



CHU KONG SHIPPING ENTERPRISES (GROUP) COMPANY LIMITED

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

Stock Code : 00560

Interim Report 2013



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 2013 amounting to HK\$761,391,000, up by 11.0% year-on-year. The profit attributable to shareholders of the Group amounted to HK\$100,310,000, up by 43.0% against corresponding period last year.

REVIEW AND OUTLOOK

During the first half of 2013, the global economy was recovering slowly. The overall import and export market in China was growing in a slow pace while port and shipping enterprises in China were at the downstream in the industry. Under the business principle of “improvement and enhancement with prudence”, the Group strengthened integration of resources, promoted professional operation, excavated the potential of resources and enhanced its capability of marketing and promotion, scale and operation, achieving a double-digit growth in turnover and profit of two core businesses, namely terminal logistics and water-way high-speed passenger transportation. Besides, the Company was commented as “Best Investment Value Award (“BIVA Award”) for Listed Companies 2013” by Organising Committee of BIVA Award.

Regarding terminal logistics, the Group mainly worked on the followings: the first is the acceleration of upgrading and reconstructing terminals; the reconstructing of Zhuhai Civet Terminal, Foshan Gaoming Terminal, Jiangmen Sanbu Terminal and Qingyuan Terminal were completed during the period. Through upgrade and reconstruction, productivity of terminals was increased, which brought about opportunities for continuous growth in the long run. The second is the expansion of terminal logistics business by further broadening and control of door-to-door cargo and the deepening of our business relationship with liner companies in light of the requirement for the supply chain in logistics industry. The third is the increase in profit by expanding the integrated logistics services of modern warehousing business, which regarded bonded warehouse and temperature-controlled warehouse as its core components. The fourth is the strengthening on standardisation of terminals, which upgraded service quality and enhanced efficiency. The fifth is safety production; Foshan Gaoming Terminal became the only demonstration river trade terminal in Guangdong of safety standardisation recognised by Department of Communications of Guangdong Province. The sixth is the segmental management of terminals

and the marketing team, forming a region having a core terminal as its centre, a complementary relationship among terminals and achieving a combination of the capability of scale and operation. The seventh is the successful renewal on the operation licence of Marine Cargo Terminal at the Hong Kong International Airport with Airport Authority Hong Kong. The above measures were extremely efficient. During the first half of the year, the overall terminal logistics business continued to grow, especially there were rapid growth in Foshan Gaoming Terminal and Sanbu Terminal, both situated at the western part of Pearl River Delta. During the first half of the year, containers handling volume of Gaoming Terminal was more than 130,000 TEU, representing a year-on-year increase of 24.7% and foreign-trade business of Sanbu Terminal recorded a growth of 17.4%.

Regarding high-speed passenger transportation, the Group mainly worked on the followings: the first is the increasing of controlling power over core routes with funding by strengthening the coordination of traditional Guangdong-Hong Kong routes. Through the optimisation of customer source, a rise in both price and volume was achieved that led to an increase in overall revenue and total number of passengers for agency services. The second is the expansion of market and provision of satisfactory services to ship owners through streamlined management by capturing the chance from successfully obtaining the operation and management right for Hong Kong-Macao route last year, which contributed a considerable profit to passenger transportation business for the first half of the year. The third is the successful bidding for the renewal on the operation licence of Skypier at the Hong Kong International Airport to 2019. In the future, the unique operation of “air-sea transportation” will have great potential to grow and contribute considerable income to the Group. The Group put more resources on marketing promotion. As China Central Television made news reports on the operation of “air-sea transportation” twice consecutively during the passenger peak in Spring Festival, more tourists knew about the efficient transport mode which was becoming popular in the market. The fourth is the further integration of high-speed passenger transportation and tourism. The Company made efforts in hotel package agency and advertising businesses as to expanding to the entire tourism chain. The fifth is the long-term sustainable development; the research in expansion of new routes outside Pearl River Delta.

Regarding capital operation, the Company put maximising shareholders' interest as the highest priority and actively sought for various financing methods. On 13th June 2013, the Company successfully issued 180,000,000 warrants. Once the warrants are exercised, it will enhance the capital capability of the Company. Moreover, apart from positive adjustment on shareholding structure, the exercise will speed up the progress of the Company's acquisition and expansion activities.

During the second half of the year, the Group will continue to focus on core tasks, such as resources integration, expansion on integrated logistics, set up of network points overseas, expansion in passenger transport and tourism chain. It will also improve its execution and implementation of different decisions made by the Board of Directors. Meanwhile, it will proactively seek for input of quality assets from its parent company so as to make its core businesses stronger. Besides, it will respond to the unfavorable economic condition with solid work and streamlined management with an aim to bring greater economic benefits for its shareholders.

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, 15th August 2013

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

For the six months ended 30th June 2013, the Group recorded consolidated revenue of HK\$761,391,000, up by 11.0% as compared with the corresponding period last year. Profit attributable to the equity holders of the Group was HK\$100,310,000, up by 43.0% as compared with the corresponding period last year.

In 2013, the global economy was recovering slowly while China experienced an economic transformation. New leaders of China clearly stated that, a certain degree of slowdown in economy is acceptable as the abovementioned will lead to a solid and sustainable structural transformation in economy and economic development; therefore there was a slight slowdown in economic growth. According to the National Bureau of Statistics of China, GDP recorded a year-on-year increase of 7.6% for the first half of the year. Affected by the overall environment and the transformation and upgrade in economy, the growth in the volume of import and export of Guangdong Province substantially decreased. According to Guangdong Sub-Administration of China Customs, the total value of import and export of Guangdong Province recorded a year-on-year increase of 21.2% from January to June 2013 but a decrease in foreign import and export in June was noted.

As an enterprise based at Guangdong, Hong Kong and Macao that provides integrated logistics and passenger transport services, the Group persisted in its business principle of “improvement and enhancement with prudence” and doing better on operation and management, which allowed its business to grow steadily. Regarding freight business, the Group achieved a steady growth in major cargo throughput through effective implementation of measures such as continuing to promote professionalised operation and particularly optimising the operation mode of terminals and continuing the development of the function of “Consolidated CKTL” platform during the period. For the six months ended 30th June 2013, container transportation volume and break bulk cargoes transportation volume recorded an increase of 5.1% and 22.0% respectively. The significant increase in break bulk cargoes transportation volume was mainly due to the substantial increase in infrastructure materials. As the Europe and U.S. markets recovered, wharf handling and warehousing and storage businesses recorded a growth in export volume. However, there was a relatively significant decrease in renewable resources led by the economic transformation, which resulted in a slowdown in the growth in cargo volume at the terminals. Container handling volume and volume of break bulk cargoes handled recorded a slightly decrease of 1.8% and 5.8% respectively and volume of container hauling and trucking increased by 3.9% year-on-year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

Regarding passenger transportation business, a continuous growth was recorded as there was increasing number of visitors came to Hong Kong and Macao. Expanding airlines and Hong Kong-Macao routes that recorded a substantial growth was a strong driver to the growth in passenger transportation business. During the period, passenger transportation business remained a stable growth, and the total number of passengers for agency services was 3,183,000, representing a year-on-year increase of 6.8%; the number of passengers for terminal services was 3,610,000, up by 11.6% as compared with the corresponding period last year. It was believed that the prosperity of the Individual Visit Scheme (IVS) in Guangdong, Hong Kong and Macao led to a further growth in the business of passengers transportation.

Freight-related business contributed a profit of HK\$49,404,000 to the Group, representing an increase of 11.5% as compared to the same period last year. The passenger transportation business contributed a profit of HK\$57,520,000 to the Group, representing an increase of 78.2% as compared to the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

REVIEW OF OPERATIONS (Continued)

I. CARGO TRANSPORTATION BUSINESS

During the period, though there was a slower growth of volume of import and export across the Pearl River Delta region, the Group remained a stable growth in container business by improving operation efficiency. Break bulk cargo transportation business and hauling and trucking on land business also improved.

1. Business Operation Indicators

Performance statistics of our major business operations are as follows:

Indicators	For the six months ended 30th June		
	2013	2012	Change
Cargo transportation volume			
Container transportation volume (TEU)	555,304	528,545	5.1%
Break bulk cargoes transportation volume (revenue tons)	162,459	133,205	22.0%
Cargo handling volume			
Container handling volume (TEU)	529,722	539,699	-1.8%
Volume of break bulk cargoes handled (revenue tons)	711,795	755,573	-5.8%
Volume of container hauling and trucking on land (TEU)	94,899	91,303	3.9%

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. CARGO TRANSPORTATION BUSINESS *(Continued)*

2. Subsidiaries

During the period, Chu Kong Transshipment & 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 growth. Container transportation volume recorded a steady growth, which was mainly due to the increase in export containers, and the increase in break bulk cargoes transportation volume was due to the increase in bulk cargoes caused by the commencement of infrastructure projects in Hong Kong. CKTL has actively explored integrated logistics services, especially modern warehousing business, focusing on developing Tuen Mun Terminal Project. The market share of CKTL in over 30 category-2 ports having business with the Group in Pearl River Delta was further improved to 25.5%, representing an increase of 1.9 percentage point over the corresponding period of last year.

Regarding freight business at terminal, Chu Kong Cargo Terminals (Gaoming) Co., Ltd. in Foshan continued to record a substantial growth in its business. Cargo source structure at terminal was further optimised, and the company achieved 134,000 TEU of container handling volume, representing a year-on-year increase of 24.7%. Renewable resources and factory-trade goods increased by 17.1% and 34.3% respectively. The company continued to improve its communication with cargo owners, international liner companies, cargo agencies and barge companies. In addition, it will improve its communication with the inspection departments, such as Customs Department, in order to develop the advantage of the terminal as a preferable and fast customs clearance.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

REVIEW OF OPERATIONS (Continued)

I. CARGO TRANSPORTATION BUSINESS (Continued)

2. Subsidiaries (Continued)

There was a slowdown in the growth in terminal logistics business in Zhaoqing region, which was mainly due to the negative impact on containers at terminals imposed by the change of the policy on renewable resources. However, there was an unexpected growth for newly established terminals. During the first half of the year, major terminals in Zhaoqing region achieved container handling volume of 173,000 TEU, representing a year-on-year decrease of 3.5%, whereas foreign trade container recorded a year-on-year increase of 2.2%. Zhaoqing New Port recorded a year-on-year growth in foreign trade container business. There was also a substantial increase in importing stone containers at Zhaoqing Gaoyao Port. After a policy change on customs clearance, Zhaoqing Sihui Terminal recorded a year-on-year decrease of 6.1% for renewable resources containers. The business of Kangzhou Port basically remained at the same level as compared with last year.

As the local government in Zhuhai implemented a policy of substantial subsidies on its share participating terminals, a decrease in container handling volume of the companies of the Group in Zhuhai region was recorded during the period. Container volume of both CKS Container Terminal (Zhuhai Doumen) Co., Ltd. and Civet (Zhuhai Bonded Area) Logistics Company Limited decreased and the two terminals achieved 94,000 TEU for the first half of the year, representing a year-on-year decrease of 28.4%. Civet Port experienced a relatively large attack and achieved 62,000 TEU for container handling volume during the period, representing a year-on-year decrease of 36.7%. Similarly, Doumen Port was affected by the subsidy policy implemented by the local government. Besides, the renewable resources cargoes further decreased due to customs clearance matters. Container handling volume of 32,000 TEU was recorded during the period, representing a year-on-year decrease of 3.4%. That region was surrounded by an unfavorable environment, which had to be reversed by enhancing the service standard at terminals, maintaining efficient customs clearance procedures, retaining existing customers and securing new customers.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. CARGO TRANSPORTATION BUSINESS *(Continued)*

2. Subsidiaries *(Continued)*

Construction works at Qingyuan Terminal had completed and the Re-open Orientation for Qingyuan Route of CKTL was successfully held on 6th June. Approval was obtained from relevant joint inspection departments upon final checking and the terminal will be in trial run by the end of August. As the only import and export port for foreign trade in Qingyuan, investment cost of the terminal was lower than average and there was great potential for development with hinterland resources.

Core structural works and fundamental works for office building at Zhongshan Huangpu Port was basically completed and the company operation structure had established. The terminal was planned to put into operation in October, which would increase the competitiveness of terminal logistics of the Group.

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 11.1% and break bulk cargo handling volume fell 32.7% year-on-year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. CARGO TRANSPORTATION BUSINESS *(Continued)*

3. Investment in Joint Ventures and Associates

Despite the slower growth of the economy in the Pearl River Delta region, operating businesses of joint ventures of the Group remained stable. Factory-trade goods further increased at terminals in Jiangmen region, which included Sanbu Passenger and Freight Transportation Co., Ltd. and Heshan County Hekong Associated Forwarding Co., Ltd., and achieved a total container handling volume of 58,000 TEU, representing a year-on-year increase of 12.7%, which contributed a profit of HK\$2,052,000 to the Group, representing an increase of more than 6 times. Among which, Sanbu Port achieved a year-on-year increase of 17.4% for container handling volume and contributed a year-on-year increased profit of 230.9%. During the period, container volume at four terminals, namely Foshan New Port Ltd., Foshan Nankong Terminal Co., Ltd., Chu Kong Cargo Terminals (Beicun) Co., Ltd. and Sanshui Sangang Containers Wharf Co., Ltd., in Foshan region recorded a slight increase and achieved container handling volume of 211,000 TEU, representing a year-on-year increase of 5.1%, and contributed a profit of HK\$11,491,000 to the Group, representing an decrease of 5.3%. Zhong Shan Port Goods Transportation United Co., Ltd. achieved container handling volume of 156,000 TEU and contributed a profit of HK\$1,252,000 to the Group, representing an increase of 16.4%.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

REVIEW OF OPERATIONS (Continued)

II PASSENGER TRANSPORTATION BUSINESS

As tourism in Guangdong, Hong Kong and Macao developed prosperously, passenger transportation business of the Group continued to see a stable growth. During the period, the number of passengers for agency services of Chu Kong Passenger Transport Company Limited (“CKPT”) was 3,183,000, a year-on-year increase of 6.8%, of which the number of passengers carried by airport routes was significantly increased by 8.9% year-on-year, especially for Zhongshan, Shunde and Macao routes. The number of passengers for terminal services was 3,610,000, representing a year-on-year increase of 11.6%.

CKPT kept upgrading its service standard at airport terminal, boosting number of passengers for airport routes and focusing on extending the scope of route services at Zhongshan and Zhuhai Airport. CKPT won the bid of Skypier, which laid a solid foundation for the growth in passenger transportation business. Grasping the opportunity of the renewal on Skypier, CKPT continued to put more resources on marketing and promotion so as to build stronger airport routes and actively conducted research on multi-operation model and optimised overseas sales network. Besides, it also discussed on the feasibility of expanding new routes, such as Guangdong-Hong Kong, Hong Kong-Macao and Zhuhai-Macao. In that case, the passenger transportation network within the Pearl River Delta region will be gradually perfected.

1. Business Operation Indicators

Performance statistics of the major business operations are as follows:

Indicators	For the six months ended 30th June		
	2013	2012	Change
Total number of passengers for agency services	3,183	2,980	6.8%
Total number of passengers for terminal services	3,610	3,234	11.6%

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

REVIEW OF OPERATIONS (Continued)

II PASSENGER TRANSPORTATION BUSINESS (Continued)

2. Investment in Joint Ventures 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 of HK\$8,080,000 to the Group and representing an increase of 2.3% year-on-year. 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\$4,654,000 and HK\$4,381,000 respectively, representing an increase of 77.4% and 179.4% respectively as compared with the corresponding period of last year. CKPT paid great efforts in facilitating airport routes in Zhongshan and saw extremely good outcome. Meanwhile, Zhongshan Port provided local tourists with one-stop air-sea joint transport services in light of market demand and recorded a growth of 45.5% in the number of passenger of airport routes during the first half of the year.

A high-speed passenger transportation advertisement company named Connect Media Company Limited under the Group had commenced its operation last year and is running smooth. Currently, it successfully signed subcontracting and operating agreements for on-board advertisements with various shipping companies. The advertisements included those on magazines, TV channels and seat pillow covers. The company negotiated with companies engaged in different transportation means, for instance cross-boarder buses and trains, with an aim to broaden the advertisement platform.

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

EMPLOYEES

As at 30th June 2013, the Group employed 430 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 2013, the Group secured a total credit limit of HK\$425,000,000 and RMB59,700,000 (equivalent to approximately HK\$74,946,000) granted by bona fide banks.

As at 30th June 2013, the current ratio of the Group, represented by current assets divided by current liabilities, was 1.1 (31st December 2012: 1.1) and the debt ratio, representing total liabilities divided by total assets, was 32.2% (31st December 2012: 34.7%).

As at 30th June 2013, the Group's cash and cash equivalents amounted to HK\$412,114,000 (31st December 2012: HK\$584,723,000), which represents 12.8% (31st December 2012: 18.3%) of the total assets.

As at 30th June 2013, the gearing ratio of the Group, represented by bank borrowings divided by total equity and bank borrowings, was 13.8% (31st December 2012: 15.6%).

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

Bank Loans	As at 30th June 2013	As at December 31st 2012
Banks located in Hong Kong (<i>Note 1</i>)		
– Hong Kong Dollar	275,000,000	300,000,000
– Renminbi	Nil	10,000,000 (equivalent to approximately HK\$12,427,000)
Bank located in China (<i>Note 2</i>)		
– Renminbi	59,700,000 (equivalent to approximately HK\$74,946,000)	59,700,000 (equivalent to approximately HK\$74,244,000)

Note:

1. The bank loans in Hong Kong were bearing floating interest rate and unsecured.
2. The bank loan in China was bearing floating interest rate and secured by certain land use rights and property, plant and equipment of Zhaoqing New Port Terminal.

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, JOINT VENTURES AND ASSOCIATES

Save as disclosed above, the Group had no other material acquisition or disposal of any subsidiaries, joint ventures and associates for the six months ended 30th June 2013.

CONTINGENT LIABILITIES

As at 30th June 2013, the Group had no material contingent liabilities.

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 2013, 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.

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 2013, 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) Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE")	648,218,000
(ii) Guangdong Province Navigation Holdings Company Limited ("GPNHCL")	648,218,000

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 2013, 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.

WARRANTS

The placing of warrants was completed on 13th June 2013, and 180,000,000 warrants were issued to not less than six placees pursuant to the terms of the placing agreement. Please refer to the announcement dated 13th June 2013 for details of the placing of unlisted warrants. As at 30th June 2013, no placees had exercised the warrants.

INTERIM DIVIDEND

On 15th August 2013, the board of directors declared an interim dividend of HK2 cents per ordinary share for the year ending 31st December 2013 (2012: Nil).

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 2013.

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 Listing Rules (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.

Since Mr. Chan Kay-cheung has served as an independent non-executive director of the Company for over nine years, according to the Code Provision A.4.3, Mr. Chan retired by rotation and a separate resolution was passed to approve his re-election at the annual general meeting held on 16th May 2013.

To enhance corporate governance and internal control procedures, on 15th August 2013, the Board considered and approved our new insider information management policy, whistle blowing policy, board diversity policy and the revised terms of reference of the nomination committee.

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.

DIRECTORS

Mr. Huang Liezhang, the managing director of the Company, has resigned as an executive director, general manager, a member of executive committee and remuneration committee of the Company with effect from 3rd May 2013 due to his decision to pursue his personal commitments. Mr. Xiong Gebing, an executive director of the Company, was appointed as the managing director and a member of remuneration committee on that day.

Save as disclosed above, 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 2012 Annual Report.

As at the date of this report, the Company’s executive directors include Mr. Xiong Gebing 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
Xiong Gebing
Managing Director

Hong Kong, 15th August 2013



**REPORT ON REVIEW OF INTERIM FINANCIAL INFORMATION
TO THE BOARD OF DIRECTORS OF
CHU KONG SHIPPING ENTERPRISES (GROUP) 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 52, which comprises the condensed consolidated balance sheet of Chu Kong Shipping Enterprises (Group) Company Limited (the “Company”) and its subsidiaries (together, the “Group”) as at 30th June 2013 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.



羅兵咸永道

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, 15th August 2013

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2013

		As at 30th June 2013	31st December 2012	As at 31st December 2012
	Note	HK\$'000		HK\$'000
ASSETS				
Non-current assets				
Property, plant and equipment	7	1,324,527		1,250,067
Investment properties	7	4,971		5,000
Land use rights	7	375,405		382,347
Intangible assets – goodwill		39,704		39,333
Joint ventures and associates		538,899		531,701
Land deposits		68,625		48,871
Deferred income tax assets		2,837		2,837
		2,354,968		2,260,156
		2,354,968		2,260,156
Current assets				
Trade and other receivables	8	422,148		328,265
Loans to joint ventures	9	23,709		29,275
Cash and cash equivalents		412,114		584,723
		857,971		942,263
		857,971		942,263
Total assets		3,212,939		3,202,419
EQUITY				
Share capital	10	90,000		90,000
Reserves		1,891,024		1,790,352
Final dividend proposed		–		40,500
Interim dividend declared		18,000		–
		1,999,024		1,920,852
Non-controlling interests		177,965		169,613
		2,176,989		2,090,465
Total equity		2,176,989		2,090,465

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

(Continued)

As at 30th June 2013

		As at 30th June 2013 HK\$'000	As at 31st December 2012 HK\$'000
	<i>Note</i>		
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		71,915	69,775
Long term borrowings	11	150,215	161,809
		<u>222,130</u>	<u>231,584</u>
Current liabilities			
Trade and other payables	12	488,417	544,428
Loans from associates	13	26,212	25,967
Amounts due to the non-controlling interests of subsidiaries	14	51,908	51,839
Amount due to a related party	14	15,097	14,956
Short term borrowings	11	175,000	212,427
Current portion of long term borrowings	11	24,731	12,435
Income tax payables		32,455	18,318
		<u>813,820</u>	<u>880,370</u>
Total liabilities		<u>1,035,950</u>	<u>1,111,954</u>
Total equity and liabilities		<u>3,212,939</u>	<u>3,202,419</u>
Net current assets		<u>44,151</u>	<u>61,893</u>
Total assets less current liabilities		<u>2,399,119</u>	<u>2,322,049</u>

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2013

	Note	2013 HK\$'000	2012 HK\$'000
Revenue	6	761,391	685,736
Cost of services rendered		(561,699)	(520,817)
Gross profit		199,692	164,919
Other income		28,201	27,722
Other gains – net	15	4,586	2,345
General and administrative expenses		(124,036)	(117,678)
Operating profit	16	108,443	77,308
Finance income		2,491	2,093
Finance cost		(5,701)	(6,856)
Share of profits less losses of joint ventures and associates	17	28,774	22,294
Profit before income tax		134,007	94,839
Income tax expense	18	(26,605)	(18,842)
Profit for the period		107,402	75,997
Attributable to:			
Equity holders of the Company		100,310	70,139
Non-controlling interests		7,092	5,858
		107,402	75,997
Dividends	19	18,000	–
Earnings per share (HK cents)			
Basic	20	11.15	7.79
Diluted	20	11.13	7.79

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2013

	2013 HK\$'000	2012 HK\$'000
Profit for the period	107,402	75,997
Other comprehensive income:		
<u>Items that may be reclassified to profit or loss</u>		
Currency translation differences		
– Subsidiaries	13,204	(8,063)
– Joint ventures and associates	4,668	(3,405)
Total comprehensive income for the period	125,274	64,529
Attributable to:		
Equity holders of the Company	116,922	58,904
Non-controlling interests	8,352	5,625
	125,274	64,529

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2013

	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 2013	90,000	787,762	197,661	23,009	167,717	(575,298)	1,230,001	1,830,852	1,920,852	169,613	2,090,465
Profit for the period	-	-	-	-	-	-	100,310	100,310	100,310	7,092	107,402
Other comprehensive income:											
Currency translation differences	-	-	12,244	-	-	-	-	12,244	12,244	960	13,204
- Subsidiaries	-	-	4,368	-	-	-	-	4,368	4,368	300	4,668
- Joint ventures and associates	-	-	-	-	-	-	-	-	-	-	-
Transfer of reserves	-	-	-	-	-	8,284	(8,284)	-	-	-	-
Total comprehensive income for the period	-	-	16,612	-	-	8,284	92,026	116,922	116,922	8,352	125,274
Transactions with owners:											
Issue of warrants (note)	-	-	-	-	-	1,750	-	1,750	1,750	-	1,750
2012 final dividend	-	-	-	-	-	-	(40,500)	(40,500)	(40,500)	-	(40,500)
At 30th June 2013	90,000	787,762	214,273	23,009	167,717	(565,264)	1,281,527	1,909,024	1,999,024	177,965	2,176,989

Note:

On 13th June 2013, the Company issued 180,000,000 units of non-listed warrants at a consideration of HK\$0.01 each. Total consideration received was HK\$1,800,000. Transaction cost of HK\$50,000 was deducted from the proceeds. Warrant holders are conferred rights to convert each unit of warrant into one unit of ordinary share of the Company at a price of HK\$2.20 per unit before the expiry date of 12th June 2014. The net proceed from the issue of warrants is accounted for as equity by the Company.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)
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	1,707,558	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)
- Joint ventures 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
Transactions with owners:											
Changes in ownership interests in a subsidiary that do not result in change in control (note 23)	-	-	-	-	(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)	1,163,336	1,739,582	1,829,582	165,002	1,994,584

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2013

	2013 HK\$'000	2012 HK\$'000
Net cash generated from operating activities	11,099	65,200
Net cash used in investing activities	(104,958)	(1,862)
Net cash (used in)/generated from financing activities	(81,971)	12,062
Net (decrease)/increase in cash and cash equivalents	(175,830)	75,400
Cash and cash equivalents at the beginning of the period	584,723	331,156
Effect of exchange rate changes	3,221	(441)
Cash and cash equivalents at the end of the period	412,114	406,115

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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; and cargo transportation, warehousing and storage businesses.

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 15th August 2013.

2 Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th June 2013 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 2012, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

2 Basis of preparation *(Continued)*

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 2012.

3 Accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2012, except the Group has adopted the following new and revised standards issued by the HKICPA which are mandatory for the financial period beginning on or after 1st January 2013.

HKFRS 7 (Amendment)	Financial Instruments: Disclosures
HKFRS 10	Consolidated Financial Statements
HKFRS 11	Joint Arrangements
HKFRS 12	Disclosure of Interests in Other Entities
HKFRS 13	Fair Value Measurement
HKAS 1 (Amendment)	Presentation of Financial Statements
HKAS 19 (Amendment)	Employee Benefits
HKAS 27 (2011)	Separate Financial Statements
HKAS 28 (2011)	Associates and Joint Ventures
HKFRSs Amendments	Improvements to HKFRSs 2011

The adoption of the above new and revised 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 Accounting policies (*Continued*)

The HKICPA has issued the following new and revised standards which are not yet effective for the financial period beginning 1st January 2013:

		Effective for accounting periods beginning on or after
HKFRS 9	Financial Instruments	1st January 2015
HKAS 32 (Amendment)	Financial Instruments: Presentation	1st January 2014
HKAS 36 (Amendment)	Impairment of Assets – Recoverable amount disclosures for non-financial assets	1st January 2014
HKFRS 7 and HKFRS 9 (Amendments)	Mandatory effective date and transition disclosures	1st January 2015
Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011)	Investment entities	1st January 2014
HK (IFRIC) Interpretation 21	Levies	1st January 2014

The Group has not early adopted these new and revised 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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 2012.

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 2012.

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 of directors of the Company considers the service from business perspectives and assesses the performance of the Group and its joint ventures and associates which are organised into four main business:

- (i) Cargo transportation – Shipping agency, river trade cargo direct shipment and transshipment and container handling 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 of directors of the Company assesses the performance of the operating segments based on their segment profit before income tax expense, which is measured in a manner consistent with that in the interim financial information.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 Segment information (Continued)

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

	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 2013					
Total revenue	501,305	209,528	94,935	-	805,768
Inter-segment revenue	(2,314)	(42,063)	-	-	(44,377)
<hr/>					
Revenue (from external customers)	498,991	167,465	94,935	-	761,391
<hr/>					
Segment profit before income tax expense	5,106	61,844	63,253	3,804	134,007
Income tax expense	(715)	(16,831)	(5,733)	(3,326)	(26,605)
<hr/>					
Segment profit after income tax expense	4,391	45,013	57,520	478	107,402
<hr/>					
Segment profit before income tax expense includes:					
Finance income	243	787	161	1,300	2,491
Finance costs	-	(2,996)	-	(2,705)	(5,701)
Depreciation and amortisation	(4,773)	(36,166)	(84)	(797)	(41,820)
Share of profits less losses of joint ventures and associates	431	13,993	14,944	(594)	28,774
<hr/>					

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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)
<hr/>					
Revenue (from external customers)	458,637	160,480	66,619	–	685,736
<hr/>					
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)
<hr/>					
Segment profit/(loss) after income tax expense	1,892	42,414	32,282	(591)	75,997
<hr/>					
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 joint ventures and associates	(1,620)	13,027	12,092	(1,205)	22,294
<hr/>					

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 2013						
Total segment assets	475,443	1,942,326	549,549	1,415,996	(1,170,375)	3,212,939
Total segment assets include:						
Joint ventures and associates	22,400	226,161	255,471	34,867	-	538,899
Total segment liabilities	(392,585)	(687,476)	(132,044)	(994,220)	1,170,375	(1,035,950)
As at 31st December 2012						
Total segment assets	497,315	1,878,839	595,623	979,865	(749,223)	3,202,419
Total segment assets include:						
Joint ventures and associates	22,113	229,813	244,639	35,136	-	531,701
Total segment liabilities	(334,059)	(560,630)	(168,129)	(798,359)	749,223	(1,111,954)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 2013	1,250,067	5,000	382,347	1,637,414
Exchange differences	8,631	-	4,004	12,635
Additions	103,997	-	-	103,997
Disposal/write off	(656)	-	-	(656)
Adjustments	-	-	(6,667)	(6,667)
Depreciation and amortisation	(37,512)	(29)	(4,279)	(41,820)
Closing net book value as at 30th June 2013	1,324,527	4,971	375,405	1,704,903
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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 Trade and other receivables

	As at 30th June 2013 HK\$'000	As at 31st December 2012 HK\$'000
Trade receivables, net of provision (<i>note (a)</i>):		
– third parties	216,196	182,858
– joint ventures	2,368	1,018
– other related companies	844	941
	219,408	184,817
	-----	-----
Other receivables (<i>note (b)</i>):		
– immediate holding company	21,142	19,537
– fellow subsidiaries	2,520	1,430
– joint ventures and associates	98,231	65,276
– other related companies	1,779	1,068
	123,672	87,311
	-----	-----
Deposits, prepayments and other receivables	79,068	56,137
	-----	-----
Total trade and other receivables	422,148	328,265

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 2013 HK\$'000	As at 31st December 2012 HK\$'000
Within 3 months	215,251	183,426
4 to 6 months	3,380	1,214
7 to 12 months	411	109
Over 12 months	4,477	4,188
	223,519	188,937
Less: Provision for impairment	(4,111)	(4,120)
	219,408	184,817

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 interest-free, unsecured and are repayable on demand.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 Loans to joint ventures

	As at 30th June 2013 HK\$'000	As at 31st December 2012 HK\$'000
Unsecured loans		
– interest free	11,788	11,565
– at fixed interest rates (<i>note (a)</i>)	–	6,373
– at floating rates (<i>note (b)</i>)	11,921	11,337
	23,709	29,275
	23,709	29,275

Notes:

- (a) The loans as at 31st December 2012 bear interest at 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 2012: floating rate announced by the People's Bank of China).

10 Share capital

	As at 30th June 2013 HK\$'000	As at 31st December 2012 HK\$'000
Authorised:		
2,000,000,000 ordinary shares of HK\$0.10 each	200,000	200,000
	200,000	200,000
Issued and fully paid:		
900,000,000 ordinary shares of HK\$0.10 each	90,000	90,000
	90,000	90,000
	90,000	90,000

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 Borrowings

	As at 30th June 2013 HK\$'000	As at 31st December 2012 HK\$'000
Unsecured, short term bank loans	175,000	212,427
Secured, long term bank loans	74,946	74,244
Unsecured, long term bank loans	100,000	100,000
	349,946	386,671

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

	As at 30th June 2013 HK\$'000	As at 31st December 2012 HK\$'000
Repayable within one year	24,731	12,435
Repayable within one to two years	34,384	26,499
Repayable within two to five years	115,831	135,310
	174,946	174,244
Current portion included in current liabilities	(24,731)	(12,435)
	150,215	161,809

The secured bank loans at 30th June 2013 and 31st December 2012 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 2.46% to 3.90% (31st December 2012: 1.78% to 3.90%).

The fair values of borrowings are approximate to their carrying values.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 Trade and other payables

	As at 30th June 2013 HK\$'000	As at 31st December 2012 HK\$'000
Trade payables (<i>notes (a) and (b)</i>):		
– third parties	210,754	229,990
– immediate holding company	4,186	1,488
– fellow subsidiaries	6,169	10,001
– joint ventures and an associate	22,923	32,205
– other related companies	3,802	3,474
	247,834	277,158
Other payables (<i>note (b)</i>):		
– third parties	119,023	181,640
– immediate holding company	13,044	13,292
– fellow subsidiaries	3,291	5,284
– joint ventures and associates	102,167	64,381
– key management	3,048	2,673
– a related company	10	–
	240,583	267,270
	488,417	544,428

Notes:

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

	As at 30th June 2013 HK\$'000	As at 31st December 2012 HK\$'000
Within 3 months	238,778	264,465
4 to 6 months	2,214	2,327
7 to 12 months	69	850
Over 12 months	6,773	9,516
	247,834	277,158
	247,834	277,158

- (b) The trade and other payables due to related parties are unsecured and interest free. Trade payables to related parties have similar terms of settlement as those of third party payables whereas other payables to related parties are repayable on demand.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 Loans from associates

	As at 30th June 2013 HK\$'000	As at 31st December 2012 HK\$'000
Unsecured loans		
– interest free	1,105	1,094
– at fixed interest rate (<i>note (a)</i>)	25,107	24,873
	26,212	25,967
	26,212	25,967

Note:

- (a) The loan bears interest rate at 3.50% per annum (31st December 2012: 3.50% per annum) and is repayable on demand and denominated in Renminbi.

14 Amounts due to the non-controlling interests of subsidiaries and a related party

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

	As at 30th June 2013 HK\$'000	As at 31st December 2012 HK\$'000
Interest free (<i>note (i)</i>)	47,722	47,692
At fixed interest rates (<i>note (ii)</i>)	4,186	4,147
	51,908	51,839
	51,908	51,839

- (i) The amounts are denominated in Hong Kong dollars, unsecured and repayable on demand.
- (ii) The amounts are denominated in Hong Kong dollar, unsecured, repayable on demand and interest-bearing at 4% per annum (31st December 2012: 4% per annum).
- (b) The amounts due to a related party as at 30th June 2013 and 31st December 2012 are unsecured, interest bearing at the floating rate announced by the People's Bank of China, repayable on demand and denominated in Renminbi.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

15 Other gains – net

	2013 HK\$'000	2012 HK\$'000
Exchange gains, net	4,565	1,883
Gain on disposals of property, plant and equipment	21	462
	4,586	2,345
	4,586	2,345

16 Operating profit

Operating profit is stated after charging the following:

	2013 HK\$'000	2012 HK\$'000
Amortisation of land use rights	4,279	3,823
Costs of cargo transportation, passenger transportation and cargo handling and storage (including fuel cost)	368,549	332,416
Depreciation of property, plant and equipment	37,512	36,792
Depreciation of investment properties	29	55
Operating lease rental expenses		
– vessels and barges	48,375	54,866
– buildings	16,079	15,498
Staff costs (including directors' emoluments)	130,681	123,499
	130,681	123,499
	130,681	123,499

17 Share of profits less losses of joint ventures and associates

	2013 HK\$'000	2012 HK\$'000
Share of profits less losses before income tax	38,918	31,138
Share of income tax	(10,144)	(8,844)
	28,774	22,294
	28,774	22,294

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 Income tax expense

	2013	2012
	HK\$'000	HK\$'000
Current income tax		
– Hong Kong profits tax	8,035	6,598
– PRC corporate income tax	15,140	10,459
Deferred income tax	3,430	1,785
	26,605	18,842
	26,605	18,842

Hong Kong profits tax has been provided for at the rate of 16.5% (2012: 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% (2012: 25%).

19 Dividends

	2013	2012
	HK\$'000	HK\$'000
Interim, declared, of HK2 cents (2012: Nil) per ordinary share	18,000	–
	18,000	–

On 15th August 2013, the Board of Directors declared an interim dividend of HK2 cents per ordinary share for the year ending 31st December 2013 (2012: Nil).

This dividend declared is not reflected as a dividend payable in this unaudited condensed consolidated interim financial information, but will be reflected as an appropriation of the retained earnings of the Company for the year ending 31st December 2013.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 Earnings per share

Basic

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

	2013	2012
Profit attributable to equity holders of the Company (HK\$'000)	100,310	70,139
Weighted average number of ordinary shares in issue ('000)	900,000	900,000
Basic earnings per share (HK cents)	11.15	7.79

Diluted

Diluted earnings per share is calculated by adjusting the profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential shares.

	2013	2012
Profit attributable to equity holders of the Company (HK\$'000)	100,310	70,139
Weighted average number of ordinary shares in issue ('000)	900,000	900,000
Adjustment for warrants ('000)	1,639	–
Weighted average number of ordinary shares for the purpose of calculating diluted earnings per share ('000)	901,639	900,000
Diluted earnings per share (HK cents)	11.13	7.79

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

21 Capital commitments

	As at 30th June 2013 HK\$'000	As at 31st December 2012 HK\$'000
Contracted but not provided for		
– Land use rights	25,970	46,238
– Property, plant and equipment	106,634	166,865
– Investment in a joint venture (<i>note a</i>)	96,304	94,530
Authorised but not contracted for		
– Property, plant and equipment	6,810	–

The Group's share of capital commitments of joint ventures and associates not included in the above is as follows:

	As at 30th June 2013 HK\$'000	As at 31st December 2012 HK\$'000
Contracted but not provided for	3,778	520
Authorised but not contracted for	3,549	29,847

Note:

- (a) The balance represents outstanding investment in a joint venture, Guangzhou Nansha Chu Kong Terminal Company Limited.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22 Related party transactions

The directors of the Company regard Chu Kong Shipping Enterprises (Holdings) Company Limited (“CKSE”) as the immediate holding company, which owns 72.0% (31st December 2012: 71.0%) of the Company’s ordinary shares at 30th June 2013. 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 2013 and 2012, 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 2013 and 2012.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22 Related party transactions (Continued)

(a) Transactions with related parties

		2013	2012
	<i>Note</i>	HK\$'000	HK\$'000
Revenues:			
Shipping agency, river trade cargo direct shipment and transshipment income	(i)		
– fellow subsidiaries		142	773
– a joint venture		121	128
– other related companies		103	96
Passenger transportation agency fees	(i)		
– fellow subsidiaries		888	2,290
– joint ventures and an associate		6,202	4,500
– other related companies		1,268	1,327
Ferry terminal operation service fees	(i)		
– fellow subsidiaries		2,632	2,699
– joint ventures and an associate		12,358	11,603
– other related companies		6,948	5,676
Management service fees			
– immediate holding company	(ii)	17,000	17,024
– a fellow subsidiary	(iii)	–	5,840
– joint ventures	(iii)	1,236	1,141
– a related company	(iii)	132	132
Vessel rental income	(i)		
– a related company		1,207	1,228
Office rental income	(i)		
– a fellow subsidiary		–	549
Interest income			
– joint ventures	(iv)	379	567

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22 Related party transactions (Continued)

(a) Transactions with related parties (Continued)

	<i>Note</i>	2013 HK\$'000	2012 HK\$'000
Expenses:			
Shipping agency, river trade cargo direct shipment and transshipment expenses	(i)		
– joint ventures and an associate		8,052	11,998
– a related company		5,285	5,525
Wharf cargo handling, cargo transportation and godown storage expenses	(i)		
– joint ventures and an associate		23,807	18,200
– a related company		2,892	598
Agency fee expenses	(i)		
– fellow subsidiaries		136	222
– a joint venture and an associate		447	774
– other related companies		25	27
Ferry terminal operation services fee	(i)		
– a fellow subsidiary		3,210	2,895
Luggage handling fee	(v)		
– a related company		3,525	3,454
Fuel charges	(i)		
– a fellow subsidiary		34,022	39,558
Vessel rental expenses	(i)		
– a joint venture and an associate		12,129	10,174
Warehouse rental expenses	(vi)		
– immediate holding company		2,500	2,822
Office rental expenses	(i)		
– immediate holding company		2,887	2,611
Staff quarter rental expenses	(i)		
– immediate holding company		939	1,462
Loan interest expenses			
– an associate	(vii)	435	431
– non-controlling interest	(viii)	86	77
– a related company	(ix)	449	494
Management fee expense	(x)		
– immediate holding company		3,600	3,600

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

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 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 2011 to 30th June 2014.
- (iii) Management service fees were charged based on the actual costs incurred for the service provided.
- (iv) Interests were charged to joint ventures in respect of loans at the floating rate announced by the People's Bank of China (2012: 4.8% to 5.56% per annum or at the floating rate announced by the People's Bank of China) pursuant to the agreements entered into between the Group and the joint ventures.
- (v) Luggage handling fee was charged at HK\$3.3 (2012: 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.
- (vi) The Group leased a warehouse from CKSE and rental was charged by CKSE pursuant to the agreement governing the transaction.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22 Related party transactions *(Continued)*

(a) Transactions with related parties (Continued)

Notes: (Continued)

- (vii) Loan interest was charged by an associate at 3.50% per annum (2012: 3.50% per annum) pursuant to the agreement entered into between the Group and the associate.
- (viii) Interest was charged by the non-controlling interests at 4% per annum (2012: 4% per annum).
- (ix) Interest was charged by the related party at the floating rate announced by the People's Bank of China (2012: floating rate announced by the People's Bank of China).
- (x) 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.

(b) Key management compensation

	2013	2012
	HK\$'000	HK\$'000
Salaries and allowances	4,248	4,337
Directors' fees	475	725
Retirement benefit scheme contributions	209	239
	4,932	5,301
	4,932	5,301

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22 Related party transactions *(Continued)*

(c) Loans to joint ventures

	2013	2012
	HK\$'000	HK\$'000
As at 1st January	29,275	30,228
Exchange differences	263	(166)
Loans repayments received	(5,829)	–
	23,709	30,062
As at 30th June	23,709	30,062

23 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)
	(26,785)
Excess of consideration paid recognised in the capital reserve within equity	(4,280)

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