Interim Report
2012

CKS

CHU KONG SHIPPING ENTERPRISES (GROUP) COMPANY LIMITED

(Incorporated in Hong Kong with limited liability under Companies Ordinance)

Stock Code : 00560

CHAIRMAN'S STATEMENT

I am pleased to announce that Chu Kong Shipping Enterprises (Group) Company Limited (the "Company") and its subsidiaries (the "Group") recorded a consolidated revenue for the six months ended 30th June 2012 amounting to HK$685,736,000, up by 4.5% year-on-year. The profit attributable to shareholders of the Group amounted to HK$70,139,000, decreased by 15.3% against corresponding period last year. Excluding the one-off gain arising from disposal of shareholding in Humen Terminal, a jointly controlled entity of the Group, profit attributable to shareholders increased by 6.9%.

REVIEW AND OUTLOOK

During the first half of 2012, even though the shipping market are still at the bottom, the Group persisted to promote professional operation, innovation concepts and business transformation upgrade. Besides, it placed more focus on marketing and service quality enhancement, which allowed the Group to reduce negative impacts arising from the surrounding environment.

Regarding terminal logistics, the first is optimisation of management process in order to enhance the turnover frequency of vessel, reduce operating costs, ensuring a steady business development; the second is promotion of industry upgrade by establishing strategic cooperation with China Duty Free Group to carry out design for logistics services, research on warehouse reconstruction, development of business operation system; the third is agreement signed with THT Logistics Pte Ltd. to create a logistic center to serve China and Southeast Asia markets based on Guangzhou Nansha International Logistics Park.

Regarding high-speed passenger transportation, the first is the strengthening of communication with various ship owners so as to enhance of coordination and guidance on production and operation. Operational efficiency of some shipping routes were improved after routes consolidation or having vessels call at ports to reduce operating costs; the second is innovative concepts, mirroring the management experience in high-speed passenger transportation for Guangdong-Hong Kong Route to regions outside Guangdong province and expanding Guangxi-Vietnam

Halong Bay Route which will be in operation during the second half of the year; the third is Chu Kong Tourism Company Limited has successfully obtained first class agent qualification for ticket consignment of Cotai Jet, recording a sales of 480,000 tickets during the first half of the year and achieving satisfactory economic benefits.

It is worth mentioning that, through tough negotiation for six months, Chu Kong High-Speed Ferry Company Limited, a wholly-owned subsidiary of the Company, and Cotai Ferry Company Limited, a company indirect owned by Sands China Ltd. (01928.HK), entered into agreement in relation to the provision of management and operation services for Cotai Jet fleet since 31st July 2012, which symbolised the Group received recognition for its experience in the operation and management of high-speed passenger ferry from international ship owners and will increase the overall revenue level of the Group.

2012 is the fifteenth anniversary since successful listing of the Company. To catch up with the diversified development in the future, the Company changed its name to "Chu Kong Shipping Enterprises (Group) Company Limited". We believe that the Company will no doubt develop in a faster pace at the new starting point.

We expect the overall economic situation will continue to be unfavorable in the second half of the year. The Group will insist on the objectives of enhancing business development, strengthening internal management and improving profitability. It will focus on promoting high-end integrated logistics business and Hong Kong-Macao passenger transportation business, aiming at better service quality and making efforts to achieve the business objectives throughout the year.

RELATION WITH INVESTORS

The Company pays high attention to the communication with investors, and increases its transparency continuously. During the period, the Company has held a number of road shows for institutional investors and greeted visits by investors with warm hospitality. The Company's website (www.cksd.com) provides timely business information and information disclosures of the Company for the market.

APPRECIATION

I would like to hereby represent the Board of Directors to express its compliment to all shareholders, partners and stakeholders for their continued support to the Group's development, and its sincerest appreciation to all staff for their dedication.

Liu Weiqing
Chairman

Hong Kong, 30th August 2012

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

For the six months ended 30th June 2012, the Group recorded consolidated revenue of HK$685,736,000, up by 4.5% as compared with the corresponding period last year. Profit attributable to the equity holders of the Group was HK$70,139,000, down by 15.3% as compared with the corresponding period last year. As an one-off gain from disposal of the shareholdings in Dongguan Humen Great Trade Containers Port Co., Ltd. was included in last year, so profit attributable to the equity holders of the Group were up by 6.9% as compared with last year if the said gain was excluded.

In 2012, the global economy remains uncertain as a result of the European debt crisis. The major global economies saw slower growth. China's GDP growth was 7.8% in the first half of the year, declining below the target set by the government at the beginning of the year. Both China Purchasing Manager Index (PMI) on Manufacturing and Consumer Price Index (CPI) were in a downward trend. PMI and CPI in June 2012 were 50.2% and 2.2% respectively, a record low in 7 months and 29 months respectively, which implied that the domestic real economy was hit materially by economy downturn. For the freight business, in Guangdong Province, dragged by the downturn of surrounding economies, the volume of imported raw materials and exported finished products have been shrinking. According to Guangdong Sub-Administration of China Customs, the total amount of import and export of Guangdong Province amounted to US$457.22 billion in the first half of 2012, representing a year-on-year increase of 5%, which was below the average of China. As an integrated logistics and passenger transport enterprise based in the Guangdong-Hong Kong-Macao region, the Group was affected to a relatively large extent. For passenger transportation, the visitor arrivals in Hong Kong recorded a year-on-year increase of 15.5% to 22.32 million in the first half of 2012. The visitors from the Mainland China recorded 15.58 million, up by 22.7% year-on-year, for the period, among them, the visitors came to Hong Kong under Individual Visit Scheme (IVS) was up by 25.6% as compared with the corresponding period last year. The prosperous of the IVS in Hong Kong and Macao benefited the passenger transportation business of the Group and led to a continuous growth in the number of passengers.

REVIEW OF OPERATIONS *(Continued)*

Hit by the macro environment and the regional economy, our freight business for the period was impacted to some extent. The Group, however, achieved a steady growth in major cargo throughput through effective implementation of measures such as continuing to promote its professionalised operation and particularly optimising the operation of terminals. During the period, container transportation volume and handling volume recorded an increase of 5.6% and 13.7% respectively; break bulk cargo transportation volume and handling volume recorded a decrease of 14.5% and 10.5% respectively due to containerisation and decreased bulk cargo volume; volume of container hauling and trucking decreased by 15.0% year-on-year as the cargo volume at Doumen Terminal fell. During the period, the passenger transportation business remained solid growth, and the number of passengers for agency services was 2,980,000, representing a year-on-year increase of 4.4%; the number of passengers for terminal services was 3,234,000, up by 7.0% as compared with the corresponding period last year.

During the period, since the international oil price has rebounded after a short-term decline, the oil price was basically parallel with that in the corresponding period last year. The total oil cost rose by more than 5.7% year-on-year. For freight business and passenger transportation business of the Group, such measures as increasing fuel surcharge and fare adjustment have partly offset the pressures from higher oil price for the period.

Freight-related business contributed a profit of HK$44,306,000 to the Group, representing a decrease of 30.4% as compared to the same period last year. The passenger transportation business contributed a profit of HK$32,282,000 to the Group, representing an increase of 35.4% as compared to the same period last year.

REVIEW OF OPERATIONS *(Continued)*

I. FREIGHT BUSINESS

Despite of slower growth of volume of import and export across the Pearl River Delta region, the Group remained an increase in its principal container business by improving operation efficiency during the period, though break bulk cargo business and container hauling and trucking on land business slid down.

1. Business Operation Indicators

Performance statistics of our major business operations are as follows:

Indicators	For the six months ended 30th June **2012**	2011 *(Note)*	Change
Cargo transportation volume			
Container transportation volume (TEU)	**528,545**	500,718	5.6%
Break bulk cargoes transportation volume (revenue tons)	**133,205**	155,726	–14.5%
Cargo handling volume			
Container handling volume (TEU)	**539,699**	474,518	13.7%
Volume of break bulk cargoes handled (revenue tons)	**755,573**	844,075	–10.5%
Volume of container hauling and trucking on land (TEU)	**91,303**	107,426	–15.0%

Note:

The restated data of 2011 included the figures of container and break bulk cargo handling volume and volume of container hauling and trucking on land of Doumen Terminal for the first half year.

REVIEW OF OPERATIONS *(Continued)*

I. FREIGHT BUSINESS *(Continued)*

2. Subsidiaries

During the period, Chu Kong Transhipment & Logistics Company Limited ("CKTL") substantially maintained steady business development. Under the overall market conditions in the region, the cargo source of Connected Carrier Agreement ("CCA") and renewable resources decreased to some extent, though liner cargo and factory-trade goods remained stable. CKTL actively expanded its domestic feeder services and empty container shipment business, in particular further promoted the collaboration with Maersk, so that empty container shipment business at Machong remained rapid growth, which became the key factor maintaining the steady growth of the overall container transportation volume. CKTL has actively explored integrated logistics services, especially modern warehousing business, focusing on developing new customers. As more small shipping companies exited from the market, the market share of CKTL in over 30 category-2 ports having business with the Group in Pearl River Delta was further improved to 23.5%, representing an increase of 3.4 percentage point over the corresponding period of last year.

In the first half of the year, Chu Kong Cargo Terminals (Gaoming) Co., Ltd. achieved 107,252 TEU of container handling volume, representing a year-on-year increase of 11.5%, which was another record high. Leveraging on its preferable and fast customs clearance, the company was able to actively explore new customers and strengthen export factory-trade goods business, resulting in further optimisation of its cargo source structure with stable business growth. However, as the cargo source of renewable resources with high gross profit margin fell due to unfavorable policies, the profit contributed by the company to the Group was HK$19,065,000 for the first half of the year, representing a year-on-year decline of 19.2%.

REVIEW OF OPERATIONS *(Continued)*

I. FREIGHT BUSINESS *(Continued)*

2. Subsidiaries *(Continued)*

Chu Kong Air-Sea Union Transportation Company Limited saw a decrease in its business as fewer orders were received from large customers and some cargoes were shunted to Shenzhen. For the first half of the year, the container handling volume fell 29.0% and break bulk cargo handling volume fell 15.6% year-on-year, contributing to the Group a profit of HK$1,902,000, down by 34.6% year-on-year.

Since Zhaoqing Chu Kong Logistics (Gaoyao) Co., Ltd. has adjusted its cargo source structure based on its own conditions and aggressively explored stone-related business, the break bulk volume of the company recorded a substantial growth of 450.4% year-on-year by aggressively exploring fieldstone import business, despite of a year-on-year decrease of 15.3% in the volume of containers for import and export due to freight rates and tariffs. During the period, the company made a turnaround as compared with the corresponding period of last year, the profit contributed to the Group was HK$448,000.

Backed by a renewable resource zone, Zhaoqing Chu Kong Logistics (Sihui) Co., Ltd. saw a further growth in business volume. In particular, the well-functioning electronic lock of customs has facilitated customs transit of containers, resulting in a further improvement in the cargo volume at the terminal. During the period, the company realized a container throughput of 49,660 TEU, representing a year-on-year increase of 42.7%. The profit contributed to the Group was HK$2,567,000 representing a year-on-year increase of 148.1%.

Civet (Zhuhai Bonded Area) Logistics Company Limited continued to maintain a steady growth in the cargo volume of large customers, while it actively commenced organisation work on its cargo source, by which it has obtained a number of new customers. With a year-on-year increase of 22.6% in the container throughput, the company has made a turnaround to a profit contribution to the Group of HK$1,738,000 in the first half of the year.

REVIEW OF OPERATIONS *(Continued)*

I. FREIGHT BUSINESS *(Continued)*

2. Subsidiaries *(Continued)*

The business of Chu Kong Cargo Terminals (Kangzhou) Co., Ltd. developed steadily. As a result of the actively striving for and expanding the cargo source in upstream Guangxi, the container throughput reached 45,353 TEU during the period, representing a year-on-year increase of 112.3%. The company has made a turnaround and contributed a profit of HK$798,000 to the Group in the first half of the year.

Since the foreign trade business of Zhaoqing New Port Co., Ltd. ("Zhaoqing New Port") was commenced operation duly at the end of last year, renewable resource business and factory-trade cargo have been growing rapidly, driving cargo volume of the terminal up. In the first half of the year, the total cargo throughput of the company increased by 14.7%, among this, the foreign trade containers reached 13,558 TEU, representing a year-on-year increase of more than 14 times, and domestic trade containers achieved 50,217 TEU, representing a decrease of 8.2% year-on-year. At the same time, the volume of container hauling and trucking of the company increased by more than 3 times to 8,365 TEU as actively promoting the hauling and trucking business. However, because of the increased finance costs, the company recorded a loss of HK$5,593,000 for the first half of the year, representing an increase in loss of 14.8%.

As fewer orders were received from export manufacturers and some cargoes were shunted to other competitors, CKS Container Terminal (Zhuhai Doumen) Co., Ltd. recorded a decrease of the cargo volume. In the first half of the year, containers handling volume of the company was 32,782 TEU, representing a year-on-year decrease of 18.4%. Profit attributable to the Group was HK$3,697,000, representing a decrease of 61.2% year-on-year.

REVIEW OF OPERATIONS *(Continued)*

I. FREIGHT BUSINESS *(Continued)*

3. Investment in Jointly Controlled Entities and Associates

Due to slower growth of the economy in the Pearl River Delta region and fewer orders from customers, apart from several terminals, profits attributable by most of the jointly controlled entities and associates to the Group recorded decreases. Those entities which recorded an increase in the attributable profit are: Foshan New Port Ltd., which contributed a profit of HK$8,722,000 to the Group, representing an increase of 22.0%; Guangdong Sanbu Passenger and Freight Transportation Co., Ltd., which contributed a profit of HK$699,000 to the Group, representing an increase of 183.0%. Those entities which recorded a significant decrease in the attributable profit or increase in attributable loss are: Shenzhen Yantian Port Chu Kong Logistics Co., Ltd., which recorded a loss of HK$1,884,000, as a result of business strategy adjustment, the costs were increased for the one-off expenses during the period for disposal of the businesses which incurred continued losses; Chu Kong Cargo Terminals (Beicun) Co., Ltd., which turned from profit to a loss of HK$1,213,000 due to the substantial decrease of containers volume of renewable resources subject to customs policies; Sanshui Sangang Containers Wharf Co., Ltd., which achieved a profit of HK$1,331,000 during the period, representing a year-on-year decrease of 17.7%, as the containers volume of renewable resources presented a substantial decrease subject to the government policies; Foshan Nankong Terminal Co., Ltd., which contributed a profit of HK$3,297,000 to the Group representing a decrease of 17.1%; Heshan County Hekong Associated Forwarding Co., Ltd., which recorded a loss of HK$371,000 as a result of shunting of major customers. Zhong Shan Port Goods Transportation United Co., Ltd., which was acquired last year, contributed a profit of HK$1,076,000 to the Group.

REVIEW OF OPERATIONS *(Continued)*

II PASSENGER TRANSPORTATION BUSINESS

As the tourism industry in Guangdong and Hong Kong is booming, the passenger transportation business of the Group has maintained steady growth. During the period, the number of passengers for agency services of Chu Kong Passenger Transport Company Limited ("CKPT") was 2,980,000, a year-on-year increase of 4.4%, of which the number of passengers carried by airport routes was significantly increased by 13.1% year-on-year; the number of passengers for terminal services was 3,234,000, increased by 7.0% year-on-year. This segment contributed a profit of HK$32,282,000 to the Group as a whole, up by 35.4% year-on-year.

1. Business Operation Indicators

Performance statistics of the major business operations are as follows:

	For the six months ended 30th June Number of Passengers (in thousands)		
Indicators	**2012**	2011	Change
Total number of passengers for agency services	**2,980**	2,855	4.4%
Total number of passengers for terminal services	**3,234**	3,022	7.0%

In order to reduce the pressure from oil cost, the passenger ports have adjusted fares under the coordination of CKPT, and will manage to have vessels under Heshan Line calling at Zhongshan Port according to actual number of passengers during the year.

REVIEW OF OPERATIONS *(Continued)*

II PASSENGER TRANSPORTATION BUSINESS *(Continued)*

2. Investment in Jointly Controlled Entities and Associates of CKPT

During the period, the number of passengers for terminal services of Skypier (operated by Hong Kong International Airport Ferry Terminal Services Limited) continued to grow, contributing a profit after tax of HK$7,899,000 to the Group and representing an increase of 11.8% year-on-year. During the period, Zhongshan-Hong Kong Passenger Shipping Co-op Co., Ltd. and Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd. contributed the profits to the Group of HK$2,624,000 and HK$1,568,000 respectively, representing an increase of 113.9% and 27.6% respectively as compared with the corresponding period of last year. The total profit attributable in these investments amounted to HK$12,091,000.

III OTHER EVENTS

As disclosed in 2011 Annual Report in relation to the acquisition of 13% equity interest in Zhaoqing New Port, the change of such equity interest was completed on 17th April 2012. Meanwhile, as at 12th February 2012, the Company also entered into an agreement regarding the acquisition of the remaining 10% equity interest in Zhaoqing New Port at the consideration of RMB12,900,000 (equivalent to HK$15,824,000). The change of such equity interest was also completed on 17th April 2012. Upon the completion of both changes of equity interests, Zhaoqing New Port has been a wholly-owned subsidiary of the Company.

During the period, the businesses of other subsidiaries, jointly controlled entities and associates of the Group progressed well and experienced no unusual matters.

EMPLOYEES

As at 30th June 2012, the Group employed 426 employees in Hong Kong and remunerated its employees according to the duty of their positions and market conditions.

LIQUIDITY AND FINANCIAL RESOURCES

The Group keeps close track of its working capital and financial resources in an effort to maintain a solid financial position. As at 30th June 2012, the Group secured a total credit limit of HK$350,000,000 and RMB 60,000,000 (equivalent to approximately HK$73,602,000) granted by bona fide banks.

As at 30th June 2012, the current ratio of the Group, represented by current assets divided by current liabilities, was 0.9 (31st December 2011: 0.9) and the debt ratio, representing total liabilities divided by total assets, was 32.6% (31st December 2011: 32.1%).

As at 30th June 2012, the Group's cash and cash equivalents amounted to HK$406,115,000 (31st December 2011: HK$331,156,000), which represents 13.7% (31st December 2011: 11.4%) of the total assets.

As at 30th June 2012, the gearing ratio of the Group, represented by bank borrowings divided by total equity and bank borrowings, was 14.0% (31st December 2011: 12.6%).

After considering its 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.

PLEDGE OF ASSETS

As at 30th June 2012, the Group had utilised bank loan facilities amounting to HK$250,000,000 and RMB60,000,000 (equivalent to approximately HK$73,602,000) (31st December 2011: HK$200,000,000 and RMB69,700,000 (equivalent to approximately HK$85,975,000)), of which the portion in Hong Kong dollar was bearing floating rate and unsecured, while the portion in Renminbi was bearing floating rate and secured by certain land use rights and property, plant and equipment of Zhaoqing New Port.

EXCHANGE RISK

Currently, the ordinary operations, investments business and borrowings of the Group are concentrated in Guangdong Province and Hong Kong, with operating revenue and expenditure mainly denominated in HKD, as well as in RMB and USD. RMB revenue from Mainland China may be used for payment of expenses incurred in Mainland China and repayments of the loans denominated in RMB. HKD or USD revenue received in Mainland China may be remitted to the Group's bank accounts in Hong Kong through proper procedures as planned. So long as the linked exchange rate system in Hong Kong with USD is maintained, it is expected that the Group will not be subject to any significant exchange risk.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, JOINTLY CONTROLLED ENTITIES AND ASSOCIATES

Save as disclosed above, the Group had no other material acquisition or disposal of any subsidiaries, jointly controlled entities and associates for the six months ended 30th June 2012.

CONTINGENT LIABILITIES

Guarantee given by a jointly controlled entity

A 40% interest jointly controlled entity of the Group has contingent liabilities to a bank in relation to a provision of a financial guarantee and indemnity of US$400,000 (equivalent to approximately HK$3,120,000) to a third party in the PRC in 1994. This third party failed to perform its contractual and financial obligations to the bank in 1998. As such, court proceedings commenced by the bank demanded payment of US$400,000 against the jointly controlled entity and the Province Court imposed orders of execution of the jointly controlled entity in 1998 and 2001. However, no execution has been finally implemented.

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

As at 30th June 2012, the Company has not been notified of any interests and short positions of the directors and executives in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV the Securities and Futures Ordinance ("SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO.

Apart from the share option scheme, at no time during the period, the directors and executives (including their spouses and children under 18 years of age) had any interest in, or had been granted, or exercised, any rights to subscribe for shares (or warrants or debentures, if applicable) of the Company and its associated corporations required to be disclosed pursuant to the SFO.

At no time during the period was the Company, its subsidiaries, its fellow subsidiaries or its holding companies a party to any arrangement to enable the directors and executives of the Company (including their spouses and children under 18 years of age) to hold any interests or short positions in the shares or underlying shares in, or debentures of, the Company or its associated corporation.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES OF THE COMPANY

As at 30th June 2012, as recorded in the register required to be kept under Section 336 of the SFO, the following shareholders have 5% or more of the Company's share capital:

Ordinary shares of HK$0.1 each in the Company

		Number of Shares
(i)	CKSE	630,134,000
(ii)	Guangdong Province Navigation Holdings Company Limited ("GPNHCL")	630,134,000

CKSE is wholly owned by GPNHCL. Accordingly, the interests disclosed by shareholders (i) and (ii) above are in respect of the same shareholding.

Save as disclosed above, as at 30th June 2012, the Company has not been notified of any interests and short positions in the shares and underlying shares of the Company which had been recorded in the register to be kept under Section 336 of the SFO.

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

During the period, no listed securities of the Company were purchased or sold by the Company or any of its subsidiaries. The Company did not redeem any of its shares during the period.

SHARE OPTION SCHEMES

On 14th May 2002, the Company adopted a share option scheme which, unless otherwise cancelled or amended, will remain in force for 10 years from the date of adoption. No share options have been issued under the scheme since its adoption. The scheme has been expired on 13th May 2012. As at 30th June 2012, the Company did not adopt any new share option scheme.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30th June 2012 containing all the information required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "SEHK") (the "Listing Rules") will be published on the websites of the SEHK (www.hkexnews.hk) and the Company (www.cksd.com) in due course.

INTERIM DIVIDEND

In consideration of the investment opportunity in low-cost expansion of the Group's major businesses and which can provide higher return to shareholders in longer-term, so the Board of Directors did not recommend the payment of interim dividend for the year.

REVIEW BY AUDIT COMMITTEE

The Company's Audit Committee and the Company's independent auditor have reviewed the Group's unaudited condensed consolidated interim financial information for the six months ended 30th June 2012.

CORPORATE GOVERNANCE

The Company has adopted the provisions as set out in the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 to the Rules Governing the Listing (the "Code Provisions") as the principles for its corporate governance since 1st January 2005, and partially adopted and complied with the guidance of the recommended best practices based on its actual needs for the corporate governance.

In the opinion of the directors, the Company complied with the Code Provisions throughout the accounting period covered by the interim report, except for the following deviation:

1. **Code Provision A.4.3**

   According to the Code Provision A.4.3, if an independent non-executive director serves more than nine years, his further appointment should be subject to a separate resolution to be approved by shareholders.

Mr. Chan Kay-cheung has served as an independent non-executive director of the Company for over nine years, but Mr. Chan is not due to retirement by rotation yet. The Company has regarded a service term of not over than nine years is one of the key factors in determining the independence of an independent non-executive director, but the Company believes that Mr. Chan can independently express opinions on matters of the Company and therefore his independence is confirmed.

ADOPTION OF MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Company has adopted a code of conduct prescribing standards and requirements no less than that required by the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix 10 to the Listing Rules. All directors have confirmed, following specific enquiry of all directors that they have fully complied with the required standard set out in the Model Code throughout the period under review.

DISCLOSURE OF INFORMATION ON DIRECTORS

The Company is not aware of any change in the information of directors of the Company required to be disclosed pursuant to Rule 13.51B of the Listing Rules during the period since the date of the 2011 Annual Report.

As at the date of this interim report, the Company's executive directors include Mr. Huang Liezhang, Mr. Zhang Daowu, Mr. Hua Honglin, Mr. Yang Bangming and Mr. Huang Shuping; non-executive directors include Mr. Liu Weiqing, Mr. Yu Qihuo and Mr. Zhang Lei; independent non-executive directors include Mr. Chan Kay-cheung, Ms. Yau Lai Man and Mr. Chow Bing Sing.

By Order of the Board
Huang Liezhang
Managing Director

Hong Kong, 30th August 2012

REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION TO THE BOARD OF DIRECTORS OF CHU KONG SHIPPING ENTERPRISES (GROUP) COMPANY LIMITED

(formerly known as Chu Kong Shipping Development Company Limited)
(incorporated in Hong Kong with limited liability)

INTRODUCTION

We have reviewed the unaudited condensed consolidated interim financial information set out on pages 21 to 60, which comprises the condensed consolidated balance sheet of Chu Kong Shipping Enterprises (Group) Company Limited (formerly known as Chu Kong Shipping Development Company Limited) (the "Company") and its subsidiaries (together, the "Group") as at 30th June 2012 and the related condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flow statement for the six-month period then ended, and a summary of significant accounting policies and other explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of a report on unaudited condensed consolidated interim financial information to be in compliance with the relevant provisions thereof and Hong Kong Accounting Standard 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants. The directors of the Company are responsible for the preparation and presentation of this unaudited condensed consolidated interim financial information in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting". Our responsibility is to express a conclusion on this unaudited condensed consolidated interim financial information based on our review and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Hong Kong Institute of Certified Public Accountants. A review of unaudited condensed consolidated interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the unaudited condensed consolidated interim financial information is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34 "Interim Financial Reporting".

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 30th August 2012

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2012

	Note	**As at 30th June 2012 HK$'000**	As at 31st December 2011 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**1,198,819**	1,217,826
Investment properties	7	**9,884**	9,939
Land use rights	7	**369,208**	375,091
Intangible assets – goodwill		**38,797**	39,013
Jointly controlled entities and associates		**501,692**	508,240
Deposits and prepayment		**48,602**	59,777
Deferred income tax assets		**3,501**	3,501
		2,170,503	2,213,387
Current assets			
Trade and other receivables	8	**356,262**	334,614
Loans to jointly controlled entities and associates	9	**30,062**	30,228
Cash and cash equivalents		**406,115**	331,156
		792,439	695,998
Total assets		**2,962,942**	2,909,385
EQUITY			
Share capital	10	**90,000**	90,000
Reserves		**1,739,582**	1,684,958
Final dividend proposed		**–**	22,500
		1,829,582	1,797,458
Non-controlling interests		**165,002**	178,640
Total equity		**1,994,584**	1,976,098

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

(Continued)

As at 30th June 2012

	Note	As at 30th June 2012 HK$'000	As at 31st December 2011 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**67,260**	66,770
Long term borrowings	11	**61,337**	74,009
		128,597	140,779
Current liabilities			
Trade and other payables	12	**462,222**	477,152
Loan from an associate	13	**24,455**	24,670
Amounts due to the non-controlling interests of subsidiaries	13	**51,997**	51,408
Amount due to a related party	13	**14,752**	14,834
Short term borrowings	11	**250,000**	200,000
Current portion of long term borrowings	11	**12,265**	11,966
Income tax liabilities		**24,070**	12,478
		839,761	792,508
Total liabilities		**968,358**	933,287
Total equity and liabilities		**2,962,942**	2,909,385
Net current liabilities		**(47,322)**	(96,510)
Total assets less current liabilities		**2,123,181**	2,116,877

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2012

		Six months ended 30th June	
		2012	2011
			(note 2)
	Note	**HK$'000**	HK$'000
Revenue	6	**685,736**	656,395
Cost of services rendered		**(520,817)**	(503,190)
Gross profit		**164,919**	153,205
Other income		**27,722**	9,093
Other gains – net	15	**2,345**	31,449
General and administrative expenses		**(117,678)**	(97,532)
Operating profit	14	**77,308**	96,215
Finance income		**2,093**	1,474
Finance costs		**(6,856)**	(3,716)
Share of profits less losses of jointly controlled entities and associates	16	**22,294**	22,385
Profit before income tax		**94,839**	116,358
Income tax expense	17	**(18,842)**	(24,877)
Profit for the period		**75,997**	91,481
Attributable to:			
Equity holders of the Company		**70,139**	82,814
Non-controlling interests		**5,858**	8,667
		75,997	91,481
Earnings per share (HK cents)			
Basic and diluted	18	**7.79**	9.20
Dividends	19	**–**	9,000

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2012

	Six months ended 30th June	
	2012	2011
		(note 2)
	HK$'000	HK$'000
Profit for the period	**75,997**	91,481
Other comprehensive income:		
Currency translation differences		
– Subsidiaries	**(8,063)**	23,071
– Jointly controlled entities and associates	**(3,405)**	12,121
Exchange reserve transfer upon disposal of a jointly control entity	**–**	(1,587)
Total comprehensive income for the period	**64,529**	125,086
Attributable to:		
Equity holders of the Company	**58,904**	112,993
Non-controlling interests	**5,625**	12,093
	64,529	125,086

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2012

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Revaluation reserve HK$'000	Capital reserve HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total reserves HK$'000	Equity holders HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1st January 2012	90,000	787,762	183,312	23,009	171,997	(576,950)	1,118,328	1,707,458	1,797,458	178,640	1,976,098
Profit for the period	-	-	-	-	-	-	70,139	70,139	70,139	5,858	75,997
Other comprehensive income:											
Currency translation differences											
– Subsidiaries	-	-	(7,943)	-	-	-	-	(7,943)	(7,943)	(120)	(8,063)
– Jointly controlled entities and associates	-	-	(3,292)	-	-	-	-	(3,292)	(3,292)	(113)	(3,405)
Transfer of reserves	-	-	-	-	-	631	(631)	-	-	-	-
Total comprehensive income for the period	-	-	(11,235)	-	-	631	69,508	58,904	58,904	5,625	64,529
Transaction with owners:											
Changes in ownership interests in a subsidiary that do not result in change in control *(note 24)*	-	-	-	-	(4,280)	-	-	(4,280)	(4,280)	(22,505)	(26,785)
Capital injection by non-controlling interests	-	-	-	-	-	-	-	-	-	3,242	3,242
2011 final dividend	-	-	-	-	-	-	(22,500)	(22,500)	(22,500)	-	(22,500)
At 30th June 2012	90,000	787,762	172,077	23,009	167,717	(576,319)	1,165,336	1,739,582	1,829,582	165,002	1,994,584

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the six months ended 30th June 2011

	Attributable to equity holders of the Company										
	Share capital HK$'000	Share premium HK$'000	Exchange reserve HK$'000	Revaluation reserve HK$'000	Capital reserve HK$'000	Other reserves HK$'000	Retained profits HK$'000	Total reserves HK$'000	Equity holders HK$'000	Non-controlling interests HK$'000	Total equity HK$'000
At 1st January 2011, as previously reported	90,000	787,762	128,835	23,009	171,997	(446,450)	956,415	1,621,568	1,711,568	86,250	1,797,818
Adoption of merger accounting *(note 2)*	–	–	4,167	–	–	55,257	61,470	120,894	120,894	–	120,894
At 1st January 2011	90,000	787,762	133,002	23,009	171,997	(391,193)	1,017,885	1,742,462	1,832,462	86,250	1,918,712
Profit for the period	–	–	–	–	–	–	82,814	82,814	82,814	8,667	91,481
Other comprehensive income:											
Currency translation differences											
– Subsidiaries	–	–	20,343	–	–	–	–	20,343	20,343	2,728	23,071
– Jointly controlled entities and associates	–	–	11,423	–	–	–	–	11,423	11,423	698	12,121
Transfer of reserves	–	–	–	–	–	929	(929)	–	–	–	–
Transfer upon disposal of a jointly controlled entity *(note 15)*	–	–	(1,587)	–	–	–	–	(1,587)	(1,587)	–	(1,587)
Total comprehensive income for the period	–	–	30,179	–	–	929	81,885	112,993	112,993	12,093	125,086
Transaction with owners:											
Transfer upon disposal of a jointly controlled entity *(note 15)*	–	–	–	–	–	(4,207)	3,366	(841)	(841)	841	–
Partial disposal of a subsidiary, net of tax *(note 20)*	–	–	–	–	–	48,240	–	48,240	48,240	74,879	123,119
2010 final dividend	–	–	–	–	–	–	(36,000)	(36,000)	(36,000)	–	(36,000)
At 30th June 2011	90,000	787,762	163,181	23,009	171,997	(346,231)	1,067,136	1,866,854	1,956,854	174,063	2,130,917

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2012

	Six months ended 30th June	
	2012	2011
		(note 2)
	HK$'000	HK$'000
Net cash inflow from operating activities	**65,200**	53,176
Net cash (used in)/generated from investing activities	**(1,862)**	81,248
Net cash generated from/(used in) financing activities	**12,062**	(136,784)
Net increase/(decrease) in cash and cash equivalents	**75,400**	(2,360)
Cash and cash equivalents at the beginning of the period	**331,156**	291,904
Effect of exchange rate changes	**(441)**	4,268
Cash and cash equivalents at the end of the period	**406,115**	293,812

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 General information

Chu Kong Shipping Enterprises (Group) Company Limited (formerly known as Chu Kong Shipping Development Company Limited) (the "Company") and its subsidiaries (collectively the "Group") are principally engaged in cargo transportation, cargo handling and storage and passenger transportation in Hong Kong and the People's Republic of China (the "PRC").

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

This unaudited condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated.

This unaudited condensed consolidated interim financial information has been approved for issue by the Board of Directors of the Company on 30th August 2012.

2 Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th June 2012 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2011, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

2 Basis of preparation *(Continued)*

As at 30th June 2012, the Group's current liabilities exceeded its current assets by HK$47,322,000. Based on the cash flow forecast up to twelve months from the balance sheet date, the asset backing and the available banking facilities, the Group will have sufficient working capital to meet the Group's liabilities as and when the liabilities fall due and to continue its operations for the foreseeable future. The directors believe that the Group will continue as a going concern. Consequently, the directors have prepared the financial statements on a going concern basis.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

The preparation of the unaudited condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates.

In preparing the unaudited condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty are the same as those that applied to the consolidated financial statements for the year ended 31st December 2011.

On 31st May 2011, the Company entered into sale and purchase agreements with Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE"), the immediate holding company. Pursuant to the agreements, the Company agreed to dispose of its 100% equity interest in Chu Kong Infrastructure Investment Limited, holding 25% equity interest in Guangzhou-Foshan Expressway Ltd., to CKSE for the acquisitions of 100% equity interest in CKS Container Terminal (Zhuhai Doumen) Co., Ltd. ("ZHDM") and 25% equity interest in Zhong Shan Port Goods Transportation United Co., Ltd., ("ZPGTU") with the difference between the fair value of these equity interests amounting to RMB134,500,000 (equivalent to approximately HK$165,602,000) being settled by the Company in cash (the "Assets Swap").

2 Basis of preparation *(Continued)*

Upon completion of the Assets Swap in December 2011, ZHDM became a wholly owned subsidiary and ZPGTU became a jointly controlled entity of the Company. The acquisition of ZHDM resulting from the Assets Swap is regarded as a business combination under common control. Accordingly, the Group's consolidated financial statements for the year ended 31st December 2011 had been prepared using the principles of merger accounting in accordance with Accounting Guideline 5 "Merger Accounting for the Common Control Combination" issued by the HKICPA on the basis as if the Company had been the holding company of ZHDM throughout the periods presented or since their respective dates of incorporation, whichever is the shorter period. As such, the condensed consolidated income statement, statement of comprehensive income, statement of changes in equity and cash flow statement and their respective notes for the six months ended 30th June 2011 have been restated to conform with the current period presentation. Details of the relevant statements of adjustments for the common control combination on the Group's consolidated reserves as at 30th June 2011 and the Group's results for the six-month period then ended are set out in note 23(a).

3 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2011, except the Group has adopted the following amendments to standards issued by the HKICPA which are mandatory for the financial period beginning on or after 1st January 2012.

HKAS 12 (Amendment)	Income Taxes
HKFRS 1 (Amendment)	First-time Adoption of Hong Kong Financial Reporting Standards
HKFRS 7 (Amendment)	Financial Instruments: Disclosure

The adoption of the above new HKFRSs in current period does not have any significant financial effect on the financial statements or result in any substantial changes in the Group's significant accounting policies.

3 Accounting policies *(Continued)*

The HKICPA has issued the following new and revised standards and amendments to standards but not yet effective for the financial period beginning 1st January 2012:

		Effective for accounting periods beginning on or after
HKAS 1 (Amendments)	Presentation of Financial Statements	1st July 2012
HKAS 19 (2011)	Employee Benefits	1st January 2013
HKAS 27 (2011)	Separate Financial Statements	1st January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1st January 2013
HKAS 32 (Amendment)	Financial Instruments: Presentation	1st January 2014
HKFRS 7 (Amendment)	Financial instruments: Disclosures	1st January 2013
HKFRS 9	Financial Instruments	1st January 2015
HKFRS 10	Consolidated Financial Statements	1st January 2013
HKFRS 11	Joint Arrangements	1st January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1st January 2013
HKFRS 13	Fair Value Measurement	1st January 2013
HKFRSs Amendments	HKFRS Annual Improvements Project 2011	1st January 2013

The Group has not early adopted these new standards and amendments to standards in the unaudited condensed consolidated interim financial information but has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of its consolidated financial statements will be resulted.

4 Financial risk management

(a) Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including currency risk and cash flow interest rate risk), credit risk and liquidity risk.

The unaudited condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31st December 2011.

There have been no changes in the risk management personnel since last year end or in any risk management policies.

(b) Liquidity risk

Compared to last year end, there was no material change in the contractual undiscounted cash out flows for financial liabilities.

(c) Fair value estimation

The carrying values less impairment provision (if applicable) of financial assets (including cash and cash equivalents) and financial liabilities with maturities less than twelve months from the end of the reporting period are reasonable approximation of their fair values. Fair value of long-term borrowings is estimated using the estimated future payments discounted at market interest rates.

5 Critical accounting estimates and judgements

The preparation of condensed consolidated interim financial information requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expense. Actual results may differ from these estimates.

In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the annual financial statements for the year ended 31st December 2011.

6 Segment information

The chief operating decision-maker has been identified as the Board of 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 Board considers the business from business perspectives and assesses the performance of the Group and its jointly controlled entities and associates which are organised into four main segments:

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

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

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

(iv) Corporate and other businesses – Investment holding and other businesses

The Board assesses the performance of the operating segments based on their segment profit before income tax expense, which is measured in a manner consistent with that in the interim financial information.

Sales between segments are carried out on terms similar to third party transactions. The revenue from external parties reported to the Board is measured in a manner consistent with that in the unaudited condensed consolidated income statement.

6 Segment information *(Continued)*

	Cargo transportation HK$'000	Cargo handling and storage HK$'000	Passenger transportation HK$'000	Corporate and other businesses HK$'000	Total HK$'000
Six months ended 30th June 2012					
Total revenue	**464,224**	**200,655**	**66,619**	**–**	**731,498**
Inter-segment revenue	**(5,587)**	**(40,175)**	**–**	**–**	**(45,762)**
Revenue (from external customers)	**458,637**	**160,480**	**66,619**	**–**	**685,736**
Segment profit before income tax expense	**3,424**	**53,288**	**36,128**	**1,999**	**94,839**
Income tax expense	**(1,532)**	**(10,874)**	**(3,846)**	**(2,590)**	**(18,842)**
Segment profit/(loss) after income tax expense	**1,892**	**42,414**	**32,282**	**(591)**	**75,997**
Segment profit before income tax expense includes:					
Finance income	**162**	**682**	**141**	**1,108**	**2,093**
Finance costs	**–**	**(2,945)**	**–**	**(3,911)**	**(6,856)**
Depreciation and amortisation	**(6,156)**	**(34,034)**	**(85)**	**(395)**	**(40,670)**
Share of profits less losses of jointly controlled entities and associates	**(1,620)**	**13,027**	**12,092**	**(1,205)**	**22,294**

6 Segment information *(Continued)*

	Cargo transportation HK$'000	Cargo handling and storage HK$'000	Passenger transportation HK$'000	Corporate and other businesses HK$'000	Total HK$'000
Six months ended 30th June 2011 *(note 2)*					
Total revenue	448,974	189,954	60,387	–	699,315
Inter-segment revenue	(7,957)	(34,963)	–	–	(42,920)
Revenue (from external customers)	441,017	154,991	60,387	–	656,395
Segment profit before income tax expense	3,727	77,864	27,508	7,259	116,358
Income tax expense	(1,972)	(15,928)	(3,668)	(3,309)	(24,877)
Segment profit after income tax expense	1,755	61,936	23,840	3,950	91,481
Segment profit before income tax expense includes:					
Finance income	194	730	9	541	1,474
Finance costs	–	(3,015)	–	(701)	(3,716)
Depreciation and amortisation	(5,371)	(28,342)	(148)	(344)	(34,205)
Share of profits less losses of jointly controlled entities and associates	197	13,686	9,521	(1,019)	22,385

6 Segment information *(Continued)*

	Cargo transportation HK$'000	Cargo handling and storage HK$'000	Passenger transportation HK$'000	Corporate and other business HK$'000	Inter-segment elimination HK$'000	Total HK$'000
As at 30th June 2012						
Total segment assets	**528,449**	**1,829,487**	**471,564**	**788,991**	**(655,549)**	**2,962,942**
Total segment assets include:						
Jointly controlled entities and associates	**22,574**	**211,018**	**233,451**	**34,649**	**–**	**501,692**
Total segment liabilities	**(430,841)**	**(488,577)**	**(89,526)**	**(614,963)**	**655,549**	**(968,358)**
As at 31st December 2011						
Total segment assets	490,968	1,838,971	469,712	774,990	(665,256)	2,909,385
Total segment assets include:						
Jointly controlled entities and associates	24,591	220,693	226,907	36,049	–	508,240
Total segment liabilities	(394,680)	(503,735)	(50,913)	(649,215)	665,256	(933,287)

7 Property, plant and equipment, investment properties and land use rights

	Property, plant and equipment HK$'000	Investment properties HK$'000	Land use rights HK$'000	Total HK$'000
Opening net book value as at 1st January 2012	**1,217,826**	**9,939**	**375,091**	**1,602,856**
Exchange differences	**(5,531)**	**–**	**(2,060)**	**(7,591)**
Additions	**24,921**	**–**	**–**	**24,921**
Disposal/write off	**(1,605)**	**–**	**–**	**(1,605)**
Depreciation and amortisation	**(36,792)**	**(55)**	**(3,823)**	**(40,670)**
Closing net book value as at 30th June 2012	**1,198,819**	**9,884**	**369,208**	**1,577,911**
Opening net book value as at 1st January 2011, as previously reported	1,068,688	10,049	302,788	1,381,525
Adoption of merger accounting *(note 2)*	58,955	–	20,754	79,709
At 1st January 2011	1,127,643	10,049	323,542	1,461,234
Exchange differences	18,858	–	7,409	26,267
Additions	63,909	–	–	63,909
Acquisition of a subsidiary *(note 23(b))*	2,000	–	–	2,000
Disposal/write off	(280)	–	–	(280)
Depreciation and amortisation	(30,629)	(55)	(3,521)	(34,205)
Closing net book value as at 30th June 2011	1,181,501	9,994	327,430	1,518,925

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 Trade and other receivables

	As at 30th June 2012 HK$'000	As at 31st December 2011 HK$'000
Trade receivables, net of provision *(note (a))*:		
– third parties	**189,641**	177,784
– fellow subsidiaries	**4**	254
– jointly controlled entities and associates	**6,118**	6,523
– other related companies	**707**	1,025
	196,470	185,586
Other receivables *(note (b))*:		
– parent company	**–**	28,371
– immediate holding company	**19,856**	18,718
– fellow subsidiaries	**10,672**	5,198
– jointly controlled entities and associates	**71,256**	45,539
– other related companies	**401**	751
	102,185	98,577
Deposits and prepayments	**57,607**	50,451
Total trade and other receivables	**356,262**	334,614

8 Trade and other receivables *(Continued)*

Notes:

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

	As at 30th June 2012 HK$'000	As at 31st December 2011 HK$'000
Within 3 months	**193,715**	181,555
4 to 6 months	**1,115**	3,895
7 to 12 months	**770**	56
Over 12 months	**5,108**	4,328
	200,708	189,834
Less: Provision for impairment	**(4,238)**	(4,248)
	196,470	185,586

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

(b) Other receivables due from related parties are unsecured, interest free and repayable on demand, except for the amount due from the parent company as at 31st December 2011 which bore interest at rates ranging from 2.25% to 3.5%. The amount due from the parent company was fully settled during the current period.

9 Loans to jointly controlled entities and associates

	As at 30th June 2012 HK$'000	As at 31st December 2011 HK$'000
Unsecured loans		
– interest free	**11,408**	11,471
– at fixed interest rates *(note (a))*	**8,943**	8,992
– at floating rates *(note (b))*	**9,711**	9,765
	30,062	30,228

Notes:

(a) The loans bear interest rates ranging from 4.8% to 5.56% per annum (31st December 2011: 4.8% to 5.56% per annum).

(b) The loans bear interest at the floating rate announced by the People's Bank of China (31st December 2011: floating rate announced by the People's Bank of China).

10 Share capital

	As at 30th June 2012 HK$'000	As at 31st December 2011 HK$'000
Authorised:		
2,000,000,000 ordinary shares of HK$0.10 each	**200,000**	200,000
Issued and fully paid:		
900,000,000 ordinary shares of HK$0.10 each	**90,000**	90,000

11 Borrowings

	As at 30th June 2012 HK$'000	As at 31st December 2011 HK$'000
Unsecured, short term bank loans	**250,000**	200,000
Secured, long term bank loans	**73,602**	85,975
	323,602	285,975

11 Borrowings *(Continued)*

The maturity of the long term bank loans is as follows:

	As at 30th June 2012 HK$'000	As at 31st December 2011 HK$'000
Repayable within one year	**12,265**	11,966
Repayable within one to two years	**12,265**	12,335
Repayable within two to five years	**49,072**	43,173
Repayable after five years	**–**	18,501
	73,602	85,975
Current portion included in current liabilities	**12,265**	11,966
	61,337	74,009

The secured bank loans at 30th June 2012 and 31st December 2011 were secured by certain land use rights and property, plant and equipment of the Group, denominated in Renminbi, and interest bearing at the floating rate announced by the People's Bank of China.

The unsecured bank loans were denominated in Hong Kong dollars and bear interest ranging from 1.78% to 3.08% (31st December 2011: 1.97% to 2.28%).

12 Trade and other payables

	As at 30th June 2012 HK$'000	As at 31st December 2011 HK$'000
Trade payables *(notes (a) and (b))*:		
– third parties	**195,393**	189,570
– immediate holding company	**4,505**	1,389
– fellow subsidiaries	**6,272**	14,412
– jointly controlled entities and associates	**28,755**	24,388
– other related companies	**3,071**	3,215
	237,996	232,974
Other payables *(note (b))*:		
– third parties	**202**	377
– immediate holding company	**61,682**	50,621
– fellow subsidiaries	**7,396**	11,434
– jointly controlled entities and associates	**67,493**	60,518
– other related companies	**69**	403
– key management	**1,848**	1,473
	138,690	124,826
Accruals	**85,536**	119,352
	462,222	477,152

12 Trade and other payables

Notes:

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

	As at 30th June 2012 HK$'000	As at 31st December 2011 HK$'000
Within 3 months	**234,724**	217,163
4 to 6 months	**80**	1,491
7 to 12 months	**1,132**	851
Over 12 months	**2,060**	13,469
	237,996	232,974

(b) The trade 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.

13 Loan from an associate, and amounts due to the non-controlling interests of subsidiaries and a related party

(a) The loan from an associate is unsecured, interest bearing at 3.50% per annum (31st December 2011: 3.50% per annum), repayable on demand and denominated in Renminbi.

(b) Breakdown of amounts due to the non-controlling interests of subsidiaries:

	As at 30th June 2012 HK$'000	As at 31st December 2011 HK$'000
Interest free *(note (i))*	**47,649**	47,666
At fixed interest rates *(note (ii))*	**4,348**	3,742
	51,997	51,408

(i) The amounts are denominated in Hong Kong dollars, unsecured and repayable on demand.

(ii) The amounts are unsecured, repayable on demand and HK$4,348,000 (31st December 2011: HK$3,372,000) of which is denominated in Hong Kong dollars and interest-bearing at 4% per annum (31st December 2011: 4% per annum). The remaining balance was denominated in Renminbi and interest-bearing at 5.31% per annum as at 31st December 2011.

(c) The amounts due to a related party are unsecured, interest bearing at the floating rate announced by the People's Bank of China, repayable on demand and denominated in Renminbi.

14 Operating profit

Operating profit is stated after charging the following:

	2012	2011
		(note 2)
	HK$'000	HK$'000
Amortisation of land use rights	**3,823**	3,521
Costs of cargo transportation, passenger transportation and cargo handling and storage (including fuel cost)	**332,416**	321,473
Depreciation of property, plant and equipment	**36,792**	30,629
Depreciation of investment properties	**55**	55
Operating lease rental expenses		
– vessels and barges	**54,866**	53,315
– buildings	**15,498**	13,286
Staff costs (including directors' emoluments)	**123,499**	110,884

15 Other gains – net

	2012	2011
		(note 2)
	HK$'000	HK$'000
Exchange gains, net	**1,883**	6,339
Gain on disposals of property, plant and equipment	**462**	272
Gain on disposal of a jointly controlled entity *(note)*	**–**	24,597
Gains on re-measurement of interest in a jointly controlled entity *(note 23(b))*	**–**	241
	2,345	31,449

Note:

On 8th March 2011, the Group disposed of its entire shareholding in Dongguan Humen Great Trade Containers Port Co., Ltd., a jointly controlled entity, at a consideration of HK$32,979,000 and recognised a pre-tax gain of HK$24,597,000, of which HK$1,587,000 represents a realisation of exchange reserve.

16 Share of profits less losses of jointly controlled entities and associates

	2012	2011
	HK$'000	HK$'000
Share of profits less losses before income tax	**31,138**	33,802
Share of income tax	**(8,844)**	(11,417)
	22,294	22,385

17 Income tax expense

	2012	2011
		(note 2)
	HK$'000	HK$'000
Current income tax		
– Hong Kong profits tax	**6,598**	7,581
– PRC corporate income tax	**10,459**	14,361
Deferred income tax	**1,785**	2,935
	18,842	24,877

Hong Kong profits tax has been provided for at the rate of 16.5% (2011: 16.5%) on the estimated assessable profit for the period.

PRC corporate income tax has been calculated on the estimated assessable profit for the period at the income tax rate of the PRC entities of 25% (2011: 24% to 25%).

18 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 period.

	2012	2011 *(note 2)*
Profit attributable to equity holders of the Company (HK$'000)	**70,139**	82,814
Weighted average number of ordinary shares in issue ('000)	**900,000**	900,000
Basic and diluted earnings per share (HK cents)	**7.79**	9.20

The diluted earnings per share for the six months ended 30th June 2012 and 2011 is equal to the basic earnings per share as there are no potential dilutive ordinary shares in issue during both periods.

19 Dividends

	2012 **HK$'000**	2011 HK$'000
Interim, declared, of HK nil cent (2011: HK1 cent) per ordinary share	**–**	9,000

The Board of Directors did not recommend payment of interim dividend for the year ending 31st December 2012 (31st December 2011: HK1 cent per ordinary share).

20 Partial disposal of a subsidiary without a loss of control

On 1st February 2011 the Group disposed of 20% equity interest in Chu Kong River Trade Terminal Co., Ltd. ("CKRTT"), originally a wholly-owned subsidiary, at a consideration of HK$131,368,000. The Group retains 80% equity interest and voting power in CKRTT after the disposal and retains control of the CKRTT's Board.

HKAS 27 (Revised) "Consolidated and Separate Financial Statements" requires a change in ownership interest in a subsidiary that does not result in a loss of control to be accounted for as an equity transaction. As a result, net gain on disposal of HK$48,240,000 (after tax) is recognised directly in equity. The Group recognised 20% non-controlling interest amounting to HK$74,879,000 upon the disposal.

21 Capital commitments

	As at 30th June 2012 HK$'000	As at 31st December 2011 HK$'000
Contracted but not provided for		
– Land use rights	**45,608**	37,737
– Property, plant and equipment	**46,895**	21,454
– Investments in a jointly controlled entity *(note)*	**94,530**	94,530
Authorised but not contracted for		
– Property, plant and equipment	**71,555**	25,965

The Group's share of capital commitments of jointly controlled entities and associates not included in the above is as follows:

	As at 30th June 2012 HK$'000	As at 31st December 2011 HK$'000
Contracted but not provided for	**–**	2,995

Note:

The balance represents outstanding investment in a jointly controlled entity, Guangzhou Nansha Chu Kong Terminal Company Limited.

22 Related party transactions

The directors of the Company regard CKSE as the immediate holding company, which owns 70.0% (31st December 2011: 70.0%) of the Company's ordinary shares at 30th June 2012. The parent company of the Group is Guangdong Province Navigation Holdings Company Limited ("GPNHCL"), a state-owned enterprise established in the PRC.

Related parties include GPNHCL 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 GPNHCL as well as their close family members.

For the six months ended 30th June 2012 and 2011, 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 this unaudited condensed consolidated financial information, 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 six months ended 30th June 2012 and 2011.

22 Related party transactions *(Continued)*

(a) Transactions with related parties

	Note	2012 HK$'000	2011 *(note 2)* HK$'000
Revenues:			
Shipping agency, river trade cargo direct shipment and transshipment income	(i)		
– fellow subsidiaries		**773**	667
– jointly controlled entities and associates		**128**	5
– a related company		**96**	106
Passenger transportation agency fees	(i)		
– fellow subsidiaries		**2,290**	1,968
– jointly controlled entities and associates		**4,500**	4,372
– other related companies		**1,327**	1,547
Ferry terminal operation service fees	(i)		
– fellow subsidiaries		**2,699**	2,408
– jointly controlled entities and associates		**11,603**	11,404
– other related companies		**5,676**	5,983
Management service fees			
– immediate holding company	(ii)	**17,024**	–
– a fellow subsidiary	(iii)	**5,840**	5,371
– jointly controlled entities and associates	(iii)	**1,141**	1,126
– a related company	(iii)	**132**	110
Vessel rental income	(i)		
– a related company		**1,228**	980
Office rental income	(i)		
– a fellow subsidiary		**549**	1,068
– a jointly controlled entity		**–**	3
Interest income			
– parent company	(iv)	**–**	325
– jointly controlled entities and associates	(v)	**567**	736

22 Related party transactions *(Continued)*

(a) Transactions with related parties *(Continued)*

	Note	**2012** **HK$'000**	2011 *(note 2)* HK$'000
Expenses:			
Shipping agency, river trade cargo direct shipment and transshipment expenses	(i)		
– jointly controlled entities and associates		**11,998**	4,867
– other related companies		**5,525**	7,194
Wharf cargo handling, cargo transportation and godown storage expenses	(i)		
– jointly controlled entities and associates		**18,200**	19,620
– other related companies		**598**	54
Agency fee expense	(i)		
– fellow subsidiaries		**222**	192
– jointly controlled entities and associates		**774**	815
– other related companies		**27**	103
Ferry terminal operation services fee	(i)		
– a fellow subsidiary		**2,895**	2,853
Luggage handling fee	(vi)		
– a related company		**3,454**	3,879
Fuel charges	(i)		
– a fellow subsidiary		**39,558**	41,811
Vessel rental expenses	(i)		
– jointly controlled entities and associates		**10,174**	9,776
Warehouse rental expenses	(vii)		
– immediate holding company		**2,822**	2,735
Office rental expenses	(i)		
– immediate holding company		**2,611**	1,092
Staff quarter rental expenses	(i)		
– immediate holding company		**1,462**	955
Loan interest expenses			
– an associate	(viii)	**431**	416
– non-controlling interests	(ix)	**77**	65
– a related company	(x)	**494**	419
Management fee expense	(xi)		
– immediate holding company		**3,600**	3,600

22 Related party transactions *(Continued)*

(a) Transactions with related parties *(Continued)*

Notes:

(i) These transactions were conducted at terms pursuant to agreements as entered into between the Group and the respective related parties or as mutually agreed between the Group and the respective related parties.

(ii) Management fee was charged to CKSE for provision of services to a number of subsidiaries and jointly controlled entities 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 2011 to 30th June 2014.

(iii) Management service fees were charged based on the actual costs incurred for the service provided.

(iv) Interest was charged to the parent company at rates ranging from 2.25% to 3.50% per annum.

(v) Interests were charged to jointly controlled entities and associates in respect of loans bearing interest rates ranging from 4.8% to 5.56% per annum (2011: 4.8% to 5.56% per annum) or at the floating rate announced by the People's Bank of China (2011: floating rate announced by the People's Bank of China) pursuant to the agreements entered into between the Group and the jointly controlled entities and the associates.

(vi) Luggage handling fee was charged at HK$3.3 (2011: HK$3.3) 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.

22 Related party transactions *(Continued)*

(a) Transactions with related parties *(Continued)*

Notes: (Continued)

(vii) The Group leased a warehouse from CKSE and rental was charged by CKSE pursuant to the agreement governing the transaction.

(viii) Loan interest was charged by an associate at 3.50% per annum (2011: 3.50% per annum) pursuant to the agreement entered into between the Group and the associate.

(ix) Interest was charged by the non-controlling interests at 4% per annum (2011: 4% to 5.31% per annum).

(x) Interest was charged by the related party at the floating rate announced by the People's Bank of China (2011: floating rate announced by the People's Bank of China).

(xi) Management fee expenses were charged at HK$600,000 per month for IT services provided by CKSE as set out in the agreement governing these transactions.

Apart from the above, during the period, the Company and CKSE have interchanged the use of certain owned floors of Chu Kong Shipping Tower without any income or charges for such interchanging arrangement.

22 Related party transactions *(Continued)*

(b) Key management compensation

	2012 HK$'000	2011 HK$'000
Salaries and allowances	**4,337**	2,623
Directors' fees	**725**	747
Retirement benefit scheme contributions	**239**	160
	5,301	3,530

(c) Loans to jointly controlled entities and associates

	2012 HK$'000	2011 HK$'000
As at 1st January	**30,228**	32,468
Exchange differences	**(166)**	792
Loans advanced	**–**	6,946
Loans repayments received	**–**	(2,891)
Effect of a jointly controlled entity becoming a subsidiary *(note 23(b))*	**–**	(4,840)
As at 30th June	**30,062**	32,475

23 Business combinations

(a) Business combination under common control in 2011

As mentioned in note 2, the Company acquired ZHDM from CKSE in December 2011, which was regarded as a business combination under common control. The comparative condensed consolidated financial information for the six months ended 30th June 2011 has been restated using the principles of merger accounting on the basis as if the Company had been the holding company of ZHDM throughout the period presented.

Statement of adjustments for the common control combination of ZHDM to the Group's result for the six months ended 30th June 2011 is as follow:

	The Group before the acquisition of ZHDM	**ZHDM**	**Total**
	HK$'000	HK$'000	HK$'000
Six months ended 30th June 2011			
Revenue	628,829	27,566	656,395
Profit before income tax	103,623	12,735	116,358
Income tax expense	(21,674)	(3,203)	(24,877)
Profit for the period	81,949	9,532	91,481

23 Business combinations *(Continued)*

(a) Business combination under common control in 2011 *(Continued)*

Statement of adjustments for the common control combination of ZHDM to the Group's consolidated reserves as at 30th June 2011 is as follow:

	The Group before the acquisition of ZHDM	**ZHDM**	**Adjustments**		**Total**
	HK$'000	HK$'000	HK$'000	*Note*	HK$'000
As at 30th June 2011					
Retained profits	996,134	71,002	–		1,067,136
Exchange reserve	156,097	–	7,084	(i)	163,181
Other reserves	581,280	24,593	30,664	(ii)	636,537
Total reserves	1,733,511	95,595	37,748		1,866,854

Notes:

(i) Adjustment to recognise the exchange differences arising from translation of the financial statements of ZHDM from Renminbi, ZHDM's functional currency, to Hong Kong dollars, the Group's functional currency.

(ii) Adjustment to recognise the merger reserve, which represents the difference between the Company's investment cost in ZHDM and the share capital of ZHDM.

No other significant adjustments were made to the net profit of any entities or businesses as a result of the common control combinations to achieve consistency of accounting policies.

23 Business combinations *(Continued)*

(b) Business combination under acquisition method of accounting in 2011

On 7th February 2011, the Company acquired the remaining 49% equity interest in Chu Kong Air-Sea Union Transportation Company Limited ("CKSA"), and since then CKSA became a wholly-owned subsidiary of the Company.

In accordance with HKFRS 3 (Revised) "Business Combinations", the Group is required to re-measure its previously held interest in CKSA at its acquisition-date fair value and recognise the related gain/(loss), including reclassification adjustments of amounts previously recognised in other comprehensive income, in the profit and loss account.

Details on re-measurement of previously held interest in CKSA are as follows:

	HK$'000
Fair value of net assets in CKSA	
Property, plant and equipment	2,000
Deposits	600
Deferred tax assets	1,793
Trade and other receivables	12,666
Restricted deposits	600
Cash and cash equivalents	3,872
Loan from shareholders	(4,840)
Trade and other payables	(13,540)
Income tax liabilities	(164)
	2,987
Equity interest previously held by the Company	51%
Share of fair value of net assets by the Company	1,523
Interest in CKSA previously recognised as a jointly controlled entity by the Company	(1,282)
Gain on re-measurement of interest in CKSA *(note 15)*	241

23 Business combinations *(Continued)*

(b) Business combination under acquisition method of accounting in 2011 *(Continued)*

Details of net assets acquired and goodwill are as follows:

	HK$'000
Cash consideration	1,464
Fair value of nets assets previously held by the Company	1,523
Total purchase consideration	2,987
Less: Fair value of net assets acquired as shown above	(2,987)
Goodwill arising from acquisition	–

The analysis of net inflow of cash and cash equivalents in respect of the acquisition is as follows:

	HK$'000
Cash consideration	(1,464)
Cash and cash equivalents acquired	3,872
Net cash inflow on acquisition	2,408

CKSA contributed revenue of HK$10,322,000 and net profit of HK$2,806,000 to the Group for the period from acquisition to 30th June 2011. If the acquisition had occurred on 1st January 2011, revenue and profit for the six months ended 30th June 2011 of the Group would have increased by HK$2,104,000 and HK$100,000 respectively.

24 Additional interest in a subsidiary

In February 2012, the Group acquired an additional 23% equity interest in Zhaoqing New Port Co., Ltd. ("ZQNP") at a cash consideration of HK$26,785,000. The carrying amount of the net assets in ZQNP on the date of acquisition was HK$97,847,000. The Group recognised a decrease in non-controlling interest by HK$22,505,000. The effect of changes in the ownership interest of Zhaoqing New Port Co., Ltd. for the six-month ended 30th June 2012 is summarised as follows:

	HK$'000
Carrying amount of non-controlling interests acquired	22,505
Less: Consideration paid to non-controlling interests	
– Cash paid in 2012	(15,879)
– Prepaid consideration in 2011	(10,906)
Excess of consideration paid recognised in the capital reserve within equity	(4,280)

25 Contingent liabilities

Guarantee given by Zhongzhan-Hong Kong Passenger Shipping Co-op Co. Ltd., a jointly controlled entity

A 40% interest jointly controlled entity of the Group has contingent liabilities to a bank in relation to a provision of a financial guarantee and indemnity of US$400,000 (equivalent to approximately HK$3,120,000) to a third party in the PRC in 1994. This third party failed to perform its contractual and financial obligations to the bank in 1998. As such, court proceedings commenced by the bank demanding payment of US$400,000 against the jointly controlled entity and the Province Court imposed orders of execution of the jointly controlled entity in 1998 and 2001. However, no execution has been finally implemented.

The directors of the Company are of the opinion that the potential liabilities to be settled are remote as at 30th June 2012.

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