (Independent Non-executive Director)	✓	✓	✓	✓
Mr. Chow Bing Sing (Independent Non-executive Director)	✓	✓	✓	✓
Mr. Huang Liezhang (Chairman of the Board, resigned on 27th August 2021)	✓	✓	✓	✓
Mr. Chen Jie (Executive Director, resigned on 10th November 2021)	✓	✓	✓	✓

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

Changes in Information of Directors

Save as disclosed in this annual report, pursuant to Rule 13.51B(1) of the Listing Rules, following specific enquiry of all Directors by the Company, all Directors have confirmed that there is no any other changes in information of Directors of the Company during 2021 which needs to be disclosed.

Details of changes in the annual remuneration of Directors are set out in the note 40 to the financial statements.

REMUNERATION OF SENIOR MANAGEMENT

Number of senior management according to the level of remuneration:

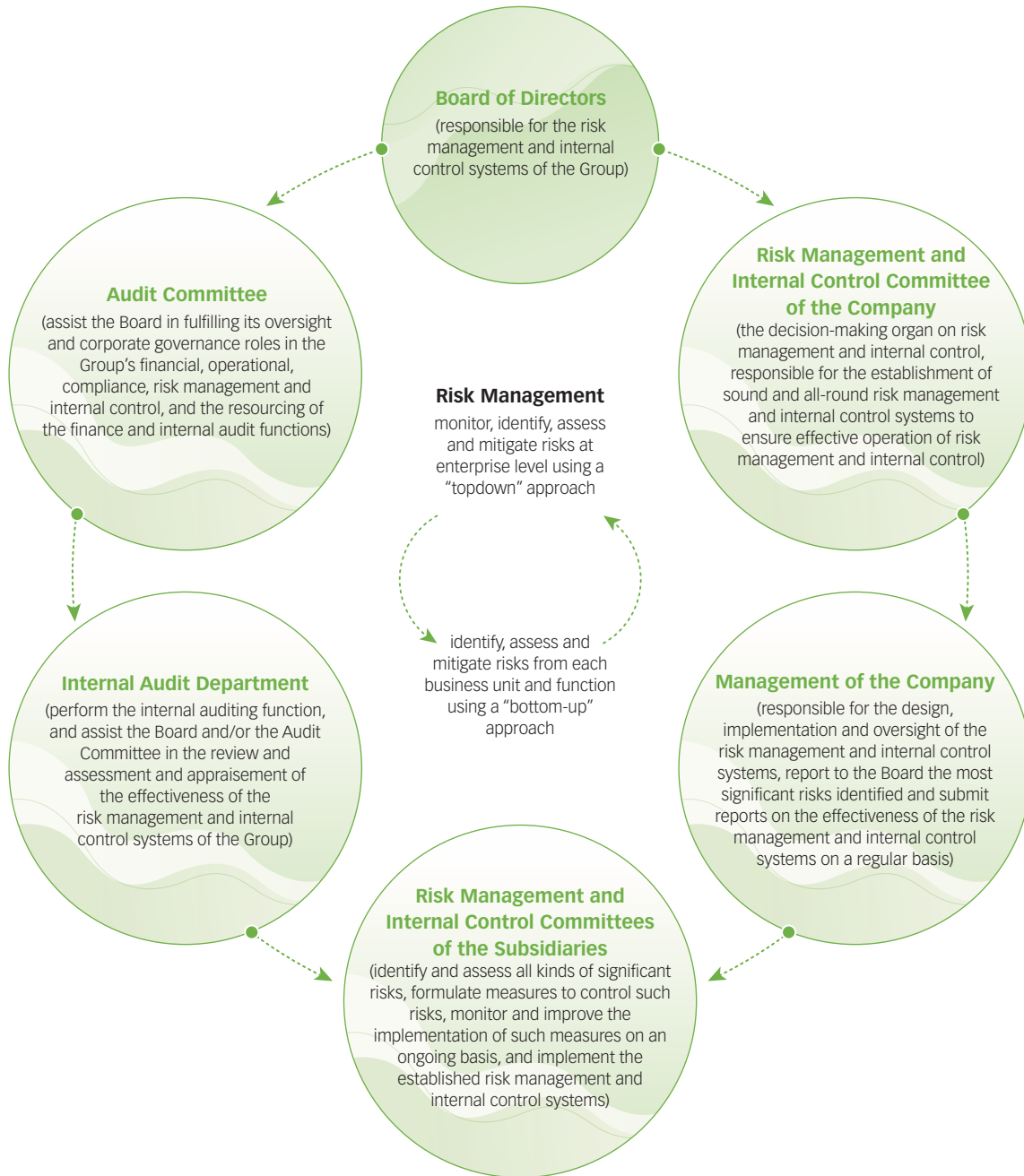
Level of remuneration HK\$'000	Number of Senior Management	
	2021	2020
401-1,000	2	4
1,001-1,800	1	2

RISK MANAGEMENT AND INTERNAL CONTROL

The Group has established effective risk management and internal control systems to provide reasonable (though not absolute) assurance against material misstatement or loss and to manage (rather than eliminate) risks of failing to achieve business objectives. The Board shall be responsible for the risk management and internal control systems of the Group and shall review at least annually the effectiveness of such systems for that relevant financial year. The Audit Committee shall assist the Board in fulfilling its oversight and corporate governance functions in the Group's financial, operational, compliance, risk management and internal control, and the resources of the finance and internal audit functions.

The Group has established a set of organisational structure with clear division of responsibilities and reporting mechanisms:

STRUCTURE OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS PROCEDURE



Corporate Governance Report

- the internal audit department of the Company (“Internal Audit Department”) has internal audit function, and shall assist the Board and/or the Audit Committee in the review of the effectiveness of the Group’s internal control and risk management systems on an ongoing basis. The head of the Internal Audit Department shall report directly to the Audit Committee;
- the Company has also established the Risk Management and Internal Control Committee (the “Risk Control Committee”) comprising Mr. Zhou Jun, Mr. Liu Wuwei and heads of all departments, which shall determine the members of the committee and their respective responsibilities, define the work division among all departments and the duties and responsibilities of each group, and give instructions in relation to the commencement of risk assessment and internal control assessment. The Risk Control Committee shall report directly to the Board about the significant risks that may affect the performance of the Group on a regular basis; and
- the Company will set up task group(s) in light of the actual situation, which will hold meetings regularly to review the effectiveness of the relevant financial, operational and compliance control as well as risk management procedures and to review on how to make further improvement.

The Company has implemented the following procedures to identify, assess and manage significant risks:

1. the Company has formulated the Guideline on Risk Management (《風險管理工作指引》), and required the Company and all subsidiaries to manage risks in accordance with the Guideline;
2. all subsidiaries have set up their own risk management and internal control committees and identified their officer-in-charge for risk management. An annual inspection shall be carried out to identify their respective risks, assess all kinds of significant risks, formulate relevant control measures and continuously monitor and improve the risk management and internal control systems. Each of the risk management and internal control committee shall conduct an annual review in the middle of the year for self-inspection and self-reporting of risks/to check the implementation of such control measures, so as to ensure the feasibility and effectiveness of existing control measures;
3. after collecting information on the risk profile of each subsidiary and the relevant control measures implemented by them, the Company would summarise a list of significant risks based on the major risk categories (including market risks, strategic risks, operation risks and financial risks, etc.). After ranking these significant risks by priority, the management of the Company would identify the most significant risks and request the relevant companies to focus on the supervision of such risks;

4. the Internal Audit Department would carry out the following tasks every year:
 - to examine if all companies have focused their supervision on the most significant risks;
 - to evaluate the report in relation to the most significant risks;
 - to assess and ensure the effectiveness of the risk management procedures;
 - to ensure accurate assessment of each risk; and
 - to implement independent internal audits according to its internal audit plan.
5. the Internal Audit Department would summarise and report the results of the work above to the Audit Committee on a yearly basis.

The formulation and execution procedures of the internal audit plan of the Company are as follows: the Internal Audit Department adopts a risk and control-based audit approach. An annual work plan will be formulated, covering the Group's operation and businesses as well as all the major activities and processes of each subsidiary, and special review will be carried out on the demand of the management. The audit result shall be submitted to the Audit Committee promptly for review. Where any deficiency in the internal control is identified, the subsidiaries are required to make improvements promptly according to the recommendations. Audit issues are tracked and followed up by the Internal Audit Department for proper implementation. The Internal Audit Department shall report to the Audit Committee on a regular basis, while the Audit Committee shall report the audit findings and/or progress of the audit work to the Board after reviewing the relevant information.

The Company adopted the Inside Information Management Policy (《内幕消息管理制度》) in 2013 (as revised in 2015), which provides guideline on the handling and dissemination of the Group's inside information by the Directors and employees who may have access to such information as well as the relevant internal control measures. The Board has authorised the establishment of the Inside Information Committee, a committee under the Executive Committee which comprises the executive Directors, the company secretary, the general manager of the capital operation department and the general manager of the legal department. The members of the Inside Information Committee shall take joint responsibility for the registration and management of the inside information and the insiders of the Group, which shall be organised and implemented by the company secretary and the capital operation department. The officer-in-charge of other departments, branch companies and subsidiaries of the Company as well as the invested companies over which the Company has significant influence shall be responsible for the confidentiality of such information arising within their management authority, and shall report and communicate such inside information that comes to their knowledge.

Corporate Governance Report

After being aware of any event potentially involving inside information, the senior officers shall fill in and submit the Inside Information Reporting Form (《内幕消息呈報表格》) truthfully on the date such inside information comes to their knowledge. Upon receipt of such alert, the company secretary shall promptly convey such inside information to the members of the Inside Information Committee for assessment. In accordance with the relevant provisions of the information disclosure rules, members of the Inside Information Committee shall assess on the potential inside information, fill in the Inside Information Assessment Report (《内幕消息評估報告》) and decide whether a disclosure on such information is required. Where it is determined that a disclosure is required to be made, it shall be reported to the securities regulatory authority and made within three working days or as required by the regulatory rules and regulations.

In respect of the review of the adequacy and effectiveness of the risk management and internal control systems, the Internal Audit Department provides independent assurance regarding the adequacy and effectiveness of the Group's risk management and internal control systems to the Board and the Audit Committee. The head of the Internal Audit Department shall report directly to the Audit Committee. With the assistance of the Internal Audit Department, the management of the Group shall be responsible for the design, implementation and monitoring of the risk management and internal control systems. The Annual Self-assessment Form of Internal Controls and Risk Management (《內部控制及風險管理年度自評表》) are dispatched to all subsidiaries, which shall be collected and consolidated by the Company. Such results shall be assessed by the Internal Audit Department and reported to the Audit Committee, which will then review such information and submit reports on the effectiveness of such systems to the Board on a regular basis. Where necessary, the task group(s) will hold meetings regularly to review the effectiveness of the relevant financial, operational as well as compliance control and risk management procedures and to make further improvement.

During the year, the Company has conducted the following major works relating to risk management and internal control:

- completed the works related to the 2021 Risk Management Assessment, further implemented comprehensive risk management measures specific to the 4 major risks assessed and confirmed last year, ensured the relevant measures for those work associated with risk to be in place effectively. For the assessment of comprehensive risk management this year, there is no matter involving "One-vote Veto". Meanwhile, key controls on the risks of 2021, which were identified as production and operational safety risks, etc., were put in place, mainly through strictly executing pandemic prevention measures, responding in a timely manner, strengthening supervision and inspections; conducting business training and specific investigations, etc.. The pandemic prevention measures were in place, there was no major safety duties incident took place in the Group throughout the year;
- the 2021 Internal Audit Plan was properly organised and implemented so as to enhance the standard of the internal control and risk management of all subsidiaries, with an aim to improve the Company's awareness of risk management and internal control, strengthening the ability to respond to emergencies. This was accomplished by ways of the Annual Self-assessment Form of Internal Controls and Risk Management (《內部控制及風險管理年度自評表》) submitted by each subsidiary and the major risks of the Group confirmed through the Group's Risk Summary Form 《風險總滙表》 together with enhancing the management's goal of reducing costs and increasing efficiency by the management of the Company;

- conducted review and audit of the Group safety inspection department in relation to internal control, occupational safety, safety inspection, problem checking and the progress regarding implementation of rectification, etc.;
- organised the Group staff to carry out relevant training and cultural construction works to improve risk management and internal control awareness and enhance the standard of the internal audit, including arranging dedicated internal auditors to attend online practical audit training, inviting the Hong Kong Independent Commission Against Corruption to conduct anti-corruption and bribery prevention educational training for the Group's middle level management or above, and the executive positions members of its subsidiaries to enhance the anti-corruption awareness;
- during the year, the year 2021 audit plan was fully completed, a total of 16 internal audit reports were issued. In respect of the 25 audit comments and recommendations provided for the financial year of 2021, improvement works on addressing audit-related issues were in progress, of which 19 were completed. All subsidiaries had been asked to make improvements according to such recommendations; and
- continued to follow up the rectification items that were not completed by the internal audit in the previous year. Except for the rectification items related to continuous optimisation of information system, all other items have been rectified.

This year, the Board had, through the Audit Committee, reviewed the risk management and internal control systems of the Group. The Board also reviewed and ensured the adequacy of the Group's resources in accounting, internal audit and financial reporting functions, staff qualifications and experience as well as staff training courses. The Annual Self-assessment Form of Internal Controls and Risk Management (《內部控制及風險管理年度自評表》) had been dispatched to all subsidiaries, which had been collected and consolidated by the Company. Such results were assessed by the Internal Audit Department and reported to the Audit Committee, which then reviewed and reported the same to the Board. The Audit Committee and the Board were not aware of any areas of concern that would have a material impact on the financial position or operating results of the Group and considered the risk management and internal control systems to be generally adequate and effective.

REMUNERATION OF AUDITOR

For the year ended 31st December 2021, the Company paid the auditor of the Company the following fees for audit and non-audit services.

	2021 HK\$'000	2020 HK\$'000
Audit Services	2,305	2,554
Non-audit Services (including review of the interim report, continuing connected transactions, annual results announcement, tax consulting and tax compliance services)	1,002	889
	3,307	3,443

COMMUNICATION WITH SHAREHOLDERS

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

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

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

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

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

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

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

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

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

3. Enquiries to the Board

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

Address: 24th Floor, Chu Kong Shipping Tower, 143 Connaught Road Central, Hong Kong

Telephone: (852) 2859 1415

Facsimile: (852) 2186 7204

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

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

INVESTOR RELATIONS AND COMMUNICATIONS

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

During 2021, there was no amendment to the Articles of Association of the Company.

Independent Auditor's Report

**Independent auditor's report to the members of
Chu Kong Shipping Enterprises (Group) Company Limited**
(incorporated in Hong Kong with limited liability)

OPINION

We have audited the consolidated financial statements of Chu Kong Shipping Enterprises (Group) Company Limited ("the Company") and its subsidiaries ("the Group") set out on pages 85 to 178, which comprise the consolidated statement of financial position as at 31st December 2021, the consolidated statement of profit or loss, the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31st December 2021 and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the Hong Kong Companies Ordinance.

BASIS FOR OPINION

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

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

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

The Key Audit Matter	How the matter was addressed in our audit
<p>The Group has significant balances of property, plant and equipment ("PP&E"), land use rights, intangible assets and goodwill which primarily attributable to port and warehouse facilities, with an aggregated carrying value of HK\$2,787,849,000 as at 31st December 2021.</p>	<p>Our audit procedures to assess impairment of PP&E, land use rights, intangible assets and goodwill included the following:</p>
<p>Management performs impairment testing of PP&E, land use rights and intangible assets when indicators of impairment are identified. In addition, goodwill impairment assessment is performed by management annually whether or not there is any indication of impairment.</p>	<ul style="list-style-type: none"> assessing the management's evaluation of indicators of impairment, identification of CGU, the allocation of PP&E, land use rights, intangible assets and goodwill to each CGU and the methodology adopted by management in the preparation of the discounted cash flow forecasts with reference to our understanding of the Group and the requirements of prevailing accounting standards;
<p>In performing impairment assessments, management compared carrying value of each of the separately identifiable cash generating units ("CGU") with respective recoverable amount, which is estimated by preparing a discounted cash flow forecast, to determine the amount of impairment loss, if any.</p>	<ul style="list-style-type: none"> assessing the management's cash flow forecasts by comparing the key assumptions adopted by management, in particular, forecast revenue growth rates, forecast operating costs and expenses and the discount rates applied, with reference to our understanding of the Group's business and industry and available market data;
<p>The preparation of discounted cash flow forecasts involves the exercise of significant management judgement in determining the relevant inputs to the discounted cash flow forecasts and the assumptions adopted therein, including forecast revenue growth rates, forecast operating costs and expenses, and the discount rates applied.</p>	<ul style="list-style-type: none"> assessing the historical accuracy of management's forecasting process by comparing the actual results for the current year with management's forecast prepared in the previous year;

Independent Auditor's Report

Key Audit Matter	How our audit addressed the Key Audit Matter
We identified the assessment of impairment of PP&E, land use rights, intangible assets and goodwill as a key audit matter because the assessments involves significant management judgement, particularly in forecasting revenue growth rates, operating costs and expenses and in determining appropriate discount rates, all of which could be subject to management bias in their selection.	<ul style="list-style-type: none">performing sensitivity analyses on the discount rates applied and other key assumptions adopted by management to assess the impact of changes on the conclusion reached in management's impairment assessments and considering whether there were any indicators of management bias in the key assumptions adopted; andassessing the disclosures in the consolidated financial statements in respect of the impairment assessment with reference to the requirements of the prevailing accounting standards.

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

The directors are responsible for the other information. The other information comprises all the information included in the annual report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the Hong Kong Companies Ordinance and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

The directors are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. This report is made solely to you, as a body, in accordance with Section 405 of the Hong Kong Companies Ordinance, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Independent Auditor's Report

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence and, where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Lee Wai Shun, Wilson.

Certified Public Accountants

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

23rd March 2022

Consolidated Statement of Financial Position

As at 31 December 2021
(Expressed in Hong Kong dollars)

	Note	2021 HK\$'000	2020 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	6	2,173,976	2,013,501
Investment properties	8	51,946	51,734
Land use rights	9	374,052	378,265
Intangible assets	10	239,821	237,809
Investments in joint ventures	12	349,096	377,532
Investments in associates	13	107,622	121,679
Other financial asset		1,743	1,743
Deferred income tax assets	14	1,044	1,178
		3,299,300	3,183,441
Current assets			
Inventories and spare parts	15	27,134	32,356
Trade and other receivables	16	325,120	385,183
Loan to a joint venture	16	1,223	2,376
Tax recoverable		–	6,252
Structured bank deposits	17	–	238,050
Cash and cash equivalents	18	1,045,089	726,056
		1,398,566	1,390,273
Total assets		4,697,866	4,573,714
EQUITY			
Share capital	19	1,415,118	1,415,118
Reserves	20	1,815,305	1,866,484
		3,230,423	3,281,602
Non-controlling interests		320,771	349,919
Total equity		3,551,194	3,631,521

Consolidated Statement of Financial Position

As at 31 December 2021

(Expressed in Hong Kong dollars)

	Note	2021 HK\$'000	2020 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities	14	100,782	99,681
Deferred income		3,849	5,471
Lease liabilities	23	76,379	19,187
Long term borrowings	25	181,757	126,842
		362,767	251,181
Current liabilities			
Trade payables, accruals and other payables	21	434,817	479,135
Amounts due to the non-controlling interests	24	46,769	78,550
Derivative financial liabilities	22	–	3,006
Income tax payables		6,931	–
Lease liabilities	23	29,310	17,845
Short-term borrowings	25	250,000	100,000
Current portion of long-term borrowings	25	16,078	12,476
		783,905	691,012
Total liabilities		1,146,672	942,193
Total equity and liabilities		4,697,866	4,573,714
Net current assets		614,661	699,261
Total assets less current liabilities		3,913,961	3,882,702

Approved and authorised by the board of directors on 23rd March 2022

Liu Guanghui
Director

Zhou Jun
Director

The notes on pages 92 to 178 form part of these financial statements.

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	Note	2021 HK\$'000	2020 HK\$'000
Revenue	5	2,268,408	1,854,549
Cost of sales/services rendered		(2,007,156)	(1,668,423)
Gross profit		261,252	186,126
Other income	26	166,243	181,619
Other gains, net	27	4,313	3,472
General and administrative expenses		(301,035)	(290,570)
Operating profit		130,773	80,647
Finance income	29	10,051	22,337
Finance cost	29	(11,508)	(10,116)
Share of profits less losses of:			
– Joint ventures	12	(25,212)	(20,192)
– Associates	13	(9,970)	1,808
Profit before income tax		94,134	74,484
Income tax expense	30	(27,861)	(9,186)
Profit for the year		66,273	65,298
Attributable to:			
Equity holders of the Company		44,074	49,821
Non-controlling interests		22,199	15,477
		66,273	65,298
Earnings per share (HK cents)			
Basic and diluted	32	3.93	4.44

The notes on pages 92 to 178 form part of these financial statements.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	Note	2021 HK\$'000	2020 HK\$'000
Profit for the year		66,273	65,298
Other comprehensive income for the year:			
<i>Item that will not be reclassified to profit or loss</i>			
Unlisted equity security at fair value through other comprehensive income			
– change in fair value, net off HK\$nil tax effect		–	(65)
		–	(65)
<i>Items that have been reclassified or may be reclassified subsequently to profit or loss</i>			
Currency translation differences, net off HK\$nil tax effect:			
– Subsidiaries		48,496	87,648
– Joint ventures and associates		12,613	25,252
Cash flow hedges:			
Net movement in the hedging reserve, net of HK\$3,582,000 tax effect (2020: HK\$3,582,000)			
		(18,127)	18,127
Other comprehensive income for the year		42,982	130,962
Total comprehensive income for the year		109,255	196,260
Attributable to:			
Equity holders of the Company		90,225	165,197
Non-controlling interests		19,030	31,063
		109,255	196,260

The notes on pages 92 to 178 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	Attributable to owners of the Company											
	Share capital	Exchange reserve	Revaluation reserve	Capital reserve	Statutory reserves	Merger reserves	Fair value reserve (non-recycling)	Hedging reserve	Retained profits	Total	Non-controlling interests	Total equity
	(note 20(a))	(note 20(b))	(note 20(c))									
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2021	1,415,118	56,764	23,009	167,717	109,185	(871,425)	(65)	10,876	2,370,423	3,281,602	349,919	3,631,521
Profit for the year	-	-	-	-	-	-	-	-	44,074	44,074	22,199	66,273
Other comprehensive income:												
Currency translation differences												
– Subsidiaries	-	45,182	-	-	-	-	-	-	-	45,182	3,314	48,496
– Joint ventures and associates	-	11,845	-	-	-	-	-	-	-	11,845	768	12,613
Cash flow hedge: net movement in hedging reserve	-	-	-	-	-	-	-	(10,876)	-	(10,876)	(7,251)	(18,127)
Transfer of reserves	-	-	-	-	3,784	-	-	-	(3,784)	-	-	-
Total comprehensive income for the year	-	57,027	-	-	3,784	-	-	(10,876)	40,290	90,225	19,030	109,255
Transactions with owners:												
Acquisition of non-controlling interests in a subsidiary (note 36)	-	-	-	-	-	-	-	-	(118,981)	(118,981)	(33,019)	(152,000)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	-	-	(15,159)	(15,159)
2020 final dividend	-	-	-	-	-	-	-	-	(22,423)	(22,423)	-	(22,423)
At 31st December 2021	1,415,118	113,791	23,009	167,717	112,969	(871,425)	(65)	-	2,269,309	3,230,423	320,771	3,551,194

The notes on pages 92 to 178 form part of these financial statements.

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

(Expressed in Hong Kong dollars)

	Attributable to owners of the Company											
	Share capital	Exchange reserve	Revaluation reserve	Capital reserve	Statutory reserves	Merger reserves	Fair value reserve (non-recycling)	Hedging reserve	Retained profits	Total	Non-controlling interests	Total equity
	(note 20(a))	(note 20(b))	(note 20(c))									
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
At 1st January 2020	1,415,118	(47,801)	23,009	167,717	105,213	(871,425)	-	-	2,358,209	3,150,040	297,047	3,447,087
Profit for the year	-	-	-	-	-	-	-	-	49,821	49,821	15,477	65,298
Other comprehensive income:												
Currency translation differences												
- Subsidiaries	-	80,969	-	-	-	-	-	-	-	80,969	6,679	87,648
- Joint ventures and associates	-	23,596	-	-	-	-	-	-	-	23,596	1,656	25,252
Fair value change on financial asset	-	-	-	-	-	-	(65)	-	-	(65)	-	(65)
Cash flow hedge: net movement in hedging reserve	-	-	-	-	-	-	-	10,876	-	10,876	7,251	18,127
Transfer of reserves	-	-	-	-	3,972	-	-	-	(3,972)	-	-	-
Total comprehensive income for the year	-	104,565	-	-	3,972	-	(65)	10,876	45,849	165,197	31,063	196,260
Transactions with owners:												
Acquisition of a subsidiary (note 36)	-	-	-	-	-	-	-	-	-	-	26,398	26,398
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	(4,589)	(4,589)
2019 final dividend	-	-	-	-	-	-	-	-	(33,635)	(33,635)	-	(33,635)
At 31st December 2020	1,415,118	56,764	23,009	167,717	109,185	(871,425)	(65)	10,876	2,370,423	3,281,602	349,919	3,631,521

The notes on pages 92 to 178 form part of these financial statements.

Consolidated Cash Flow Statement

For the year ended 31 December 2021
(Expressed in Hong Kong dollars)

	Note	2021 HK\$'000	2020 HK\$'000
Cash flows from operating activities			
Cash generated from operations	35(a)	315,521	136,942
Hong Kong profits tax refunded/(paid)		987	(16,952)
Mainland China corporate income tax paid		(15,708)	(18,689)
Macao profits tax paid		–	(1,528)
Net cash generated from operating activities		300,800	99,773
Cash flows from investing activities			
Purchase of property, plant and equipment		(184,787)	(254,522)
Proceeds from disposal of property, plant and equipment		5,464	2,594
Payment for investment in a joint venture		–	(2,302)
Acquisition of a subsidiary, net of cash acquired		–	(163,681)
Disposal of a subsidiary, net of cash received		–	(5,040)
Acquisition of non-controlling interests of a subsidiary	36	(152,000)	–
Decrease in structured bank deposits		238,050	171,391
Receipt of loan repayment from a joint venture		1,223	2,376
Dividends received from joint ventures and associates		20,844	12,699
Interest received		10,051	22,337
Net cash used in investing activities		(61,155)	(214,148)
Cash flows from financing activities			
Dividends paid		(22,423)	(33,635)
Dividends paid to non-controlling interests		(15,159)	–
Interest paid		(7,959)	(8,627)
Capital element of lease rentals paid	35(b)	(37,671)	(21,207)
Interest element of lease rentals paid	35(b)	(3,549)	(1,489)
Repayment of bank loans	35(b)	(172,324)	(130,321)
Proceeds from new bank loans	35(b)	377,170	166,191
Repayment of amount due to the non-controlling interest	35(b)	(32,020)	(18,000)
Net cash generated from/(used in) financing activities		86,065	(47,088)
Net increase/(decrease) in cash and cash equivalents		325,710	(161,463)
Cash and cash equivalents at the beginning of the year		726,056	869,271
Effect of exchange rate changes		(6,677)	18,248
Cash and cash equivalents at the end of the year	18	1,045,089	726,056

The notes on pages 92 to 178 form part of these financial statements.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

1 GENERAL INFORMATION

Chu Kong Shipping Enterprises (Group) Company Limited (the “Company”) is a limited liability company incorporated in Hong Kong. The address of its registered office is 22nd Floor, Chu Kong Shipping Tower, 143 Connaught Road Central, Hong Kong.

The Company and its subsidiaries (collectively referred to as the “Group”) are mainly engaged in provision of management and other related services to high-speed waterway passenger transportation in Guangdong, Hong Kong and Macao; the operation and management of river trade cargo terminals in the Mainland China and Hong Kong; cargo transportation, warehousing and storage business; provision of diesel and lubricants for passenger ferries and cargo vessels in Hong Kong; provision of operation and management of facilities maintenance services for properties and so forth in Macao; and provision of ferry services and charter hire of vessels services in Hong Kong.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited.

These financial statements have been approved for issue by the board of directors of the Company on 23rd March 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all years presented, unless otherwise stated. The consolidated financial statements are for the Group consisting of Chu Kong Shipping Enterprises (Group) Company Limited and its subsidiaries.

2.1 Basis of preparation

- (i) The consolidated financial statements of the Group have been prepared in accordance with all applicable Hong Kong Financial Reporting Standards (“HKFRSs”) and requirements of the Hong Kong Companies Ordinance (“HKCO”). These financial statements also comply with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Significant accounting policies adopted by the Group are disclosed below. The consolidated financial statements have been prepared on a historical cost basis, except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:
- financial asset at fair value through other comprehensive income (see note 2.9); and
 - derivative financial instruments (see note 2.12).

The preparation of consolidated financial statements in conformity with HKFRSs require the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in note 4.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(ii) Changes in accounting policies

The HKICPA has issued the following amendments to HKFRSs that are first effective for the current account period of the Group:

- Amendment to HKFRS 16, Covid-19-Related Rent Concessions beyond 30th June 2021
- Amendment to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS16, Interest rate benchmark reform – phase 2

None of these development have had a material effect on how the Group's result and financial position for the current or prior periods have been prepared or presented. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

(iii) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31st December 2021

Up to the date of issue of these financial statements, the HKICPA has issued a number of amendments and a new standard, HKFRS 17, Insurance contracts, which are not yet effective for the year ended 31st December 2021 and which have not been adopted in these financial statements. These developments include the following which may be relevant to the Group.

	Effective for accounting periods beginning on or after
Amendments to HKFRS 3, <i>Reference to the Conceptual Framework</i>	1st January 2022
Amendments to HKAS 16, <i>Property, plant and equipment: Proceeds before intended use</i>	1st January 2022
Amendments to HKAS 37, <i>Onerous - cost of fulfilling a contract</i>	1st January 2022
Annual Improvements to HKFRSs 2018-2020 Cycle	1st January 2022
Amendments to HKAS 1, <i>Classification of liabilities as current or non-current</i>	1st January 2023
Amendments to HKAS 1 and HKFRS Practice Statement 2, <i>Disclosure of accounting policies</i>	1st January 2023
Amendments to HKAS 8, <i>Definition of accounting estimates</i>	1st January 2023
Amendments to HKAS 12, <i>Deferred tax related to assets and liabilities arising from a single transaction</i>	1st January 2023

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

(iii) Possible impact of amendments, new standards and interpretations issued but not yet effective for the year ended 31st December 2021 (Continued)

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

2.2 Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of financial position respectively.

(ii) Associates

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

(iii) Joint ventures

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (Continued)

(iv) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its joint ventures and associate are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2.10.

(v) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Company.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRS.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Principles of consolidation and equity accounting (Continued)

(v) Changes in ownership interests (Continued)

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

2.3 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment (see note 2.10). Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend received and receivable.

2.4 Foreign currency translation

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Hong Kong dollars (HK\$), which is the Company's functional currency and the Group's presentation currency.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, Plant and equipment

(i) Construction in progress

Construction in progress represents warehouse, vessels and barges or other property, plant and equipment under construction which is carried at cost less any accumulated impairment losses.

Construction in progress includes construction expenditure incurred, borrowing costs and other direct costs attributable to the construction. On completion, the construction in progress is transferred to appropriate categories of property, plant and equipment. No depreciation is provided for construction in progress.

(ii) Property, plant and equipment

Property, plant and equipment, including right-of-use assets arising from leases over leasehold properties where the Group is not the registered owner of the property interest and right-of-use assets arising from leases of underlying plant and equipment (see note 2.23), are stated at historical cost less accumulated depreciation and impairment losses.

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

Buildings	20 - 50 years
Leasehold improvements	5 - 8 years
Plant and machinery	4 - 15 years
Furniture, fixtures and equipment	3 - 8 years
Motor vehicles	3 - 8 years
Containers	4 - 8 years
Vessels and barges	3 - 15 years
Other properties leased for own use	Over the lease term

Major costs incurred in restoring the property, plant and equipment to their normal working condition are charged to the profit or loss. Improvements are capitalised and depreciated over their expected useful lives.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, Plant and equipment (Continued)

(ii) Property, plant and equipment (Continued)

Vessel repairs and survey costs are charged as operating expenses as they are incurred. Vessel component costs include the cost of major components which are usually replaced or renewed at dry-dockings. Dry-docking costs of vessel and the costs incurred in replacing or renewing the separate assets are capitalised and depreciated over the period to the next estimated dry-dock date.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts of the assets and are recognised within 'other gains - net', in the profit or loss.

2.6 Investment properties

Investment properties are land and/or buildings which are owned or held under a leasehold interest (see note 2.23) to earn rental income and/or for capital appreciation.

Investment properties are stated at historical cost less accumulated depreciation and impairment. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Depreciation on investment properties is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives of 20 to 50 years. Rental income from investment properties is accounted for as described in note 2.21.

2.7 Land use rights

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets

(i) Goodwill

Goodwill arises on the acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identified net assets acquired.

For the purpose of impairment testing, goodwill acquired in a business combination is allocated to each of the cash-generating units ("CGUs"), or groups of CGUs, that is expected to benefit from the synergies of the combination. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Goodwill impairment reviews are undertaken annually or more frequently if events or changes in circumstances indicate a potential impairment. The carrying value of goodwill is compared to the recoverable amount, which is the higher of value in use and the fair value less costs of sale. Any impairment is recognised immediately as an expense and is not subsequently reversed.

(ii) Software

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

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Intangible assets (Continued)

(ii) Software (Continued)

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

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

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

2.9 Financial assets

(i) Classification

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

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

(ii) Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Loans and receivables are subsequently carried at amortised cost using the effective interest method less allowance for credit losses.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Impairment of investments in subsidiaries, joint ventures, associates and non-financial assets

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

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

2.11 Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business when the Group has an unconditional right to receive consideration. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables that do not contain a significant financing component are initially measured at their transaction price. Trade receivables that contain a significant financing component and other receivables are initially measured at fair value plus transaction costs. All receivables are subsequently stated at amortised cost using the effective interest method and including allowance for credit losses.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Trade and other receivables (Continued)

The Group assess on a forward-looking basis the expected credit loss associated. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applied the simplified approach permitted by HKFRS 9, which requires expected credit losses to be recognised from initial recognition of the receivables. Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit loss, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in other operating expenses in the statement of profit or loss. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amount previously written off are credited against other operating expenses in the consolidated statement of profit or loss.

2.12 Derivative financial instruments

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

2.13 Hedging

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Hedging (Continued)

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

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

2.14 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Cash and cash equivalents are assessed for expected credit losses.

2.15 Share capital

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

2.16 Trade payables, accruals and other payables

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

They are recognised initially at fair value and subsequently stated at amortised cost unless the effect of discounting would be immaterial, in which case they are stated at invoice amounts.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets which necessarily takes a substantial period of time to be ready for their intended use or sale, are capitalised as part of the cost of the assets, until such time as the assets are substantially ready for their intended use or sale. All other borrowing costs are charged to the profit or loss in the financial period in which they are incurred.

2.18 Current and deferred income tax

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

(i) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the Group's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 Current and deferred income tax (Continued)

(ii) Deferred income tax

Deferred income tax is provided on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only if it is probable that future taxable amount will be available to utilise those temporary differences and losses.

Deferred tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

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

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee benefits

(i) Employee leave entitlements

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

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

(ii) Retirement benefit obligations

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

(iii) Bonus entitlements

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

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

(iv) Termination benefits

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Provisions

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

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

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

2.21 Revenue and other income

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

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

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

(i) Cargo transportation

Revenues from the rendering of services in river trade cargo direct shipment and transshipment are recognised in the financial period in which the services are rendered.

(ii) Cargo handling and storage

Revenues from the rendering of services in river trade wharf cargo handling, cargo consolidation and godown storage and container hauling and trucking are recognised in the financial period in which the services are rendered.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue and other income (Continued)

(iii) Passenger transportation agency service

Revenues from passenger transportation agency services are recognised based on net agency fee upon departure of ferries at terminals.

(iv) Ferry terminal operation service

Revenues from ferry terminal operation service are recognised based on net ferry terminal operation service fee upon departure of ferries at terminals.

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

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

(vi) Management service

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

(vii) Travel agency service

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

(viii) Interest income

Interest income is recognised using the effective interest method.

(ix) Dividend income

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

(x) Rental income and charter hire income

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Revenue and other income (Continued)

(xi) Oil trading

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

(xii) Marine bunkering services

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

(xiii) Advertising income

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

2.22 Earning per share

(i) Basic earnings per share

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

(ii) Diluted earnings per share

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

- the after income tax effect of interest and other financing costs associated with dilutive potential ordinary shares, and
- the weighted average number of additional ordinary shares that would have been outstanding assuming the conversion of all dilutive potential ordinary shares.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leased assets

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

(i) As a lessee

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leased assets (Continued)

(i) As a lessee (Continued)

The initial fair value of refundable rental deposits is accounted for separately from the right-of-use assets and subsequently stated at amortised cost. Any difference between the initial fair value and the nominal value of the deposits is accounted for as additional lease payments made and is included in the cost of right-of-use assets.

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

The lease liability is also remeasured when there is a change in the scope of a lease or the consideration for a lease that is not originally provided for in the lease contract ("lease modification") that is not accounted for as a separate lease. In this case the lease liability is remeasured based on the revised lease payments and lease term using a revised discount rate at the effective date of the modification. The only exceptions are rent concessions that occurred as a direct consequence of the COVID-19 pandemic and met the conditions set out in paragraph 46B of HKFRS 16 Leases. In such cases, the Group has taken advantage of the practical expedient not to assess whether the rent concessions are lease modifications, and recognised the change in consideration as negative variable lease payments in profit or loss in the period in which the event or condition that triggers the rent concessions occurred.

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Leased assets (Continued)

(ii) As a lessor

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

The rental income from operating leases is recognised in accordance with note 2.21.

2.24 Dividend distribution

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

2.25 Government grants

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

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to property, plant and equipment are included in non-current liabilities as deferred government grants and are credited to the profit or loss on a straight-line basis over the expected lives of the related assets.

2.26 Provision and contingent liabilities

Provisions are recognised when the group has a legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditure expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, a separate asset is recognised for any expected reimbursement that would be virtually certain. The amount recognised for the reimbursement is limited to the carrying amount of the provision.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 Inventories and spare parts

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

2.28 Segment reporting

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

3.1 FINANCIAL RISK FACTORS

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk, liquidity risk and fuel pricing risk. The Group's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

(a) Market risk

(i) Foreign exchange risk

The Group mainly operates in Hong Kong and the People Republic of China ("PRC") and is exposed to foreign exchange risk primarily through sales and purchases which give rise to receivables, payables and cash balances that are denominated in a foreign currency, i.e. a currency other than the functional currency of the operations to which the transactions relate. The currencies giving rise to this risk are Renminbi, Hong Kong dollar and United States dollar. The Group continuously monitors its foreign currency position and will consider hedging significant foreign currency exposure by using foreign exchange forward contracts when the need arises.

The Group has certain investments in foreign operations, whose net assets are exposed to foreign currency translation risk. Currency exposure arising from the net assets of the Group's foreign operations is managed primarily through borrowings denominated in the relevant foreign currencies.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

At 31st December 2021, if Hong Kong dollar had weakened or strengthened by 5% against the Renminbi with all other variables held constant, profit after income tax for the year of the Group would have been HK\$1,958,000 (2020: HK\$4,037,000) higher or lower respectively, mainly as a result of foreign exchange gains on translation of bank balances, receivable and payable balances denominated in a foreign currency.

Under the Linked Exchange Rate System in Hong Kong, Hong Kong dollar is pegged to the United States dollar. Therefore the Group does not expose to significant foreign exchange risk in respect of its assets and liabilities denominated in United State dollar.

(ii) Interest rate risk

The Group's loan to a joint venture, amount due to the non-controlling interest, bank balances and bank borrowings bear interest at floating rates which expose the Group to cash flow interest rate risk. The Group's exposure to these risks and the financial risk management policies and practices used by the Group to manage these risks are described below.

At 31st December 2021, if interest rates on financial assets had been 50 basis points higher or lower with all other variables held constant, profit after income tax and retained profits for the year of the Group would have been HK\$4,368,000 (2020: HK\$3,934,000) higher or lower respectively, mainly as a result of higher or lower finance income from floating rate loan to a joint venture and structured bank deposits and bank balances.

At 31st December 2021, if interest rates on financial liabilities had been 50 basis points higher or lower with all other variables held constant, profit after income tax for the year of the Group would have been HK\$597,000 (2020: HK\$978,000) lower or higher respectively mainly as a result of higher or lower finance cost from floating rate bank borrowings and amounts due to the non-controlling interests.

The Group currently does not have a hedging policy on interest rate exposure. However, management monitors interest rate exposure and will consider hedging significant interest rate exposure if necessary.

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations, resulting in a financial loss to the Group. The Group's credit risk is primarily attributable to trade and other receivables, cash and cash equivalents and loan to a joint venture.

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

For cash and cash equivalents, a substantial portion of the Group's bank balances and deposits were placed with PRC state owned banks which have sound credit ratings. Management considers the credit risk is low.

(i) Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer rather than the industry or country in which the customers operate and therefore significant concentrations of credit risk primarily arise when the Group has significant exposure to individual customers. There is no concentration of credit risk with respect to trade and other receivables as the Group has a large number of customers which are widely dispersed. No individual third party customers accounted for more than 10% of the Group's revenue.

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

The Group measures loss allowances for trade and other receivables at an amount equal to lifetime expected credit losses, which is calculated using a provision matrix. As the Group's historical credit loss experience does not indicate significantly different loss patterns for different customer segments, the loss allowance based on past due status is not further distinguished between the Group's different customer bases. The Group considered that there is no significant loss allowance recognised in accordance with HKFRS 9 as at 31st December 2021 and 31st December 2020, and no expected credit loss rate has therefore been disclosed.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(b) Credit risk (Continued)

(i) Trade and other receivables (Continued)

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

	2021 HK\$'000	2020 HK\$'000
Balance at 1st January	4,157	4,952
Amounts written off during the year	(3,051)	–
Reversal for impairment	(301)	(795)
Impairment losses recognised during the year	1,364	–
Balance at 31st December	2,169	4,157

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

Loan to a joint venture is granted taken into account of their financial position, past experience and other factors. The Group monitors the credibility of the joint venture continuously by monitoring the operation and financial position of the joint venture and considers that the credit risk arising from the loan is insignificant.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities. The Group aims to maintain flexibility in funding by maintaining available committed credit lines.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

3.1 FINANCIAL RISK FACTORS (CONTINUED)

(c) Liquidity risk (Continued)

The table below analyses the Group's financial liabilities which will be settled into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Less than 1 year HK\$'000	Between 1 and 2 years HK\$'000	Between 2 and 5 years HK\$'000	Over 5 years HK\$'000	Total HK\$'000	Carrying amount HK\$'000
At 31st December 2021						
Bank borrowings	292,866	26,705	85,479	102,830	507,880	447,835
Amounts due to the non-controlling interests	46,769	-	-	-	46,769	46,769
Lease liabilities	31,859	31,034	37,160	13,117	113,170	105,689
Trade payables, accruals and other payables	419,611	-	-	-	419,611	419,611
At 31st December 2020						
Bank borrowings	122,354	20,268	69,524	54,379	266,525	239,318
Amounts due to the non-controlling interests	78,976	-	-	-	78,976	78,550
Derivative financial liabilities	3,006	-	-	-	3,006	3,006
Lease liabilities	18,717	14,716	4,892	-	38,325	37,032
Trade payables, accruals and other payables	458,628	-	-	-	458,628	458,628

3.2 CAPITAL RISK MANAGEMENT

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

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

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

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

3.3 FAIR VALUE ESTIMATION

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

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

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

- Level 1: Quoted prices (unadjusted) in active market for identical assets and liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

At 31st December 2021 and 31st December 2020, the financial assets at fair value through other comprehensive income of the Group were categorised Level 3 and the fair values were summarised as follows:

	2021			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Assets				
Financial asset at FVOCI	–	–	1,743	1,743

	2020			Total HK\$'000
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	
Assets				
Financial asset at FVOCI	–	–	1,743	1,743

During the year ended 31st December 2021 and 2020, there were no transfers between the levels.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal to the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities in future financial periods are stated below.

(i) Impairment assessment of property, plant and equipment, land use rights, intangible assets and goodwill

The Group's property, plant and equipment, land use rights, intangible assets and goodwill amounted to HK\$2,787,849,000 as at 31st December 2021. Management has performed impairment assessment on these assets based on the policies set out below.

The Group tests annually whether goodwill has suffered any impairment, in accordance with the accounting policy stated in note 2.8. Determining whether goodwill is impaired requires an estimation of the recoverable amounts of CGUs to which goodwill has been allocated. The recoverable amounts of CGUs have been determined based on value-in-use calculations.

According to the accounting policies stated in note 2.10, property, plant and equipment and land use rights are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Management judgement is required in the area of asset impairment particularly in assessing (i) whether any events including changes in government policies has occurred that may indicate that the related asset value may not be recoverable; (ii) whether the carrying value of an asset can be supported by the recoverable amount, being the higher of fair value less costs of sale or net present value of future cash flows which are estimated based upon the continued use of the asset in the business; and (iii) the appropriate key assumptions to be applied in preparing cash flow projections including revenue growth rates and discount rates.

The key assumptions applied in the cash flow projections of value-in-use calculations are revenue growth rates and discount rates and are set out in note 10.

(ii) Loss allowance for trade and other receivables

Management measures the loss allowance for expected credit losses of trade and other receivables based on the credit history of its customers, the current market situation and forecasts of future economic conditions. Management will reassess the estimations at each balance sheet date.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

5 REVENUE AND SEGMENT INFORMATION

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

	2021 HK\$'000	2020 HK\$'000
Revenue from contracts with customers within the scope of HKFRS 15		
Cargo transportation	1,499,058	1,197,322
Cargo handling and storage	407,852	328,623
Passenger transportation	273,664	161,854
Fuel supply	71,111	86,306
Corporate and other businesses	16,723	80,444
	2,268,408	1,854,549

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 and provision of ferry services and charter hire of vessels services
- (iv) Fuel supply - Oil trading and marine bunkering service
- (v) Corporate and other businesses - Investment holding, ferry terminal management services and other businesses

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

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

	Cargo transportation HK\$'000	Cargo handling and storage HK\$'000	Passenger transportation HK\$'000	Fuel supply HK\$'000	Corporate and other businesses HK\$'000	Total HK\$'000
Year ended 31st December 2021						
Total revenue	1,594,866	559,199	273,664	165,598	33,077	2,626,404
Inter-segment revenue	(95,808)	(151,347)	-	(94,487)	(16,354)	(357,996)
Revenue (from external customers)	1,499,058	407,852	273,664	71,111	16,723	2,268,408
Timing of revenue recognition						
At a point in time	-	-	-	71,111	589	71,700
Over time	1,499,058	407,852	273,664	-	16,134	2,196,708
	1,499,058	407,852	273,664	71,111	16,723	2,268,408
Segment profit/(loss) before						
income tax expense	26,445	59,682	(39,498)	(6,011)	53,516	94,134
Income tax expense	(2,735)	(16,580)	(2,936)	(28)	(5,582)	(27,861)
Segment profit/(loss) after						
income tax expense	23,710	43,102	(42,434)	(6,039)	47,934	66,273
Segment profit/(loss) before						
income tax expense includes:						
Finance income	519	930	76	7	8,519	10,051
Finance cost	(852)	(8,166)	(1,494)	(10)	(986)	(11,508)
Depreciation and amortisation	(12,990)	(112,638)	(30,454)	(3,210)	(7,617)	(166,909)
Share of profits less losses of:						
Joint ventures	3,828	999	(30,039)	-	-	(25,212)
Associates	-	4,860	(14,830)	-	-	(9,970)

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Cargo transportation HK\$'000	Cargo handling and storage HK\$'000	Passenger transportation HK\$'000	Fuel supply HK\$'000	Corporate and other businesses HK\$'000	Total HK\$'000
Year ended 31st December 2020						
Total revenue	1,298,528	471,848	161,854	126,506	96,248	2,154,984
Inter-segment revenue	(101,206)	(143,225)	–	(40,200)	(15,804)	(300,435)
Revenue (from external customers)	1,197,322	328,623	161,854	86,306	80,444	1,854,549
Timing of revenue recognition						
At a point in time	–	–	2,066	86,306	820	89,192
Over time	1,197,322	328,623	159,788	–	79,624	1,765,357
	1,197,322	328,623	161,854	86,306	80,444	1,854,549
Segment profit/(loss) before						
income tax expense	39,282	37,599	(30,906)	(8,240)	36,749	74,484
Income tax (expense)/credit	(3,257)	(11,526)	1,969	463	3,165	(9,186)
Segment profit/(loss) after						
income tax expense	36,025	26,073	(28,937)	(7,777)	39,914	65,298
Segment profit/(loss) before						
income tax expense includes:						
Finance income	429	108	429	209	21,162	22,337
Finance cost	(1,219)	(7,255)	(578)	(35)	(1,029)	(10,116)
Depreciation and amortisation	(13,150)	(109,398)	(19,335)	(3,028)	(8,781)	(153,692)
Share of profits less losses of:						
Joint ventures	5,595	8,106	(33,893)	–	–	(20,192)
Associates	–	6,000	(4,192)	–	–	1,808

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

	Cargo transportation HK\$'000	Cargo handling and storage HK\$'000	Passenger transportation HK\$'000	Fuel supply HK\$'000	Corporate and other businesses HK\$'000	Inter segment elimination HK\$'000	Total HK\$'000
As at 31st December 2021							
Total segment assets	555,776	2,757,458	902,893	132,475	1,949,477	(1,600,213)	4,697,866
Total segment assets include:							
– Joint ventures	42,151	133,411	173,534	–	–	–	349,096
– Associates	–	45,969	61,653	–	–	–	107,622
Additions to non-current assets (excluding deferred income tax assets)							
	4,429	161,711	53,733	23,129	6,832	–	249,834
Total segment liabilities	(391,473)	(815,779)	(291,624)	(47,656)	(1,200,353)	1,600,213	(1,146,672)

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

5 REVENUE AND SEGMENT INFORMATION (CONTINUED)

Geographical analysis

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

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

	2021 HK\$'000	2020 HK\$'000
Non-current assets excluding joint ventures and associates, other financial asset and deferred income tax assets		
Hong Kong	1,393,968	1,339,860
Mainland China	1,445,827	1,341,449
	2,839,795	2,681,309
Joint ventures and associates		
Hong Kong	44,306	60,623
Singapore	19,399	16,968
Mainland China	393,013	421,620
	456,718	499,211
Other financial asset	1,743	1,743
Deferred income tax assets	1,044	1,178
	3,299,300	3,183,441

Notes to the Financial Statements
(Expressed in Hong Kong dollars unless otherwise indicated)

6 PROPERTY, PLANT AND EQUIPMENT

	Ownership interest in leasehold land and buildings HK\$'000	Other properties leased for own use HK\$'000	Construction in progress HK\$'000	Leasehold improvements HK\$'000	Plant and machinery HK\$'000	Furniture, fixtures and equipment HK\$'000	Motor vehicles HK\$'000	Containers HK\$'000	Vessels and barges HK\$'000	Total HK\$'000
Cost										
At 1st January 2021	1,767,190	83,119	296,619	74,062	479,820	73,735	55,314	17,642	183,605	3,031,106
Exchange differences	28,888	586	565	928	12,236	1,000	749	15	—	44,967
Additions	15,768	18,122	107,104	9,360	33,113	3,075	12,758	1,359	46,535	247,194
Transfer	1,745	—	(52,628)	1,512	515	—	—	—	48,856	—
Lease modification	—	52,684	—	—	—	—	—	—	—	52,684
Disposals/write-off	(1,255)	(57,189)	—	(2,856)	(11,476)	(5,577)	(5,557)	(534)	(5,923)	(90,367)
At 31st December 2021	1,812,336	97,322	351,660	83,006	514,208	72,233	63,264	18,482	273,073	3,285,584
Accumulated depreciation and impairment										
At 1st January 2021	440,625	47,737	—	45,660	302,756	59,089	44,792	14,633	62,313	1,017,605
Exchange differences	6,881	209	—	470	8,273	812	402	11	—	17,058
Charge for the year	44,229	26,814	—	10,913	37,574	6,643	3,350	847	21,676	152,046
Write back on disposal/write-off	(1,255)	(45,881)	—	(2,856)	(10,516)	(5,478)	(5,500)	(527)	(5,923)	(77,936)
Impairment	—	—	—	—	2,835	—	—	—	—	2,835
At 31st December 2021	490,480	28,879	—	54,187	340,922	61,066	43,044	14,964	78,066	1,111,608
Net book value										
At 31st December 2021	1,321,856	68,443	351,660	28,819	173,286	11,167	20,220	3,518	195,007	2,173,976

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

6 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Ownership interest in leasehold land and buildings	Other properties leased for own use	Construction in progress	Leasehold improvements	Plant and machinery	Furniture, fixtures and equipment	Motor vehicles	Containers	Vessels and barges	Total
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Cost										
At 1st January 2020	1,674,277	72,811	130,415	64,548	454,778	67,832	55,659	17,931	77,202	2,615,453
Exchange differences	58,571	667	1,810	1,452	24,776	2,051	1,268	29	—	90,624
Additions through acquisition of a subsidiary	—	4,196	—	5	4,168	2,590	201	—	86,147	97,307
Additions	3,039	5,445	213,197	7,788	20,733	1,763	2,624	10	5,368	259,967
Transfer	30,039	—	(48,808)	269	2,411	301	22	—	15,766	—
Transfer to intangible asset	(172)	—	—	—	—	—	—	—	—	(172)
Transfer from investment properties	1,641	—	—	—	—	—	—	—	—	1,641
Disposals/write-off	(205)	—	5	—	(27,046)	(802)	(4,460)	(328)	(878)	(33,714)
At 31st December 2020	1,767,190	83,119	296,619	74,062	479,820	73,735	55,314	17,642	183,605	3,031,106
Accumulated depreciation and impairment										
At 1st January 2020	390,871	23,456	—	37,002	268,782	51,660	45,360	13,928	50,496	881,555
Exchange differences	10,542	495	—	612	16,297	1,552	841	19	—	30,358
Charge for the year	38,746	23,786	—	8,046	43,733	6,617	2,852	949	12,695	137,424
Transfer from investment properties	478	—	—	—	—	—	—	—	—	478
Write back on disposal/write off	(12)	—	—	—	(26,056)	(740)	(4,261)	(263)	(878)	(32,210)
At 31st December 2020	440,625	47,737	—	45,660	302,756	59,089	44,792	14,633	62,313	1,017,605
Net book value										
At 31st December 2020	1,326,565	35,382	296,619	28,402	177,064	14,646	10,522	3,009	121,292	2,013,501

Property, plant and equipment of the Group with net book value amounting to HK\$155,704,000 (2020: HK\$159,958,000) have been pledged as securities for the bank loans of the Group (note 25).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

7 RIGHT-OF-USE ASSETS

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

	Note	2021 HK\$'000	2020 HK\$'000
Ownership interests in leasehold land and buildings with remaining lease term of:	7(i)		
– Between 10 and 50 years		1,230,575	1,233,915
– 50 years or more		91,281	92,650
		1,321,856	1,326,565
Other properties leased for own use	7(ii)	68,443	35,382
		1,390,299	1,361,947
Land use rights	7(i) & 9	374,052	378,265
Ownership interests in leasehold investment property with remaining lease term of:	8		
– 50 years or more		48,731	48,531
– Between 10 and 50 years		3,215	3,203
Vessels and barges		33,214	–
		1,849,511	1,791,946

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

	2021 HK\$'000	2020 HK\$'000
Depreciation charge of right-of-use assets by class of underlying asset:		
Ownership interests in leasehold land and buildings	44,229	38,746
Other properties leased for own use	26,814	23,786
Land use rights	11,787	11,215
Ownership interests in leasehold investment property	1,306	3,518
Vessels and barges	11,071	–
	95,207	77,265
Interest on lease liabilities (note 29)	3,549	1,489
Expense relating to short-term leases	144,910	137,188
COVID-19-related rent concessions received	–	(1,975)

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

7 RIGHT-OF-USE ASSETS (CONTINUED)

During the year, additions to right-of-use assets were HK\$130,859,000 (2020: HK\$12,680,000). This amount includes addition to the vessels and barges of HK\$44,285,000 (2020: HK\$nil), and the remainder primarily related to the capitalised lease payments payable under new tenancy agreements.

Details of total cash outflow for leases and the maturity analysis of lease liabilities are set out in notes 35(c) and 23, respectively.

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

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

(ii) Other properties leased for own use

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

(iii) Vessels and barges

The Group has obtained the right to use of vessels to provide passenger transportation services. The leases typically run for an initial period of 3 to 5 years.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

8 INVESTMENT PROPERTIES

	2021 HK\$'000	2020 HK\$'000
Cost:		
At 1st January	58,406	34,786
Exchange difference	1,714	2,734
Transfer from land use rights	–	22,527
Transfer to property, plant and equipment	–	(1,641)
At 31st December	60,120	58,406
Accumulated depreciation:		
At 1st January	6,672	1,193
Exchange difference	196	216
Charge for the year	1,306	1,083
Transfer from land use rights	–	4,658
Transfer to property, plant and equipment	–	(478)
At 31st December	8,174	6,672
Closing net book value as at 31st December	51,946	51,734

The fair value of the Group's investment properties was appraised at HK\$106,438,000 as at 31st December 2021 (2020: HK\$103,403,000).

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

Investment properties of the Group with net book value amounting to HK\$39,078,000 (2020: HK\$38,598,000) have been pledged as securities for the bank loans of the Group (note 25).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

8 INVESTMENT PROPERTIES (CONTINUED)

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

	2021 HK\$'000	2020 HK\$'000
Within 1 year	6,488	6,752
After 1 year but within 5 years	23,591	24,121
Over 5 years	4,018	8,442
	34,097	39,315

9 LAND USE RIGHTS

	2021 HK\$'000	2020 HK\$'000
Opening net book value as at 1st January	378,265	385,927
Exchange differences	7,574	21,422
Transfer to investment properties	–	(17,869)
Amortisation	(11,787)	(11,215)
Closing net book value as at 31st December	374,052	378,265

Land use rights of the Group with net book value amounting to HK\$133,728,000 (2020: HK\$135,549,000) have been pledged as securities for the bank loans of the Group (note 25).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

10 INTANGIBLE ASSETS

	Goodwill	Software	Total
	HK\$'000	HK\$'000	HK\$'000
Cost:			
At 1st January 2020	35,306	11,846	47,152
Exchange differences	2,275	126	2,401
Transfer from property, plant and equipments	–	172	172
Additions through acquisition of a subsidiary (note 36)	193,202	–	193,202
At 31st December 2020	230,783	12,144	242,927
At 1st January 2021	230,783	12,144	242,927
Exchange differences	1,103	73	1,176
Additions	–	2,640	2,640
At 31st December 2021	231,886	14,857	246,743
Accumulated amortisation:			
At 1st January 2020	–	3,540	3,540
Exchange differences	–	43	43
Charge for the year	–	1,535	1,535
At 31st December 2020	–	5,118	5,118
At 1st January 2021	–	5,118	5,118
Exchange differences	–	34	34
Charge for the year	–	1,770	1,770
At 31st December 2021	–	6,922	6,922
Net book value:			
At 31st December 2021	231,886	7,935	239,821
At 31st December 2020	230,783	7,026	237,809

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

10 INTANGIBLE ASSETS (CONTINUED)

Impairment tests for cash-generating units containing goodwill

Goodwill arose from the acquisitions of Chu Kong Cargo Terminals (Gaoming) Co., Ltd., Zhaoqing New Port Co., Ltd., Civet (Zhuhai Bonded Area) Logistics Company Limited and Sun Ferry Services Company Limited.

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

	2021 HK\$'000	2020 HK\$'000
Sun Ferry Services Company Limited	193,202	193,202
Other CGUs without significant goodwill	38,684	37,581
	231,886	230,783

Sun Ferry Services Company Limited

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

	2021	2020
Long term growth rate	3%	3%
Discount rates	8%	8%

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(Expressed in Hong Kong dollars unless otherwise indicated)

11 SUBSIDIARIES

(a) Details of the subsidiaries as at 31st December 2021 are as follows:

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held
Directly-held subsidiaries				
Chu Kong Agency Company Limited	Hong Kong	Shipping agency and freight forwarding agency in Hong Kong	100 ordinary shares 100,000 deferred shares (Note (b))	100%
Chu Kong Container Transportation Company Limited	Hong Kong	Container and cargo transportation and towing in Hong Kong	100 ordinary shares 10,000 deferred shares (Note (b))	100%
Chu Kong (Guangdong) International Freight Forwarding Co., Ltd.	PRC, limited liability company	Shipping agency and freight forwarding agency in the PRC	RMB22,660,000	75%
Chu Kong High-Speed Ferry Company Limited	Hong Kong	Management of ships in Hong Kong	10,000 ordinary shares	100%
Chu Kong Godown Wharf & Transportation Company Limited	Hong Kong	Godown and wharf operations in Hong Kong	100 ordinary shares 1,000,000 deferred shares (Note (b))	100%
Chu Kong River Trade Terminal Co., Ltd.	British Virgin Islands	Investment holding in the PRC entities in Hong Kong	100 ordinary shares of US\$1 each	80%

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(Expressed in Hong Kong dollars unless otherwise indicated)

11 SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries as at 31st December 2021 are as follows: (Continued)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held
Directly-held subsidiaries (Continued)				
Chu Kong Transhipment & Logistics Company Limited	Hong Kong	Transhipment and transportation in Hong Kong	100 ordinary shares 100,000 deferred shares (Note (b))	100%
Chu Kong Transportation (H.K.) Limited	Hong Kong	Wharf cargo handling and transportation in Hong Kong	100 ordinary shares 100,000 deferred shares (Note (b))	100%
Chu Kong Warehouse Properties Co., Ltd.	British Virgin Islands	Property holding in Hong Kong	100 ordinary shares of US\$1 each 9,900 preferred shares of US\$1 each (Note (c))	100%
Chu Kong Passenger Transport Company Limited	Hong Kong	Provision of agency services and management of ships in Hong Kong	300,000 ordinary shares	100%
Sun Kong Petroleum Company Limited	Hong Kong	Oil trading and marine bunkering services in Hong Kong	200,000 ordinary shares	100%

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(Expressed in Hong Kong dollars unless otherwise indicated)

11 SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries as at 31st December 2021 are as follows: (Continued)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held
Directly-held subsidiaries (Continued)				
Cotai Chu Kong Shipping Management Service Company Limited	Hong Kong	Provision of tour operation services in Hong Kong	10,000 ordinary shares	100%
Chu Ou Engineering And Technologies Company Limited	Macao	Provision of passenger services and maintenance services at Macao Maritime Ferry Terminal	MOP50,000	100%
Sun Ferry Services Company Limited	Hong Kong	Provision of passenger services	1,000 ordinary shares	100%
CKS Container Terminal (Zhuhai Doumen) Co., Ltd.	PRC, limited liability company	Cargo transportation and consolidation in the PRC	RMB73,000,000	100%
Chu Kong Shipping (Guangdong) Logistics Co., Ltd.	PRC, limited liability company	Provision of logistics services in the PRC	RMB10,000,000	100%
Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd.	PRC, limited liability company	Provision of logistics services in the PRC	US\$6,000,000	100%

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

11 SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries as at 31st December 2021 are as follows: (Continued)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held
Directly-held subsidiaries (Continued)				
Zhongshan City Huangpu Port Cargo and Container Terminal Co., Ltd.	PRC, limited liability company	Cargo handling and transportation in the PRC	RMB115,700,000	80%
Zhaoqing New Port Co., Ltd.	PRC, limited liability company	Cargo handling and transportation in the PRC	RMB170,129,600	100%
Zhaoqing Chu Kong Logistics (Sihui) Co., Ltd.	PRC, limited liability company	Cargo handling and transportation in the PRC	US\$4,000,000	100%
Guangdong Digital Port & Shipping Technology Co., Ltd (formerly known as Guangzhou Pintu Internet Company Limited)	PRC, limited liability company	Information technology service	RMB10,000,000	70%

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

11 SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries as at 31st December 2021 are as follows: (Continued)

Name	Place of incorporation	Principal activities and place of operation	Particulars of issued/paid up capital	Interest held
Indirectly-held subsidiaries				
Chu Kong International Airfreight Company Limited	Hong Kong	Freight forwarding agency in Hong Kong	10,000 ordinary shares	100%
Ever Sky Transportation Limited	Hong Kong	Wharf cargo handling in Hong Kong	10,000 ordinary shares	100%
Chu Kong High-Speed Ferry Management (Macao) Co., Limited	Macao	Management of ships in Macao	MOP25,000	100%
Chu Kong Cargo Terminals (Qingyuan) Co., Ltd.	PRC, limited liability company	Wharf cargo handling in the PRC	RMB27,460,000	72%
Chu Kong Cargo Terminals (Gaoming) Co., Ltd.	PRC, limited liability company	Cargo transportation and consolidation in the PRC	RMB74,969,730	78.22%
Chu Kong Cargo Terminals (Kangzhou) Co., Ltd.	PRC, limited liability company	Cargo handling and transportation in the PRC	RMB35,860,000	80%
Shenzhen Zhu Chuan International Freight Forwarding Co., Ltd.	PRC, limited liability company	Freight forwarding agency in the PRC	US\$1,000,000	87.25%
Chu Kong (Guangdong) International Shipping Agency Co., Ltd.	PRC, limited liability company	Shipping agency in the PRC	RMB3,000,000	67.5%
Civet (Zhuhai Bonded Area) Logistics Company Limited	PRC, limited liability company	Cargo handling and transportation in the PRC	HK\$246,000,000	47.04%

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

11 SUBSIDIARIES (CONTINUED)

- (b) The holders of the deferred shares of respective subsidiaries are entitled to minimal rights as to dividends and returns of capital, but are not entitled to share the subsidiary's profits, to attend or vote at any general meeting of the subsidiary or to have the rights which are vested in the holding of the ordinary shares. These deferred shares are held by the Company or the holding company of the Company.
- (c) The holders of the preferred shares have a non-cumulative preferential right to the profit of the subsidiary at 8% of the nominal amount of the share capital of that subsidiary, but are not entitled to receive notice of or to attend or vote at any meeting of members or directors. The preferred shares are held by the holding company of the Company.
- (d) The following table lists out the information relating to Civet (Zhuhai Bonded Area) Logistics Company Limited ("Civet"), a subsidiary of the Group which has material non-controlling interests ("NCI"). The summarised financial information presented below represents the amounts before any inter-company elimination.

	Civet	
	2021 HK\$'000	2020 HK\$'000
NCI percentage	53%	53%
Current assets	24,843	32,054
Non-current assets	325,142	329,438
Current liabilities	(36,802)	(122,221)
Non-current liabilities	(128,425)	(59,411)
Net assets	184,758	179,860
Carrying amount of NCI	97,848	95,254
Revenue	67,173	67,548
Profit for the year	295	5,481
Total comprehensive income	295	5,481
Profit allocated to NCI	156	2,903
Dividend paid to NCI	–	–
Cash flows from operating activities	(55,220)	29,898
Cash flows from investing activities	(1,851)	(2,548)
Cash flows from financing activities	48,388	(17,830)

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

12 INVESTMENTS IN JOINT VENTURES

	2021 HK\$'000	2020 HK\$'000
Investments in joint ventures	363,360	391,796
Provision for impairment of joint ventures	(14,264)	(14,264)
	349,096	377,532

(a) Details of the principal joint ventures as at 31st December 2021 are as follows:

Name	Place of incorporation and operation	Principal activities	Percentage of interest in ownership, voting power and profit sharing
Directly-held joint ventures			
Shenzhen Yantian Port Chu Kong Logistics Co., Ltd.	PRC	Container transportation and repairs	40%
Chu Kong Logistics (Singapore) Pte. Ltd.	Singapore	Shipping agency and freight forwarding agency	60% ²
Zhong Shan Port Goods Transportation United Co., Ltd.	PRC	Wharf cargo handling, godown storage and river trade cargo transportation	25%

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

12 INVESTMENTS IN JOINT VENTURES (CONTINUED)

(a) Details of the principal joint ventures as at 31st December 2021 are as follows: (Continued)

Name	Place of incorporation and operation	Principal activities	Percentage of interest in ownership, voting power and profit sharing
Indirectly-held joint ventures			
Chu Kong Cargo Terminals (Beicun) Co., Ltd.	PRC	Wharf cargo handling and godown storage	40% ¹
Foshan New Port Ltd.	PRC	Cargo transportation and consolidation	30% ¹
Foshan Nankong Terminal Co., Ltd. ^{##}	PRC	Cargo transportation and consolidation	42.5% ¹
Heshan County Hekong Associated Forwarding Co., Ltd.	PRC	Wharf cargo handling, godown storage and river trade cargo transportation	40% ¹
Heshan Port Construction & Development General Company [#]	PRC	Investment holding	40% ¹
Sanshui Sangang Containers Wharf Co., Ltd.	PRC	Cargo transportation and consolidation	24% ¹
Hong Kong International Airport Ferry Terminal Services Limited	Hong Kong	Ferry linkage services between the Hong Kong International Airport and Pearl River Delta	60% ²

12 INVESTMENTS IN JOINT VENTURES (CONTINUED)

(a) Details of the principal joint ventures as at 31st December 2021 are as follows: (Continued)

Name	Place of incorporation and operation	Principal activities	Percentage of interest in ownership, voting power and profit sharing
Indirectly-held joint ventures (Continued)			
Zhongshan-Hong Kong Passenger Shipping Co-op Co., Ltd. ("ZHPS")	PRC	Passenger transportation	40%
Chu Kong Logistics (Malaysia) Sdn Bhd.	Malaysia	Shipping agency and freight forwarding agency	42%
Chu Kong Logistics (Thailand) Ltd.	Thailand	Shipping agency and freight forwarding agency	29.4%
CKPT-WACI joint venture	Hong Kong	Passenger Assistance Services	60% ²
Foshan Gaoming Jiangtong Supply Chain Management Co., Ltd. #	PRC	Supply Chain Management and Shipping agency	31.3% ¹
Thrive Dragon Services Limited	Hong Kong	Dormant	12% ¹

The English names of these companies are the translation of the Chinese names for identification purpose only.

22.5% of this joint venture is directly held by the Company.

¹ These joint ventures are held by a non-wholly owned subsidiary of the Company. The percentage of interest in ownership, voting power and profit sharing represent the effective interest held by the Group.

² The Group has, in these joint ventures, 60 percent of the voting rights. Notwithstanding this, the contractual arrangements between the Group and the other joint venture partners specified that unanimous approvals are required for certain significant decisions, which render the shareholders joint control in these entities.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

12 INVESTMENTS IN JOINT VENTURES (CONTINUED)

(b) Summarised financial information for a material joint venture

Set out below are the summarised financial information for 100% equity interest in a joint venture of the Group for the year ended 31st December 2021, which, in the opinion of the directors, is material to the Group.

The below summarised financial information is prepared using the same accounting policies of the Group, after fair value adjustments from acquisitions and before intercompany elimination.

Summarised balance sheet as at 31st December 2021 and 2020 and summarised statement of comprehensive income for the years ended 31st December 2021 and 2020

	ZHPS	
	2021 HK\$'000	2020 HK\$'000
Current assets	25,869	57,250
Current liabilities	(28,037)	(55,524)
Non-current assets	384,017	426,244
Non-current liability	(17,801)	(18,952)
Revenue	15,279	30,570
Profit after income tax	(56,153)	(75,047)

Reconciliation of summarised financial information

	ZHPS	
	2021 HK\$'000	2020 HK\$'000
Opening net assets 1st January	409,018	457,048
Loss for the year	(56,153)	(75,047)
Currency translation differences	11,183	27,017
Closing net assets as at 31st December	364,048	409,018
Interest in joint venture	40%	40%
Share of net assets	145,619	163,607
Carrying value	145,619	163,607

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

	2021 HK\$'000	2020 HK\$'000
(Loss)/profit for the year	(2,751)	9,827
Other comprehensive income	6,343	10,308
Total comprehensive income	3,592	20,135

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

13 INVESTMENTS IN ASSOCIATES

	2021 HK\$'000	2020 HK\$'000
Investments in associates	107,622	121,679

(a) Details of the principal associates as at 31st December 2021 are as follows:

Name	Place of incorporation and operation	Principal activities	Percentage of interest in ownership, voting power and profit sharing
Directly-held associate			
Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Company Limited	Hong Kong	Passenger Transportation	20%
Indirectly-held associates			
Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd.	PRC	Passenger transportation	40%
Guangdong Sanbu Passenger and Freight Transportation Co., Ltd.	PRC	Wharf cargo handling, godown storage and river trade cargo transportation	32% ¹

¹ This associate is held by a non-wholly owned subsidiary of the Company. The percentage of interest in ownership, voting power and profit sharing represent the effective interest held by the Group.

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

	2021 HK\$'000	2020 HK\$'000
(Loss)/profit for the year	(9,970)	1,808
Other comprehensive income	2,716	5,673
Total comprehensive income	(7,254)	7,481

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

14 DEFERRED INCOME TAX

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

	2021 HK\$'000	2020 HK\$'000
At 1st January	98,503	78,245
Acquisition of a subsidiary (note 36)	–	10,561
Disposal of a subsidiary	–	892
(Credited)/charged to profit or loss (note 30)	(43)	2,496
(Credited)/charged to other comprehensive income	(3,582)	3,582
Transfer to current income tax payables	(1,314)	(925)
Exchange difference	6,174	3,652
At 31st December	99,738	98,503

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

Deferred income tax assets	Tax losses HK\$'000	Decelerated tax depreciation HK\$'000	Share-based payment HK\$'000	Total HK\$'000
At 1st January 2020	(8,601)	(357)	–	(8,958)
Acquisition of a subsidiary	–	–	(355)	(355)
Disposal of a subsidiary	883	9	–	892
Charged/(credited) to profit or loss	3,371	(52)	355	3,674
Exchange difference	(131)	–	–	(131)
At 31st December 2020 and 1st January 2021	(4,478)	(400)	–	(4,878)
Credited to profit or loss	(6,032)	(138)	–	(6,170)
Exchange difference	(15)	(2)	–	(17)
At 31st December 2021	(10,525)	(540)	–	(11,065)

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

14 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax liabilities	Capital gain tax HK\$'000	Cash flow hedges HK\$'000	Accelerated tax depreciation HK\$'000	Undistributed profits of PRC entities not wholly-owned HK\$'000	Total HK\$'000
At 1st January 2020	11,950	–	46,614	28,639	87,203
Acquisition of a subsidiary	–	–	10,916	–	10,916
(Credited)/charged to profit or loss	–	–	(1,602)	424	(1,178)
Transfer to current income tax payables	–	–	–	(925)	(925)
Charged to other comprehensive income	–	3,582	–	–	3,582
Exchange difference	–	–	1,886	1,897	3,783
At 31st December 2020 and 1st January 2021	11,950	3,582	57,814	30,035	103,381
Charged to profit or loss	–	–	5,716	411	6,127
Transfer to current income tax payables	–	–	–	(1,314)	(1,314)
Credited to other comprehensive income	–	(3,582)	–	–	(3,582)
Exchange difference	–	–	5,264	927	6,191
At 31st December 2021	11,950	–	68,794	30,059	110,803

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

	2021 HK\$'000	2020 HK\$'000
Net deferred tax asset recognised in the consolidated statement of financial position	(1,044)	(1,178)
Net deferred tax liability recognised in the consolidated statement of financial position	100,782	99,681
	99,738	98,503

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

14 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets are recognised for tax losses carried forward to the extent that realisation of the related tax benefit through future taxable profits is probable. As at 31st December 2021, the Group have unrecognised tax losses of HK\$312,066,000 (2020: HK\$252,658,000) to carry forward. These tax losses have no expiry dates except for tax losses of HK\$142,670,000 (2020: HK\$141,931,000) of the Group, whose expiry dates are:

	2021 HK\$'000	2020 HK\$'000
2021	–	29,287
2022	24,914	24,204
2023	22,233	21,599
2024	35,901	32,991
2025	37,052	33,850
2026	22,570	–
	142,670	141,931

The Group's wholly owned PRC subsidiaries have undistributed earnings of RMB82,947,000 (equivalent to approximately HK\$98,559,000) which, if paid out as dividends, would be subject to tax in the hands of the recipient. An assessable temporary difference exists, but no deferred tax liability has been recognised as the parent entity is able to control the timing of distributions from these wholly owned PRC subsidiaries and is not expected to distribute these profits in the foreseeable future.

15 INVENTORIES AND SPARE PARTS

	2021 HK\$'000	2020 HK\$'000
Engines and parts	23,168	29,851
Diesel	3,549	2,095
Engine lubricant	417	410
	27,134	32,356

The cost of inventories recognised as expense and included in 'cost of sales/services rendered' amounted to HK\$153,875,000 (2020: HK\$98,424,000).

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

16 TRADE AND OTHER RECEIVABLES AND LOAN TO A JOINT VENTURE

	2021 HK\$'000	2020 HK\$'000
Trade receivables		
– third parties	162,321	212,164
– fellow subsidiaries	18,101	28,073
– other related companies	10,077	9,948
Trade receivables, net (note (a))	190,499	250,185
Other receivables:		
– third parties	81,619	91,040
– immediate holding company (note (b))	15,242	9,662
– fellow subsidiaries (note (b))	9,444	9,087
– joint ventures and associates (note (b))	28,316	25,209
	134,621	134,998
Total trade and other receivables	325,120	385,183
Loan to a joint venture (note (c))	1,223	2,376

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

	2021 HK\$'000	2020 HK\$'000
Within 3 months	151,244	154,874
4 to 6 months	10,760	45,863
7 to 12 months	2,692	27,945
Over 12 months	27,972	25,660
	192,668	254,342
Less: loss allowance recognised	(2,169)	(4,157)
	190,499	250,185

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

16 TRADE AND OTHER RECEIVABLES AND LOAN TO A JOINT VENTURE (CONTINUED)

- (b) Other receivables due from related parties are interest-free, unsecured and are repayable on demand.
- (c) Loan to a joint venture of the Group is repayable on demand and is denominated in Renminbi.

	2021 HK\$'000	2020 HK\$'000
Unsecured loan – at floating rate (note)	1,223	2,376

Note: The loan bears interest at the base lending rate announced by the People's Bank of China ("PBOC") (2020: base lending rate announced by the PBOC).

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

	2021 HK\$'000	2020 HK\$'000
Hong Kong dollar	4,207	2,236
Renminbi	3,455	2,668
United States dollar	29,450	23,054
	37,112	27,958

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

17 STRUCTURED BANK DEPOSITS

As at 31st December 2020, all the Group's structured bank deposits were principal-protected and placed with PRC banks. These deposits are with original maturity dates more than three months, interest-bearing and denominated in RMB.

18 CASH AND CASH EQUIVALENTS

	2021 HK\$'000	2020 HK\$'000
Cash at bank and on hand	808,696	619,417
Deposits with banks	236,393	106,639
	1,045,089	726,056

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

	2021 HK\$'000	2020 HK\$'000
Hong Kong dollar	28,792	37,949
Renminbi	47,041	10,541
United States dollar	126,058	103,353
Macao pataca	1	1
Euro	5	22
	201,897	151,866

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

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

19 SHARE CAPITAL

Ordinary shares, issued and fully paid

	Number of shares (‘000)	Share capital HK\$‘000
At 1st January 2020, 31st December 2020, 1st January 2021 and 31st December 2021	1,121,167	1,415,118

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

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

20 RESERVES

(a) Capital reserve

The capital reserve mainly represents a capital contribution made by CKSE, the immediate holding company, during a group reorganisation in 2010. In the reorganisation, CKSE transferred to the Group one subsidiary at a consideration of HK\$1 and two joint ventures at nil consideration.

(b) Statutory reserve

In accordance with PRC regulations, subsidiaries, joint ventures and associates in the PRC are required to transfer part of their profit after income tax to the enterprise expansion and reserve funds. The quantum of the transfers are subject to the approval of the board of directors of these subsidiaries, joint ventures and associates in accordance with their respective articles of association. The funds are required to be retained in the financial statements of the respective subsidiaries, joint ventures and associates for specific purposes.

(c) Merger reserve

The Group entered into business combination under common control in previous years. Upon the completion of the acquisition, a merger reserve, being the difference between the consideration made by the Company and the share capital of the combining entity as at completion date, was recognised.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

21 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	2021 HK\$'000	2020 HK\$'000
Trade payables (notes (a) and (c)):		
– third parties	161,785	178,994
– immediate holding company	8,148	4,161
– fellow subsidiaries	6,548	6,964
– joint ventures and associates	12,389	23,077
– other related companies	2,539	3,098
	191,409	216,294
Accruals and other payables:		
– third parties	203,845	201,814
– immediate holding company (note (c))	20,207	20,811
– fellow subsidiaries (note (c))	1,622	10,314
– joint ventures and associates (note (c))	2,528	9,395
Contract liabilities (note (e))	15,206	20,507
	243,408	262,841
	434,817	479,135

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

	2021 HK\$'000	2020 HK\$'000
Within 3 months	147,473	203,469
4 to 6 months	16,949	7,037
7 to 12 months	15,866	1,691
Over 12 months	11,121	4,097
	191,409	216,294

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

21 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES (CONTINUED)

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

	2021 HK\$'000	2020 HK\$'000
Hong Kong dollar	1,059	1,014
Renminbi	67,137	77,246
United States dollar	15,227	12,771
	83,423	91,031

- (c) The trade payables, accruals and other payables due to related parties are unsecured and interest-free. Trading balances have similar terms of settlement as those of third party payables whereas other balances are repayable on demand.
- (d) The carrying amounts of trade payables, accruals and other payables approximate their fair values.
- (e) The contract liabilities primarily relate to the advance consideration received from customers, or the Group has unconditional right to considerations before the goods or services are delivered.

As the contracts are for periods of one year or less or the Group has a right to consideration from a customer in an amount that corresponds directly with the value to the customer of the Group's performance completed to date, as permitted under HKFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

22 DERIVATIVE FINANCIAL LIABILITIES

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

	Fuel price swap contracts	
	2021 HK\$'000	2020 HK\$'000
Cash flow hedges:		
Notional amount	–	13,101
Fair value	–	3,006
Contractual undiscounted cash flows maturing within 1 year		
Net settled - outflow	–	3,006

23 LEASE LIABILITIES

At 31st December 2021, the lease liabilities were repayable as follows:

	2021 HK\$'000	2020 HK\$'000
Within 1 year	29,310	17,845
After 1 year but within 2 years	29,200	14,343
After 2 years but within 5 years	34,555	4,844
After 5 years	12,624	–
	76,379	19,187
	105,689	37,032

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

24 AMOUNTS DUE TO THE NON-CONTROLLING INTERESTS

	2021 HK\$'000	2020 HK\$'000
Current		
– at floating rate (note (i))	6,409	10,100
– interest-free (note (ii))	40,360	68,450
	46,769	78,550

Notes:

- (i) The amounts are denominated in Renminbi, unsecured and interest-bearing at the base lending rate announced by the PBOC (2020: base lending rate announced by the PBOC).
- (ii) The amounts are denominated in Hong Kong dollars, unsecured and repayable on demand.

25 BORROWINGS

	2021 HK\$'000	2020 HK\$'000
Fixed rate borrowings:		
Secured, bank loans	128,425	–
Variable rate borrowings:		
Unsecured, bank loans	250,000	100,000
Secured, bank loans	69,410	139,318
	447,835	239,318

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

25 BORROWINGS (CONTINUED)

The maturity of the bank loans is as follows:

	2021 HK\$'000	2020 HK\$'000
Repayable within one year	266,078	112,476
Repayable within one to two years	19,288	15,595
Repayable within two to five years	68,414	59,559
Repayable more than five years	94,055	51,688
	447,835	239,318
Current portion included in current liabilities	(266,078)	(112,476)
	181,757	126,842

The secured bank loans are secured by certain property, plant and equipment (note 6), investment properties (note 8) and land use rights (note 9) of the Group, denominated in Renminbi.

At 31st December 2021, bank loans of HK\$250,000,000 (2020: HK\$100,000,000) is interest-bearing at a rate of 0.75% to 0.8% over Hong Kong Interbank Offered Rate ("HIBOR") (2020: 1% over HIBOR). At 31st December 2021, bank loan of HK\$69,410,000 (2020: HK\$68,025,000) is interest-bearing at a rate of Loan Prime Rate ("LPR") minus 0.5% (2020: LPR minus 0.5%). At 31st December 2021, bank loans of HK\$128,425,000 (2020: HK\$nil) is interest bearing at a fixed rate of 4.38%. At 31st December 2020, bank loan of HK\$71,293,000 is interest-bearing at the base lending rate announced by the PBOC.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

26 OTHER INCOME

	2021 HK\$'000	2020 HK\$'000
Management fee income from CKSE (note 38(a)(i))	30,000	30,000
Property rental income	26,151	8,844
Government grants – ferry operation (note (i))	75,814	41,953
Government grants – others	13,101	17,950
Government subsidies – Employer Subsidy Schemes (note (ii))	–	46,697
Government subsidies – Industry Support Scheme	9,488	24,000
Government subsidies – Others	–	4,180
Subsidies income	1,337	730
Repair and maintenance service income	–	4,537
Others	10,352	2,728
	166,243	181,619

Note:

- (i) In accordance with ferry license agreements, Hong Kong Government would provide subsidy for the Group's ferry operations based on the vessel maintenance cost incurred and fare concessions to the elderly passengers aged 65 or above and child aged 3 to 12 during the year.
- (ii) In 2020, the Group successfully applied for funding support from the Employment Support Scheme under the Anti-epidemic Fund, set up by the Hong Kong Government. The purpose of the funding is to provide financial support to enterprises to retain their employees who would otherwise be made redundant. Under the terms of the grant, the Group is required not to make redundancies during the subsidy period and to spend all the funding on paying wages to the employees. This government subsidy is exempt from taxation.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

27 OTHER GAINS - NET

	2021 HK\$'000	2020 HK\$'000
Exchange gains, net	3,870	2,177
Gain on disposals of property, plant and equipment	4,341	1,090
Impairment loss of property, plant and equipment	(2,835)	–
Loss on disposal of a subsidiary	–	(590)
(Provision)/reversal for impairment of trade receivables, net (note 3.1(b)(i))	(1,063)	795
	4,313	3,472

28 PROFIT BEFORE TAX

	2021 HK\$'000	2020 HK\$'000
Amortisation of land use rights (note 9)	11,787	11,215
Auditor's remuneration		
– audit services	2,305	2,554
– non-audit services	1,002	889
Depreciation of property, plant and equipment (note 6)	152,046	137,424
Depreciation of investment properties	1,306	3,518
Amortisation of intangible assets	1,770	1,535
Lease payments for short-term leases		
– vessels and barges	140,746	132,804
– buildings	4,164	4,384
Staff costs (including directors' emoluments) (note 33)	549,786	472,088

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

29 FINANCE INCOME AND COST

	2021 HK\$'000	2020 HK\$'000
Finance income		
Interest income on loan to a joint venture	100	195
Interest income on short-term deposits, structured bank deposits and bank balances	9,951	22,142
	10,051	22,337
Finance cost		
Interest expense on bank borrowings	17,932	13,979
Interest expense on amounts due to the non-controlling interests	275	426
Interest expense on lease liabilities	3,549	1,489
Less: amounts capitalised on qualifying assets	(10,248)	(5,778)
	11,508	10,116

The capitalisation rate applied to funds borrowed is 5.1% (2020: 3.3%) per annum.

30 INCOME TAX EXPENSE

	2021 HK\$'000	2020 HK\$'000
Current income tax		
– Hong Kong profits tax	13,414	3,552
– PRC corporate income tax	14,483	5,129
– Under/(over) provision in prior years	7	(1,991)
Deferred income tax expense (note 14)	(43)	2,496
	27,861	9,186

Hong Kong profits tax has been provided at the rate of 16.5% (2020: 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% (2020: 25%). Macao profits tax has been provided at the rate of 12% (2020: 12%) on the estimated assessable profit for the year.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

30 INCOME TAX EXPENSE (CONTINUED)

The income tax on the Group's profit before share of profits less losses of joint ventures and associates, and income tax expense differs from the theoretical amount that would arise using the Hong Kong profits tax rate as follows:

	2021 HK\$'000	2020 HK\$'000
Profit before income tax	94,134	74,484
Less: share of profits less losses of:		
– Joint ventures	25,212	20,192
– Associates	9,970	(1,808)
Profit before share of profits less losses of joint ventures and associates, and income tax expense	129,316	92,868
Calculated at a tax rate of 16.5% (2020: 16.5%)	21,337	15,323
Effect of different tax rates applicable to the subsidiaries in the PRC and Macao	3,497	1,156
Income not subject to income tax	(150,510)	(113,433)
Expenses not deductible for income tax purposes	143,270	98,729
Tax losses not recognised	13,043	18,907
Under/(over) provision in prior years	7	(1,991)
Utilisation of previously unrecognised tax loss	(3,618)	(4,569)
	27,026	14,122
Withholding income tax on undistributed profits of PRC enterprises and loan interest income from PRC	835	(4,936)
Income tax expense	27,861	9,186

Notes to the Financial Statements

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31 DIVIDENDS

	2021 HK\$'000	2020 HK\$'000
Final, proposed, of HK2 cents (2020: HK2 cents) per ordinary share	22,423	22,423

On 23rd March 2022, the board of directors proposed a final dividend of HK2 cents per ordinary share (2020: HK2 cents per ordinary share) for the year ended 31st December 2021. This proposed dividend is not reflected as a dividend payable in these financial statements. During the year, the total dividends paid by the Company, including the final dividend for the year 2020, amounting to HK\$22,423,000 (2020: HK\$33,635,000).

32 EARNINGS PER SHARE

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

	2021	2020
Profit attributable to equity holders of the Company (HK\$'000)	44,074	49,821
Weighted average number of ordinary shares in issue ('000)	1,121,167	1,121,167
Basic earnings per share (HK cents)	3.93	4.44

Diluted earnings per share for the years ended 31st December 2021 and 2020 are the same with basic earnings per share as there were no dilutive potential ordinary shares in issue.

33 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS' EMOLUMENTS)

	2021 HK\$'000	2020 HK\$'000
Salaries and allowances	509,056	450,247
Retirement benefit costs - defined contribution plans (note)	40,730	21,841
	549,786	472,088

Note:

The Group operates defined contribution schemes which are available to all employees in Hong Kong. Contributions are made based on a percentage of the employees' basic salaries or a fixed sum and are charged to the consolidated statement of profit or loss as incurred. The assets of the schemes are held separately from those of the Group in independently administered funds. The Group has no further payment obligations once the contributions have been paid.

Pursuant to the regulations of the relevant authorities in the PRC, the subsidiaries of the Group in this country participate in respective government retirement benefit schemes (the "Schemes") whereby the subsidiaries are required to contribute to the Schemes to fund the retirement benefits of eligible employees. Contributions made to the Schemes are calculated based on certain percentages of the applicable payroll costs as stipulated under the requirements in the PRC. The relevant authorities of the PRC are responsible for the entire retirement benefit obligations payable to the retired employees. The only obligation of the Group with respect to the Schemes is to pay the ongoing required contributions under the Schemes.

34 FIVE HIGHEST-PAID INDIVIDUALS' EMOLUMENTS

The five individuals whose emoluments were the highest in the Group for the year ended 31st December 2021 include two (2020: two) directors whose emoluments are reflected in the analysis shown in note 40. The emoluments payable to the remaining three (2020: three) highest paid individuals during the year are as follows:

	2021 HK\$'000	2020 HK\$'000
Basic salaries, bonuses, housing allowances, other allowances and benefits in kind	2,901	2,799
Retirement benefit costs - defined contribution plans	54	52
	2,955	2,851

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(Expressed in Hong Kong dollars unless otherwise indicated)

34 FIVE HIGHEST-PAID INDIVIDUALS' EMOLUMENTS (CONTINUED)

The emoluments of the three (2020: three) highest paid individuals fell within the following bands:

	Number of individuals	
	2021 HK\$'000	2020 HK\$'000
Emolument bands		
Less than HK\$1,000,000	2	2
HK\$1,000,001 - HK\$1,500,000	1	1

- (a) During the year, no emoluments have been paid by the Group to the directors or the senior management as an inducement to join or upon joining the Group, or as compensation for loss of office. None of the directors waived or has agreed to waive any emoluments.

35 NOTE TO CONSOLIDATED CASH FLOW STATEMENT

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

	2021 HK\$'000	2020 HK\$'000
Operating profit	130,773	80,647
Amortisation of land use rights	11,787	11,215
Amortisation of intangible asset	1,770	1,535
Depreciation of property, plant and equipment and investment properties	153,352	140,942
Impairment loss of property, plant and equipment	2,835	–
Gain on disposals of property, plant and equipment, net	(4,341)	(1,090)
Loss on disposal of a subsidiary	–	590
Provision/(reversal) for impairment of trade receivables, net	1,063	(795)
Amortisation of deferred income	(1,622)	(967)
COVID-19-related rent concessions received	–	(1,975)
Operating profit before working capital changes	295,617	230,102
Decrease/(increase) in inventories and spare parts	5,222	(342)
Decrease in trade and other receivables	59,000	39,420
Decrease in trade payables, accruals and other payables	(44,318)	(132,238)
Cash generated from operations	315,521	136,942

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

35 NOTE TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Liabilities from financing activities				Total HK\$'000
	Short term borrowings HK\$'000	Long term borrowings HK\$'000	Amounts due to the non- controlling		
			interests HK\$'000	Lease liabilities HK\$'000	
As at 1st January 2021	100,000	139,318	78,550	37,032	354,900
Changes from financing cash flows:					
Proceeds from new bank loans	250,000	127,170	-	-	377,170
Repayment of bank loans	(100,000)	(72,324)	-	-	(172,324)
Repayment of amount due to the non-controlling interest	-	-	(32,020)	-	(32,020)
Capital element of lease rentals paid	-	-	-	(37,671)	(37,671)
Interest element of lease rentals paid	-	-	-	(3,549)	(3,549)
Total changes from financing cash flows	150,000	54,846	(32,020)	(41,220)	131,606
Foreign exchange difference	-	3,671	239	2,545	6,455
Other changes:					
Increase in lease liabilities from entering into new leases during the period	-	-	-	103,783	103,783
Interest expenses for lease liabilities	-	-	-	3,549	3,549
Total other changes	-	-	-	107,332	107,332
As at 31st December 2021	250,000	197,835	46,769	105,689	600,293

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(Expressed in Hong Kong dollars unless otherwise indicated)

35 NOTE TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(b) Net debt reconciliation (Continued)

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

35 NOTE TO CONSOLIDATED CASH FLOW STATEMENT (CONTINUED)

(c) Total cash outflow for leases

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

	2021 HK\$'000	2020 HK\$'000
Within operating cash flows	144,910	135,213
Within financing cash flows	41,220	22,696
	186,130	157,909

These amounts relate to the following:

	2021 HK\$'000	2020 HK\$'000
Lease rentals paid	186,130	157,909

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

36 ACQUISITION OF A SUBSIDIARY

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

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

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

Goodwill arising from the acquisition has been recognised as follows:

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

36 ACQUISITION OF A SUBSIDIARY (CONTINUED)

During the year, CKSE, the Company's immediate holding company, has acquired the remaining 40% equity interest of Sun Ferry Services Company Limited from the former NCI.

At 31st December 2021, the Group acquired the abovementioned 40% equity interest of Sun Ferry Services Company Limited from CKSE at a cash consideration of HK\$152,000,000 ("the acquisition"). This has been treated as equity transaction. Subsequent to the acquisition, Sun Ferry Services Company Limited became a wholly-owned subsidiary of the Company.

37 CAPITAL COMMITMENTS

	2021 HK\$'000	2020 HK\$'000
Contracted but not provided for – Property, plant and equipment	75,653	123,965

38 RELATED PARTY TRANSACTIONS

The directors of the Group regard CKSE as the immediate holding company, which owns 70% (2020: 70%) of the Company's ordinary shares. The parent company of the Group is Guangdong Province Navigation Group Company Limited ("GNG"), a state-owned enterprise established in the PRC. GNG itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC.

In accordance with HKAS 24 (Revised), government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include GNG and its subsidiaries (other than the Group), other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and GNG as well as their close family members.

For the years 2021 and 2020, the Group's significant transactions with entities that are controlled, jointly controlled or significantly influenced by the PRC government, mainly include most of its bank deposits and the corresponding interest income and part of sales and purchases of goods and services. The price and other terms of such transactions are set out in the underlying agreements, based on market prices or as mutually agreed.

Apart from the above-mentioned transactions with the government-related entities and the related party information shown elsewhere in the financial statements, the following is a summary of the significant related party transactions entered into in the ordinary course of business between the Group and its related parties during the year:

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties

	Note	2021 HK\$'000	2020 HK\$'000
Revenues:			
Shipping agency, river trade cargo direct shipment and transshipment income			
– joint ventures and an associate		6,101	4,961
– other related companies		488	66
Passenger transportation agency fees			
– fellow subsidiaries	(viii)	–	270
– joint ventures and an associate		–	830
– other related companies	(viii)	–	156
Ferry terminal operation service fees			
– fellow subsidiaries	(viii)	–	177
– a joint venture and an associate		–	1,368
– other related companies	(viii)	–	33
Sub-baggage handling services fee			
– a related company	(viii)	38	266
Management service fees			
– immediate holding company	(i), (viii)	30,000	30,000
– joint ventures and associates	(ii)	10,639	9,094
– a related company	(ii)	264	264
Vessel rental income			
– a joint venture		2,608	980
– other related companies		2,982	2,647
Interest income	(iii)		
– a joint venture		100	195
Fuel supply income			
– fellow subsidiaries	(viii)	10,468	10,886
– joint ventures and an associate		605	4,587
– other related companies	(viii)	–	8,689
Marine bunkering service			
– fellow subsidiaries	(viii)	139	608
– an associate		–	14
– related companies	(viii)	180	400
Consulting and software service	(ii)		
– fellow subsidiaries		1,168	–
– joint ventures and an associate		574	238
– a related company		10	6
Agency fee income			
– fellow subsidiaries		129	392
– a joint venture		118	323
– other related companies		259	132
Repairing and maintenance service			
– a fellow subsidiary		58	–
– a related company		3	–

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

	Note	2021 HK\$'000	2020 HK\$'000
Expenses:			
Shipping agency, river trade cargo direct shipment and transshipment expenses			
– a joint venture and an associate		4,476	4,115
Wharf cargo handling, cargo transportation and godown storage expenses			
– a fellow subsidiary	(viii)	434	2,280
– joint ventures		48,333	51,050
– a related company	(vii)	7,807	6,133
Agency fee expenses			
– fellow subsidiaries		–	3
– a joint venture and an associate		–	89
Ferry terminal operation services fee	(viii)		
– a fellow subsidiary		–	325
Luggage handling fee	(iv), (viii)		
– a related company		–	303
Ferry rental expenses	(viii)		
– a fellow subsidiary		5,786	3,341
Vessel rental expenses	(viii)		
– a joint venture		38,682	35,508
Warehouse rental expenses	(v), (viii)		
– immediate holding company		5,000	5,000
Office rental expenses	(viii)		
– immediate holding company		7,337	7,882
– fellow subsidiaries		2,010	1,861
Staff quarter rental expenses	(viii)		
– immediate holding company		2,779	3,095
Property management fee expenses	(vii)		
– fellow subsidiaries		690	771
Loan interest expenses			
– non-controlling interests	(vii)	422	426
IT Management fee expenses	(vi), (viii)		
– immediate holding company		2,948	2,948
Repair and maintenance expenses			
– a related company		11,900	1,622

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(a) Transactions with related parties (Continued)

Notes:

- (i) Management service fees was charged to CKSE for provision of services to a number of subsidiaries and joint ventures of CKSE in Hong Kong and the PRC. According to the management agreement, the management fee is calculated annually at (i) HK\$20,000,000 per year or (ii) 3.25% of the total assets value of these companies as at 30th June of each year, whichever is higher, but the amount shall not exceed HK\$30,000,000. The contract period is from 1st July 2020 to 30th June 2023.
- (ii) Management, consulting and software service fees were charged based on the actual costs incurred for the service provided.
- (iii) Interests were charged to fellow subsidiaries and a joint venture in respect of loans at the base lending rate announced by the PBOC (2020: base lending rate announced by the PBOC), pursuant to the agreements entered into between the Group and the fellow subsidiaries and joint venture.
- (iv) Luggage handling fee was charged from HK\$0.84 to HK\$2.2 (2020: HK\$0.84 to HK\$2.2) per item of luggage at China Ferry Terminal, Tsim Sha Tsui by an associate of the immediate holding company as set out in the respective agreement governing these transactions.
- (v) The Group leased a warehouse from CKSE and rental was charged by CKSE pursuant to the agreement governing the transaction.
- (vi) Management fee expenses were charged at HK\$245,628 per month (2020: HK\$245,628) for IT services provided by CKSE as set out in the agreement governing these transactions.
- (vii) Loan Interest was charged by the non-controlling interests in respect of loans bearing interest rates at the base lending rate announced by PBOC (2020: base lending rate announced by PBOC).
- (viii) The transactions represent continuing connected transactions which has complied with the disclosure requirements in accordance with Chapter 14A of the Rules governing the listing of Securities on the stock exchange ("the Listing Rules").

38 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management compensation

	2021 HK\$'000	2020 HK\$'000
Salaries and allowances	6,878	8,588
Directors' fees	720	720
Retirement benefit scheme contributions	192	113
Housing benefit	652	773
	8,442	10,194

(c) Loan to a joint venture

	2021 HK\$'000	2020 HK\$'000
At 1st January	2,376	4,465
Loan repayment	(1,223)	(2,376)
Exchange differences	70	287
At 31st December	1,223	2,376

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

39 BALANCE SHEET AND RESERVE MOVEMENT OF THE COMPANY

Balance sheet of the Company

	Note	As at 31st December	
		2021 HK\$'000	2020 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		104,068	97,442
Land use rights		29,736	30,599
Investments in subsidiaries		1,960,186	1,808,186
Investments in joint ventures		105,033	116,706
		2,199,023	2,052,933
Current assets			
Trade and other receivables		776,061	972,765
Cash and cash equivalents		300,537	200,936
		1,076,598	1,173,701
Total assets		3,275,621	3,226,634
EQUITY			
Share capital		1,415,118	1,415,118
Reserves	(a)	1,428,417	1,365,076
Total equity		2,843,535	2,780,194

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

	Note	As at 31st December	
		2021 HK\$'000	2020 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		4,213	4,213
Current liabilities			
Trade payables, accruals and other payables		176,190	339,993
Tax payable		1,683	2,234
Short term borrowings		250,000	100,000
		427,873	442,227
Total liabilities		432,086	446,440
Total equity and liabilities		3,275,621	3,226,634

Approved and authorised by the board of directors on 23rd March 2022

Liu Guanghui
Director

Zhou Jun
Director

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

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

Note (a) Reserve movement of the Company

	Retained profits HK\$'000
At 1st January 2021	1,365,076
Profit for the year	85,764
2020 final dividend	(22,423)
At 31st December 2021	1,428,417
Representing:	
2021 final dividend proposed	22,423
Reserves	1,405,994
	1,428,417

	Retained profits HK\$'000
At 1st January 2020	1,298,685
Profit for the year	100,026
2019 final dividend	(33,635)
At 31st December 2020	1,365,076
Representing:	
2020 final dividend proposed	22,423
Reserves	1,342,653
	1,365,076

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

(a) Directors' and chief executive's emoluments

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

For the year ended 31st December 2021:

Name	Fees HK\$'000	Salary and discretionary bonuses (Note (i)) HK\$'000	Allowances and benefits in kind (Note (ii)) HK\$'000	Employers	Total HK\$'000
				contributions to retirement benefit scheme HK\$'000	
Chairman/managing director					
Mr. Wu Qiang ¹	-	1,134	283	150	1,567
Mr. Huang Liezhang ²	-	839	270	207	1,316
Mr. Liu Guanghui ³	-	363	101	57	521
Executive directors					
Mr. Chen Jie ⁴	-	412	-	143	555
Mr. Liu Wuwei	-	578	-	173	751
Non-executive director					
Ms. Zhong Yan	-	-	-	-	-
Independent non-executive directors					
Mr. Chan Kay-Cheung	320	-	-	-	320
Ms. Yau Lai Man	200	-	-	-	200
Mr. Chow Bing Sing	200	-	-	-	200
Total	720	3,326	654	730	5,430

¹ Resigned on 7th February 2022

² Resigned on 27th August 2021

³ Appointed on 27th August 2021

⁴ Resigned on 10th November 2021

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

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

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

Notes:

- (i) Salary paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings. Discretionary bonuses are determined on the Group achieving its target performance indicators.
- (ii) Includes housing benefit.

For the year ended 31st December 2020:

Name	Fees HK\$'000	Salary and discretionary bonuses (Note (i)) HK\$'000	Allowances and benefits in kind (Note (ii)) HK\$'000	Employers contributions to retirement benefit scheme HK\$'000	Total HK\$'000
Chairman/managing director					
Mr. Huang Liezhang	–	1,300	451	111	1,862
Executive directors					
Mr. Chen Jie	–	685	–	93	778
Mr. Leng Buli ¹	–	288	–	28	316
Mr. Liu Wuwei	–	685	–	93	778
Mr. Wu Qiang	–	1,235	322	111	1,668
Non-executive director					
Ms. Ye Meihua ¹	–	–	–	–	–
Ms. Zhong Yan ²	–	–	–	–	–
Independent non-executive directors					
Mr. Chan Kay-Cheung	320	–	–	–	320
Ms. Yau Lai Man	200	–	–	–	200
Mr. Chow Bing Sing	200	–	–	–	200
Total	720	4,193	773	436	6,122

¹ Resigned on 1st April 2020.

² Appointed on 1st April 2020.

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

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

Notes:

- (i) Salary paid to a director is generally an emolument paid or receivable in respect of that person's other services in connection with the management of the affairs of the Company or its subsidiary undertakings. Discretionary bonuses are determined on the Group achieving its target performance indicators.
- (ii) Includes housing benefit.

Aggregate emoluments paid to or receivable by directors in respect of their services as directors, whether of the Company or its subsidiary undertaking		Aggregate emoluments paid to or receivable by directors in respect of their other services in connection with the management of the affairs of the Company or its subsidiary undertaking		Total	
2021	2020	2021	2020	2021	2020
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
5,430	6,122	–	–	5,430	6,122

(b) Directors' retirement benefits

None of the directors received or will receive any retirement benefits during the years ended 31st December 2021 and 2020.

(c) Directors' termination benefits

None of the directors received or will receive any termination benefits during the years ended 31st December 2021 and 2020.

Notes to the Financial Statements

(Expressed in Hong Kong dollars unless otherwise indicated)

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

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

During the years ended 31st December 2021 and 2020, no consideration was paid by the Company to third parties for making available directors' services.

(e) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by and entities connected with such directors

During the years ended 31st December 2021 and 2020, there were no loans, quasi-loans and other dealing arrangements in favour of directors of the Company or its holding companies, bodies corporate controlled by and entities connected with such directors.

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

Five-Year Financial Summary

RESULTS

	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Revenue	2,268,408	1,854,549	2,147,876	2,404,496	2,428,487
Operating profit	130,773	80,647	114,927	180,768	236,608
Finance income	10,051	22,337	26,755	20,852	18,332
Finance cost	(11,508)	(10,116)	(12,402)	(8,488)	(6,127)
Net finance income/(cost)	(1,457)	12,221	14,353	12,364	12,205
Share of profits less losses of					
– joint ventures	(25,212)	(20,192)	130,443	55,946	62,541
– associates	(9,970)	1,808	6,760	14,604	14,289
Profit before income tax	94,134	74,484	266,483	263,682	325,643
Income tax expense	(27,861)	(9,186)	(34,335)	(41,127)	(49,308)
Profit for the year	66,273	65,298	232,148	222,555	276,335
Attributable to:					
Equity holders of the Company	44,074	49,821	214,078	226,072	268,988
Non-controlling interests	22,199	15,477	18,070	(3,517)	7,347
	66,273	65,298	232,148	222,555	276,335
Earnings per share (HK cents)					
Basic and Diluted	3.93	4.44	19.09	20.35	24.68

Five-Year Financial Summary

ASSETS AND LIABILITIES

	2021 HK\$'000	2020 HK\$'000	2019 HK\$'000	2018 HK\$'000	2017 HK\$'000
Non-current assets	3,299,300	3,183,441	2,702,728	2,683,759	2,707,296
Current assets	1,398,566	1,390,273	1,671,202	1,647,788	1,623,270
Assets of a disposal group classified as held for sale	—	—	—	—	134,192
Total assets	4,697,866	4,573,714	4,373,930	4,331,547	4,464,758
Non-current liabilities	362,767	251,181	262,044	254,216	364,490
Current liabilities	783,905	691,012	664,799	710,869	796,047
Liabilities of a disposal group classified as held for sale	—	—	—	—	934
Total liabilities	1,146,672	942,193	926,843	965,085	1,161,471
Total equity	3,551,194	3,631,521	3,447,087	3,366,462	3,303,287

Notes:

- (a) The financial information for the years ended 31st December 2020 and 2021 were extracted from the 2021 financial statements.
- (b) The financial information for the years ended 31st December 2017, 2018 and 2019 were extracted from the 2020 Annual Report.

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