



**CHU KONG SHIPPING ENTERPRISES
(GROUP) COMPANY LIMITED**

(Incorporated in Hong Kong with limited liability)

Stock Code : 00560

INTERIM
REPORT
2016

以客为尊 热情服务

**Sailing Towards
Tomorrow's Dream**

CHAIRMAN'S STATEMENT

On behalf of the board of directors, I hereby present the interim results of Chu Kong Shipping Enterprises (Group) Company Limited (the "Company") and its subsidiaries (the "Group") for the period ended 30th June 2016 for the shareholders' perusal.

REVIEW AND OUTLOOK

In the first half of 2016, the global economic recovery has weakened and the PRC economy continued to slow down. The management of the Group diligently implemented the decisions put forth by the board of directors of the Company (the "Board"), took a proactive attitude to overcome challenges encountered in the course of business, made vigorous efforts to explore new markets and pushed forward business transformation and upgrade, so as to maintain stable business development under the harsh operating environment. As the acquisitions of Sun Kong Petroleum Company Limited ("Sun Kong Petroleum") and Cotai Chu Kong Shipping Management Services (Macau) Company Limited ("Macau Cotai") were completed during the period, the financial information for the first half of 2015 of the Group was restated. As the fuel selling prices of Sun Kong Petroleum followed the falling trend of international prices, the Group recorded a consolidated revenue of HK\$1,104,062,000, representing a decrease of 11.5% over the same period last year. Profit attributable to equity holders of the Company amounted to HK\$144,197,000, representing an increase of 3.1% over the same period last year.

Regarding terminal logistics business, during the period, China's imports and exports trended lower, with dropping bulk commodity prices and continuous decrease in the container throughput in Hong Kong. Under the challenging macro-economic environment, the Group maintained a steady performance, with slight decrease in certain businesses. During the period, the Group recorded a container handling volume of 645,000 TEU, representing a year-on-year decrease of 5.6%, and a container transportation volume of 673,000 TEU, representing a year-on-year increase of 2.2%. The Group actively proceeded with the following tasks:

Firstly, the Group integrated the terminal network at the Pearl River Delta, and promoted professional management, so as to exert the synergistic effect. Through efforts such as resource sharing, centralised procurement, environmental protection and energy-saving, the terminal business of several subsidiaries and joint ventures of the Group maintained growth momentum in the face of enormous external difficulties. By seizing the opportunities arising from the relocation of terminals in Zhuhai, Civet Port reinforced sales and marketing efforts to successfully attract

surrounding cargo sources, achieving a container handling volume of 110,000 TEU, representing a significant increase of 34.1% on a year-on-year basis. Sanbu Port proactively introduced shipping companies and freight forwarders in Jiangmen and extended the scope of cooperation, and recorded a container handling volume of 64,000 TEU during the period, representing a year-on-year increase of 22.4%. Heshan Port recorded a substantial increase in container handling volume for imported cargos such as renewable resources and rubber wood, recording an increase of 80.4% in cargo container handling volume and an increase of 41.1% in net profit.

Secondly, the Group improved warehousing facilities, upgraded technology and equipment, and extended the scope of integrated logistics services. In addition to the renewal of warehousing contract between Chu Kong Transshipment & Logistics Company Limited (“CKTL”) and the aircraft engineering company, a new project on fixed-point/fixed-line delivery service on the airside of the Hong Kong airport was awarded to CKTL, laying a solid foundation for further exploration of air freight services and transformation into an airport satellite warehouse. Meantime, CKTL carried out preparation works for an e-commerce distribution center, and has conducted business discussions with several e-commerce companies. CKTL also has undertaken the logistics transportation services for engineering projects of Gree Group, providing a series of logistics service solutions. In addition, the Group has increased efforts to expand its overseas business network. Following the establishment of freight forwarding companies in Singapore and Malaysia, the Group actively pushed forward the preparation works for establishing a new freight forwarder in Thailand.

Thirdly, riding on the opportunity arising from the rapid development of e-commerce, the Group committed to expand and strengthen the Nansha Cross-Border E-Commerce Center. During the period, Nansha Logistics Park which is in the custody of the Group, ran smoothly. Warehouse No.4 was completed and put into operation successfully, and more efforts will be made to expedite the construction of Warehouse No.8 in the second half of 2016.

Fourthly, the Group introduced advanced concepts to promote system innovation, so as to improve its operational efficiency. The Group facilitated the pilot project of ownership reform in Gaoming Port. Moreover, the Group introduced the Material Requirements Planning management approach for the international logistics supply chain which helped to significantly reduce costs.

Regarding high-speed passenger ferry transportation, affected by various factors such as foggy weather and the social and political climate of Hong Kong, the total number of passengers decreased to some extent. In response to such adverse factors, the Group actively carried out the following works:

Firstly, the Group implemented the strategies of “transformation and upgrade” and “going overseas” for the high-speed passenger ferry transportation. The Group promoted the middle to high-end tourism project “Victoria Harbour Tour”, speeding up localisation of its business services. The Group also actively explored overseas projects in Saipan, Tinian Island and Cambodia to exploit new markets.

Secondly, the Group explored innovation in business integration and ownership reform, so as to maximise overall efficiency. The Group pushed forward the business integration between Chu Kong Tourism Company Limited (“CK Tourism”) and Guangdong Chu Kong International Travel Agency to take advantage of the travel platforms of Mainland and Hong Kong.

Thirdly, the Group facilitated the replacing of ferries and stepped up efforts for business exploration. The Group assisted ship owners to speed up the replacing of ferries, so as to drive profit growth by introducing new projects. The Group continued to promote all-around cooperation with Nansha Ferry Terminal, to implement the strategy of intermediate ports and to cooperate with ship owners in Zhuhai for the exploration of sight-seeing routes.

Fourthly, the Group increased sales and marketing efforts and enhanced cooperation with the tourism industry. The Group strengthened cooperation with Disneyland, Zhuhai Changlong, Hong Kong Ocean Park and Istudent Tour (HK) by organising fraternity gathering events, so as to broaden its customer base. Chu Kong High Speed Ferry Company Limited (“CKHSF”), a subsidiary of the Group, took proactive measures to reinforce cooperation with ship owners, and launched promotion campaigns focusing on Macau to consolidate and expand its customer base in the Macau market.

Fifthly, the Group expanded its cooperation with the Airport Authority Hong Kong and airline companies, with an aim to increase the number of passengers for the airport routes. A memorandum of understanding (MOU) was entered into with Cathy Pacific Airways to assist the airline company in launching upstream pre-boarding service and conducting relevant specialised trainings. Meanwhile, the Group cooperated with the Airport Authority Hong Kong, so as to strengthen its cooperation relationship with the Airport Authority Hong Kong.

Sixthly, the Group utilised “Internet+” to promote marketing and ticket sales. The Group pushed forward the connection with the systems of the internet companies and airline companies to advance cooperation in ticket agency services. Moreover, the Group upgraded Cotaijet mobile apps by adding the payment methods such as PayPal and Facebook, so as to improve transaction convenience and perfect its ferry ticket sales network.

Regarding fuel supply and other business, the Company successfully completed acquisitions of Sun Kong Petroleum and Macau Cotai held by the parent company for a total consideration of approximately HK\$252 million during the period. The acquisitions improved the Company's business chain, promoted the Company's business expansion strategy in Macau, to further consolidate its core businesses and enhance its profitability.

In the second half of 2016, the economic situation is likely to be both complex and uncertain, and the shipping industry remains challenging. Adopting a reform and innovation approach, the Group will continue to improve its core competitiveness through resource integration, professional management, and product innovations, with an aim to maintain steady development under a challenging external operating environment.

The Group will focus on the following tasks: Firstly, the Group will expedite the transformation and upgrade of the logistics sector. The Group will take steps to promote regional management and rationalise regional competition to maximise the Group's economic benefits. The Group will optimise route settings for regular liners, and continue to expand domestic route coverage. Furthermore, the Group will continue to expand its integrated logistics services with Chu Kong Godown Wharf in Hong Kong, Nansha Logistics Park and Zhuhai Civet Port as its logistics bases. In the meantime, efforts will be made to improve the service quality and retain existing customers and to attract new customers for the integrated logistics business. Secondly, the Group will seek to make new breakthrough in its business model and identify new growth drivers for the high-speed passenger ferry transportation business. The Group will expand the depth and breadth of cooperation with the tourism industry, and enhance business promotion, with an aim to attract new customers. The Group will strengthen the application of "Internet+" to improve the efficiency of ticket sales. Efforts will be made to assist the renewal of high-speed ferries using new material. The Group will also proactively make preparation for launching the Victoria Harbour Tour to extend its local business. Thirdly, the Group will further develop its new strategies in the newly acquired fuel supply business and Macau Cotai business, and will strengthen its core business through mergers and acquisitions in the future.

RELATION WITH INVESTORS

With a strong emphasis on relation with investors, the Group has always sought to ensure communications between investors and the management of the Company. During the period, a number of roadshows and performance presentations were held for the institutional investors. The Company greeted investors warmly and shared information according to the principles of corporate governance. I firmly believe that ongoing effective communication with the investors will improve the management's transparency and the level of corporate governance of the Company, as well as continuously create value for the shareholders.

APPRECIATION

On behalf of the Board, I would like to give my heartfelt thanks to all shareholders, business partners and stakeholders for their continuous support to the Company's development. Meanwhile, I would also like to express my sincere appreciation to all staff for their dedication.

Xiong Gebing
Chairman

Hong Kong, 30th August 2016

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

For the period ended 30th June 2016, the Group recorded a consolidated revenue of HK\$1,104,062,000, decreased by 11.5% as compared with the corresponding period last year. Profit attributable to shareholders of the Company was HK\$144,197,000, up by 3.1% as compared with the corresponding period last year.

In the first half of 2016, with the weak economy in Europe and the U.S., the global financial turmoil has brought great impact to the global economy. China's economic development entered into a new normal state, showing new features of lower growth rate and structural transformation and upgrading. Affected by various factors such as decline in the macro economy, continuous downturn in shipping market and changes in the social, political and economic climate in Hong Kong, both the volume of cargo and passenger ferry transportation between Guangdong and Hong Kong continued to fall. In the face of more complicated domestic and foreign environments, the Group made strenuous efforts to overcome these challenges and adhered to professionalised operation, achieving its planned targets satisfactorily with most business indicators remaining stable.

Regarding freight business, the Group continued to promote professionalised operation for its terminal navigation logistics business and brought into full play the function of "Consolidated CKTL" platform, maintaining stable development momentum. During the period, the container transportation volume recorded 673,000 TEU, representing a year-on-year increase of 2.2%, while the break bulk cargo transportation volume achieved 157,000 tons, representing a decrease of 9.4% year-on-year, affected by the diversion of cargo and the trend of containerisation. For cargo handling businesses, due to weak domestic and overseas economies, volume decline was recorded in terminals, and the container handling volume recorded 645,000 TEU, representing a year-on-year decrease of 5.6%. However, the terminals of the Group stepped up efforts in exploration of break bulk cargo business, and break bulk cargo handling volume recorded 745,000 tons, experienced a year-on-year increase of 22.6%. The volume of container hauling and trucking increased by 6.3% year-on-year.

Regarding the passenger transportation business, with the impact of various factors such as the foggy and monsoon weather and the decreasing number of visitors to Hong Kong, the passenger transportation business indicator decreased. During the period, the total number of passengers for agency services was 3,075,000, representing a year-on-year decrease of 7.3%. The number of passengers for terminal services was 3,289,000, down by 11.8% year-on-year.

The terminal navigation logistics business contributed a profit of HK\$48,812,000 to the Group, representing a decrease of 7.0% as compared with the corresponding period last year. The passenger transportation business contributed a profit of HK\$69,493,000 to the Group, representing an increase of 4.8% as compared with the corresponding period last year. The fuel supply business contributed a profit of HK\$12,529,000 to the Group, representing an increase of 10.1% as compared with the corresponding period last year.

I. TERMINAL NAVIGATION LOGISTICS BUSINESS

Capitalising on the advantages of its resources, the Group continued to improve its operation efficiency during the period, achieving stable performance in most of the major business indicators.

1. Cargo Transportation Business

Business Operation Indicators

Performance statistics of our major business operations are as follows:

Indicators	For the six months ended 30th June		Change
	2016	2015	
Container transportation volume (TEU)	673,284	659,012	2.2%
Break bulk cargoes transportation volume (revenue tons)	156,814	173,110	-9.4%
Volume of container hauling and trucking on land (TEU)	126,358	118,921	6.3%

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. TERMINAL NAVIGATION LOGISTICS BUSINESS *(Continued)*

1. Cargo Transportation Business *(Continued)*

Subsidiaries

The Group continued to promote professionalised operation of “Consolidated CKTL” and the business of Chu Kong Transhipment & Logistics Company Limited (“CKTL”) remained stable. The container transportation volume for the period recorded 673,000 TEU, a slight increase of 2.2% year-on-year, which was mainly contributed by the container transportation between Guangdong and Hong Kong, but the domestic liner business went down. For the break bulk cargo transportation, transportation volume of regular liners and large break bulk cargo recorded decreases on a year-on-year basis, and the break bulk cargo transportation volume for the period recorded 157,000 tons, a decrease of 9.4% year-on-year.

Regarding the freight forwarding business, through strengthening the regional sales network team, the profit margin on self-canvassing cargo increased significantly. In addition, CKTL actively explored the cargo sources to be exported to Singapore and Malaysia as well as obtained the approval for establishing a freight forwarding company in Thailand.

Regarding air freight business, CKTL facilitated the airlines in Hong Kong to vigorously develop the local air freight market and promoted the co-operation among the freight forwarders in PRD while retaining the existing customers, so as to provide comprehensive integrated air freight business to the customers.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)***REVIEW OF OPERATIONS** *(Continued)***I. TERMINAL NAVIGATION LOGISTICS BUSINESS** *(Continued)***2. Cargo Handling and Storage Business*****Business Operation Indicators***

Performance statistics of our major business operations are as follows:

Indicators	For the six months ended 30th June		Change
	2016	2015	
Container handling volume (TEU)	644,670	682,876	-5.6%
Volume of break bulk cargoes handled (revenue tons)	745,344	608,081	22.6%

Subsidiaries

Chu Kong Godown Wharf and Transportation Company Limited has actively promoted the integrated logistics business so as to extend the logistics service chain, especially in warehousing and integrated logistics businesses, and was re-awarded the contract of the warehousing project and carried out the new project on fixed-point/fixed-line delivery service on the airside of the Hong Kong airport of the aircraft engineering company.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. TERMINAL NAVIGATION LOGISTICS BUSINESS *(Continued)*

2. Cargo Handling and Storage Business *(Continued)*

Subsidiaries *(Continued)*

Gaoming Port of Foshan recorded a decrease year-on-year in its business. The company achieved 174,000 TEU of container handling volume during the period, representing a year-on-year decrease of 5.5%, which was mainly due to the domestic economic downturn and the intensified competition from the neighboring terminals. The company has adopted several measures to strengthen the marketing efforts, such as proactively competing for cargo sources, actively coordinating with various parties and striving to stabilise the export business. The terminal not only continued optimising its cargo source structure, but also replenished the equipment and streamlined the operational processes, so as to improve the terminal service quality and efficiency.

The business of the terminals in Zhuhai region demonstrated outstanding performance. During the period, the total container handling volume of the two terminals was 135,000 TEU, representing a year-on-year increase of 23.4%. Civet Port recorded a strong growth in its container handling business, reaching a volume of 110,000 TEU, representing an increase of 34.1% year-on-year. Facing the fierce competition from neighboring ports, Civet Port has enhanced marketing efforts to undertake diverted cargo sources, while efforts were made to strengthen communication with joint inspection regulators, optimise the regular flights, improve the facilities and equipment, enhance the terminal operation capability and make good use of its advantages in clearance inspection and terminals services. Furthermore, the company has accelerated the construction of Civet Container Project to launch the bonded warehousing business as soon as possible, with an aim to achieve business transformation and upgrading. As for Zhuhai Doumen Port,

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. TERMINAL NAVIGATION LOGISTICS BUSINESS *(Continued)*

2. Cargo Handling and Storage Business *(Continued)*

Subsidiaries (Continued)

affected by reduction in production by the major customers and diversion of cargo, during the period, the total container handling volume was 25,000 TEU, representing a year-on-year decrease of 9.4%. In the future, Doumen Port will increase market expansion efforts, strengthen the deep cooperation with customers and deepen the mutually beneficial cooperation with CKTL, so as to enhance its routes competitiveness.

Due to the domestic economic downturn, the container handling volume in the Zhaoqing region decreased. During the period, the terminals in Zhaoqing region recorded a container handling volume of 134,000 TEU, representing a year-on-year decrease of 21.4%, among which foreign trade containers recorded a year-on-year decrease of 5.1%, while domestic trade containers recorded a year-on-year decrease of 47.2%. Among the terminals in the region, by stepping up efforts in marketing and broadening its cargo source base, Zhaoqing Sihui Port maintained stable development momentum in the factory trade and renewable resources cargo during the period with container handling volume being flat year-on-year, while the remaining three terminals all recorded decrease in their businesses. Zhaoqing New Port kept stable in its foreign trade container business and renewable resources cargo, and has tapped into the container transshipment and aluminium ingot export businesses, achieving a slight year-on-year increase of 1.0% in its foreign trade container handling volume. However, affected by diversion of cargo and intense competition from neighboring ports, the domestic trade container cargo business of the terminal recorded a year-on-year decrease of 10.2%. Look ahead, the port

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. TERMINAL NAVIGATION LOGISTICS BUSINESS *(Continued)*

2. Cargo Handling and Storage Business *(Continued)*

Subsidiaries *(Continued)*

will strengthen its exploration of domestic and foreign trade export businesses, cooperation with liners and freight forwarders for aluminium ingot export agency, step up efforts in expansion of export business of the domestic transshipment of empty containers and further optimise its cargo source structure. The domestic and foreign trade business in Kangzhou Port recorded a significant year-on-year decrease, which was mainly attributable to the falling market demand, land transportation overloading prevention measures and the closing of Xijiang River Bridge. Since the closing of Xijiang River Bridge in August last year, the domestic and foreign trade cargoes were diverted to other ports, delivering great impact to the business of the company. The domestic trade break bulk cargo handling volume recorded 39,000 tons, representing a year-on-year decrease of 27.5%, which was mainly due to the decline in market demand for the traditional business of middle density fibre. In the future, the terminal will endeavor to explore new businesses on the foundation of retaining existing customers to provide diversified services. The traditional stone materials import and ceramics export businesses of Zhaoqing Gaoyao Port both declined, with container transportation volume of 21,000 TEU during the period, representing a year-on-year decrease of 17.4%. In the future, the company will spare no effort to carry out multimedia marketing, retain existing customer base, provide more supporting operational services and strengthen communication and cooperation with large liners and freight forwarders.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. TERMINAL NAVIGATION LOGISTICS BUSINESS *(Continued)*

2. Cargo Handling and Storage Business *(Continued)*

Subsidiaries (Continued)

Since the resumption of service, the factory trade and renewable resources cargo businesses of Qingyuan Port recorded a strong growth. However, due to the abortion of the policy that foreign trade vessels enjoy privilege gate service at the river lock of Beijiang Hydro-Junction during the first half of the year, the businesses of the port were heavily hit. Qingyuan Port will enhance communication with the government to resume the policy, while continuing to develop routes with large liners, so as to improve the competitiveness of the terminal. Furthermore, the terminal will push forward the manifest distribution business model between Nansha and Qingyuan and drive the implementation of “dry port” in Qingyuan Port to generate new growth engine for the terminal.

Chu Kong Air-Sea Union Transportation Company Limited has rehabilitated the land at Marine Cargo Terminal and made smooth transfer of the same back to the Airport Authority Hong Kong on 17th June 2016. Under an unified allocation of resources, the relevant business has been gradually transferred to other cargo working areas, such as Tuen Mun Godown Wharf and Yau Ma Tei to achieve seamless migrations of business and customers.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. TERMINAL NAVIGATION LOGISTICS BUSINESS *(Continued)*

2. Cargo Handling and Storage Business *(Continued)*

Joint Ventures and Associates

The performance of the operating businesses of the joint ventures and associates of the Group were mixed. During the period, significant growth was recorded for the terminals in the Jiangmen region, which included Guangdong Sanbu Passenger and Freight Transportation Co., Ltd. and Heshan County Hekong Associated Forwarding Co., Ltd.. There was continuous growth of the factory trade and renewable resource cargo within the region. A total container handling volume of 123,000 TEU was recorded, representing a year-on-year increase of 44.5%. Among which, Sanbu Port finetuned its market strategy, enhanced marketing and management and leveraged on its advantage in both its strong service integration capability and provision of regular barge services, so as to constantly improve its core competitiveness, achieving a year-on-year growth of 22.4% for container handling volume to 64,000 TEU. Heshan Port recorded strong growth in its renewable resource business and rubber wood business, and achieved remarkable results. Container handling volume increased substantially by 80.4% to 58,000 TEU, and profit attributable to the Group for the period was HK\$3,475,000, representing a significant year-on-year increase of 41.1%.

During the period, the four terminals in the Foshan region, namely Foshan New Port Ltd., Foshan Nankong Terminal Co., Ltd., Chu Kong Cargo Terminals (Beicun) Co., Ltd. and Sanshui Sangang Containers Wharf Co., Ltd., achieved a total container handling volume of 194,000 TEU, representing a year-on-year decrease of 17.8%. Zhong Shan Port Goods Transportation United Co., Ltd. achieved a container handling volume of 154,000 TEU, representing a year-on-year decrease of 16.8%.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)***REVIEW OF OPERATIONS** *(Continued)***II PASSENGER TRANSPORTATION BUSINESS****Business Operation Indicators**

Performance statistics of the major business operations are as follows:

Indicators	For the six months ended 30th June		
	Number of Passengers (in thousands)		
	2016	2015	Change
Total number of passengers for agency services	3,075	3,316	-7.3%
Total number of passengers for terminal services	3,289	3,728	-11.8%

Subsidiaries

The passenger transportation business of the Group showed downward pressure, the total number of passengers for agency services of Chu Kong Passenger Transport Company Limited ("CKPT") was 3,075,000 during the period, representing a year-on-year decrease of 7.3%. The number of passengers for terminal services recorded 3,289,000, representing a year-on-year decrease of 11.8%. However, as benefiting from the lower oil prices and optimised flight schedules, the overall profit contribution by passenger transportation business remained stable, amounting to HK\$69,493,000 during the period, representing a year-on-year increase of 4.8%.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

II PASSENGER TRANSPORTATION BUSINESS *(Continued)*

Subsidiaries *(Continued)*

Regarding urban routes, affected by the civil unrest at Mong Kok, Hong Kong, the visitors' enthusiasm to Hong Kong was curbed. In addition, with the emergence of outbound tours to the South Eastern Asia countries and the cross-border e-commerce business, the competitiveness of the tourism market in Hong Kong was subdued, with a decrease in the number of overall urban route passengers. The number of passengers for airport routes recorded a slight decrease, mainly attributable to the downturn in the PRC economy and the depreciation of Renminbi. At the same time, the further improvement of the two-dimensional land-air transportation system also generated impact on the airport routes, thus the number of passengers for agency services in the airport routes recorded 1,111,000, representing a year-on-year decrease of 1.1%.

Regarding airport routes, despite the slight decrease in the number of passengers for the airport routes as compared to the corresponding period last year, the number of passengers for some airport routes maintained growth momentum as a result of heightened promotion of the sea-air transportation mode. The recommencement of Lianhuashan airport route was well received by the market, with additional number of passengers amounting to 30,000 for the period. The volume of ticket agency service of Zhongshan airport route recorded a year-on-year increase of 3.3% as a result of improvement in service quality and stepped up efforts in marketing. With the increase in the number of airline flights for Hong Kong-Macau route, the volume of ticket agency services recorded a year-on-year increase of 24.9%. CKPT will continue to consolidate and enhance its airport route business in the future, with an aim to improve the competitiveness of the sea-air transportation mode.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)***REVIEW OF OPERATIONS** *(Continued)***II PASSENGER TRANSPORTATION BUSINESS** *(Continued)****Subsidiaries*** *(Continued)*

Furthermore, leveraging on the local ferry business platform, CKPT spared no efforts in promoting the middle to high-end Victoria Harbour tour, speeding up localisation of its business services. By promoting the strategy of "tourism passenger transportation", CKPT accelerated the integration of its tourism business with the Guangdong-Hong Kong tourism platform, and capitalised on the advantage of local platform to consolidate and expand the tourism resources. CKPT also cooperated with ship owners for the exploration of sight-seeing routes, so as to exploit new agency services. Secondly, CKPT enhanced its information system and introduced the "Internet+" strategy, so as to expedite the construction of passenger transportation segment e-commerce platform. While efforts were made to improve the mobile ticketing and e-commerce platform "HEMA-WANG", CKPT continued to push forward the connection with the systems of internet enterprises and airline companies including Ctrip, Cathay Pacific and Hong Kong Express Airways, optimising and upgrading its online system for ticket agency. CKPT also cooperated with partners from the industry and the tourism industry to carry out all kinds of marketing and promotion activities, and exerted efforts to improve communication and strengthen cooperation with its business partners, with an aim to expand its customer base. It further improved its brand recognition through increased promotion efforts in overseas markets and expansion of tourism passenger transportation network.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

II PASSENGER TRANSPORTATION BUSINESS *(Continued)*

Joint Ventures and Associates

During the period, Skypier (operated by Hong Kong International Airport Ferry Terminal Services Limited) witnessed an increase in the number of passengers for terminal services. The profit attributable to the Group was HK\$5,519,000, representing a year-on-year decrease of 21.0%. The total number of passengers for agency services of Zhongshan – Hong Kong Passenger Shipping Co-op Co. Ltd. and Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd. recorded a decrease of 5.5% and 11.6% respectively. Despite the decrease in the number of passengers of urban routes, Zhongshan Passenger Terminal recorded a continuous growth in the number of passengers of airport routes. In addition, benefiting from lower oil prices and optimised flight schedules, profit attributed to the Group amounted to HK\$19,449,000, representing a year-on-year increase of 18.8%. As Shunde Passenger Terminal was affected by the decrease in the number of passengers, profit attributed to the Group was HK\$7,769,000, representing a year-on-year decrease of 6.9%.

III. FUEL SUPPLY BUSINESS

As to the fuel supply business, the Group officially completed the acquisition of Sun Kong Petroleum Company Limited (“Sun Kong Petroleum”) in June 2016. Sun Kong Petroleum’s major business is to provide diesel and engine oil for vessels within the water territory of Hong Kong. Besides, Sun Kong Petroleum has waterborne fueling stations at the Hong Kong China Ferry Terminal, the Hong Kong International Airport Ferry Terminal and Yau Ma Tei. During the period, Sun Kong Petroleum recorded a sales volume of diesel of 66,000 tons, representing a year-on-year increase of 8.0%, and a sales volume of engine oil of 294,000 litres, representing a slight decrease as compared to the corresponding period last year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

IV. CORPORATE AND OTHER BUSINESSES

As to the corporate and other businesses, the Group completed the acquisition of Cotai Chu Kong Shipping Management Services (Macau) Company Limited (“Macau Cotai”) in June 2016. Macau Cotai is engaged in provision of management of ferry terminals services and facilities maintenance services for properties in Macau. During the first half of the year, Macau Cotai became one of the qualified service providers of the dockyards of Macau Government by establishing long-term cooperation with the dockyards of Macau Government, and proactively explored new vessel maintenance business.

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 2016, the Group employed 2,022 employees (as at 30th June 2015 (restated): 2,153 employees) and remunerated its employees according to the duty of their positions and market conditions. For the period ended 30th June 2016, the staff costs amounted to HK\$187,443,000 (for the period ended 30th June 2015 (restated): HK\$189,058,000). Such costs included basic salaries and staff benefits such as discretionary bonus, medical and insurance plans, pension scheme and share option scheme etc. Apart from the aforesaid staff benefits, the Group also provided trainings for the staff from time to time.

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 2016, the Group secured a total credit limit of HK\$734,500,000 and RMB100,000,000 (equivalent to approximately HK\$117,000,000) (31st December 2015 (restated): HK\$554,000,000 and RMB100,000,000 (equivalent to approximately HK\$119,360,000)) granted by bona fide banks.

As at 30th June 2016, the current ratio of the Group, represented by current assets divided by current liabilities, was 1.4 (31st December 2015 (restated): 1.3) and the debt ratio, representing total liabilities divided by total assets, was 32.9% (31st December 2015 (restated): 34.9%).

As at 30th June 2016, the Group's cash and cash equivalents amounted to HK\$897,914,000 (31st December 2015 (restated): HK\$912,794,000), which represents 21.4% (31st December 2015 (restated): 21.5%) of the total assets.

As at 30th June 2016, the gearing ratio of the Group, represented by bank borrowings divided by total equity and bank borrowings, was 7.5% (31st December 2015 (restated): 7.9%).

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.

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

During the period, the Group did not use any financial instruments for hedging purpose.

BANK LOANS AND PLEDGE OF ASSETS

Bank Loans	As at 30th June 2016	As at 31st December 2015 (Restated)
Banks located in Hong Kong (<i>Note 1</i>)		
– Hong Kong Dollar	159,500,000	179,000,000
Bank located in China (<i>Note 2</i>)		
– Renminbi	59,165,000 (equivalent to approximately HK\$69,223,000)	48,333,000 (equivalent to approximately HK\$57,690,000)

Notes:

1. The bank loan in Hong Kong as at 30th June 2016 was bearing floating interest rate and unsecured. The relevant terms are identical with those set out in 2015 Annual Report.
2. The bank loan in China as at 30th June 2016 was bearing floating interest rate and secured by land use right of Zhongshan Huangpu Port. The relevant terms are identical with those set out in 2015 Annual Report.
3. Analysis on bank loans are set out in note 13 to the financial statements.

CURRENCY STRUCTURE

As at 30th June 2016, cash and cash equivalents held by the Group, which were mainly denominated in Hong Kong dollar and Renminbi with a small amount in United States dollar, Macau pataca and Euro, deposited with several banks of good reputation.

EXCHANGE RISK

Currently, the ordinary operations and investments business 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. 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 in this interim report, the Group had no other material acquisition or disposal of any subsidiaries, joint ventures and associates for the six months ended 30th June 2016.

SIGNIFICANT INVESTMENT

Save as disclosed in this interim report, there was no significant investment held by the Group for the six months ended 30th June 2016.

SUBSEQUENT EVENT

On 3rd August 2016, Chu Kong Warehouse Properties Co. Ltd. ("CKWP"), a wholly owned subsidiary of the Company, and the Government of Hong Kong Special Administrative Region (the "HKSAR Government"), entered into the agreements in relation to the Land Exchange. Pursuant to the agreements, CKWP agreed to surrender Section A of Tuen Mun Town Lot No. 320 to the HKSAR Government and the HKSAR Government agreed to regrant a lot to be known and registered in the Land Registry as Tuen Mun Town Lot No. 491 to CKWP for a premium of HK\$198,970,000 subject to the terms and conditions of agreements. The Group will construct a new river trade terminal, essential facilities and equipment at the new lot. Please refer to the announcement of the Company dated 3rd August 2016 for further particulars of the transaction.

CONTINGENT LIABILITIES

As at 30th June 2016, 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

At 30th June 2016, interests or short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("SFO")), which were required pursuant to Section 352 of Part XV of the SFO to be entered in the register referred to therein or were required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are deemed or taken to have under such provisions of the SFO); or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules are as follows:

Ordinary shares of the Company – share options (long positions)

Name of Directors	Capacity	Number of underlying shares involved under share options	Percentage to the issued shares of the Company (Note 1)
Mr. Xiong Gebing	Beneficial owner	241,000	0.0223%
Mr. Zeng He	Beneficial owner	201,000	0.0186%
Mr. Cheng Jie	Beneficial owner	201,000	0.0186%
Mr. Zhang Lei	Beneficial owner	201,000	0.0186%
		844,000	0.0781%

Note 1: Percentage of shareholding is calculated based on the 1,080,000,000 issued shares of the Company as at 30th June 2016.

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

Save as disclosed above, as at 30th June 2016, the Company has not been notified of any interests or short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations, which were required pursuant to Section 352 of Part XV of the SFO to be entered in the register referred to therein or were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in the Listing Rules.

Save as the Share Option Scheme disclosed below, at no time during the period, the Directors and chief executive (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, warrants or debentures (if applicable) of the Company and its associated corporations required to be disclosed pursuant to the SFO.

Save as the Share Option Scheme disclosed below, 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 and debentures of the Company or its associated corporation.

SHARE OPTION SCHEME

In accordance with the share option scheme (“Share Option Scheme”) approved and adopted at the general meeting of the Company held on 8th December 2015 (“Adoption Date”), the Board may grant share options to the incentive objects in accordance with the terms and conditions stipulated in the Share Option Scheme upon satisfaction of the specified conditions by the Company and the incentive objects (in principle including the chairman of the Board, Directors (excluding the independent non-executive Directors) and senior management of the Company and its subsidiaries).

SHARE OPTION SCHEME (Continued)

In accordance with the Share Option Scheme, unless it is early terminated as provided therein, the Share Option Scheme shall be valid for ten (10) years from its Adoption Date and will terminate on 7th December 2025. The exercise price of the share options shall be determined with reference to fair market price by the Board in its absolute discretion upon the grant of share options and shall not be less than the higher one of the following two prices: a) the closing price of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange on the date of grant; and b) the average closing price of the shares of the Company as stated in the daily quotation sheets of the Stock Exchange for five consecutive business days immediately preceding the date of grant.

The total number of shares that may be issued under the Share Option Scheme is 108,000,000, representing 10% of issued shares of the Company as at the date of this interim report. On 18th December 2015, the Company granted share options under the Share Option Scheme to certain eligible persons to subscribe for a total of 9,165,000 ordinary shares, which subsequently were duly accepted by the eligible persons. During the period ended 30th June 2016, the changes of share options granted under the Share Option Scheme are as following:

Incentive Objects	Date of Grant	Exercise Price per Share Options (HK\$) (Note 1)	Exercise Period	Number of shares in respect of share options					Held on 30th June 2016
				Held on 1st January 2016 (Note 2)	Granted during the period	Exercised during the period	Lapsed during the period	Cancelled during the period	
Directors, chief executives or substantial shareholders or their respective associates									
Mr. Xiong Gebing (Director)	18th December 2015	233	19th December 2017 to 18th December 2024	241,000	-	-	-	-	241,000
Mr. Zeng He (Director)	18th December 2015	233	19th December 2017 to 18th December 2024	201,000	-	-	-	-	201,000
Mr. Cheng Jie (Director)	18th December 2015	233	19th December 2017 to 18th December 2024	201,000	-	-	-	-	201,000
Mr. Zhang Lei (Director)	18th December 2015	233	19th December 2017 to 18th December 2024	201,000	-	-	-	-	201,000
Staff of the Group	18th December 2015	233	19th December 2017 to 18th December 2024	8,321,000	-	-	(331,000)	-	7,990,000
Total				9,165,000	-	-	(331,000)	-	8,834,000

SHARE OPTION SCHEME *(Continued)*

Notes:

1. The closing price of the shares of the Company as quoted on the Stock Exchange on the day immediately before the date of grant was HK\$2.33 per share. In accordance with the Share Option Scheme, given that the Company paid the final dividend for the year 2015 in 2016, the exercise price of the granted share options shall be adjusted accordingly, and the Company will make such adjustment in accordance with the Share Option Scheme and make relevant announcement as soon as possible.
2. On 18th December 2015, the Company granted share options to certain eligible persons in accordance with the Share Option Scheme to subscribe for a total of 9,392,000 ordinary shares, of which, share options which entitle the holders to subscribe for 227,000 ordinary shares had not been accepted by the eligible persons, the offer of which automatically lapsed on 8th January 2016. The shares in respect of the share options that were not accepted by the eligible persons were not included in the number of share options held on 1st January 2016.

For details on the Share Option Scheme, please refer to the circular of the Company dated 23rd November 2015.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES OF THE COMPANY

So far as was known to the Directors and the chief executive, on 30th June 2016, the following persons, other than a Director or the chief executive, had, or were deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Ordinary shares of the Company

Name of shareholder	Capacity/ Nature of interest	Number of Shares <i>(Note 1)</i>	Percentage of shareholding <i>(Note 2)</i>
(i) Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE") <i>(Note 3)</i>	Beneficial owner	669,600,000(L)	62.00%
(ii) Guangdong Province Navigation Group Company Limited ("GNG") <i>(Note 3)</i>	Interest of controlled corporation	669,600,000(L)	62.00%
(iii) Harvest Fund Management Co., Ltd. ("Harvest Fund") <i>(Note 4)</i>	Investment manager	85,398,000(L) <i>(Note 5)</i>	7.90%
(iv) China Credit Trust Co., Ltd. ("China Credit Trust") <i>(Note 4)</i>	Interest of controlled corporation	85,398,000(L)	7.90%

Notes:

- The letter "L" denotes long position in the shares of the Company.
- Percentage of shareholding is calculated according to 1,080,000,000 issued shares of the Company on 30th June 2016.
- CKSE is wholly owned by GNG, so GNG is deemed to have interest in all the shares held by CKSE pursuant to the SFO. Accordingly, the interests disclosed by shareholders (i) and (ii) above are in respect of the same shareholding.

SUBSTANTIAL SHAREHOLDERS' INTERESTS IN THE SHARES OF THE COMPANY *(Continued)*

Ordinary shares of the Company *(Continued)*

Notes: (Continued)

4. China Credit Trust is the controlling shareholder of Harvest Fund. China Credit Trust is deemed to have interest in all the shares held by Harvest Fund pursuant to the SFO. Accordingly, the interests disclosed by shareholders (iii) and (iv) above are in respect of the same shareholding.
5. Of which, Harvest Fund is directly interested in 49,558,000 shares and Harvest Global Investments Limited ("Harvest Global") is directly interested in the remaining 35,840,000 shares. Harvest Global is wholly owned by Harvest Fund, so Harvest Fund is deemed to have interest in all the shares held by Harvest Global pursuant to the SFO.

Save as disclosed above, on 30th June 2016, the Directors and the chief executive were not aware of any other person who had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO or were recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

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.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30th June 2016 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

On 30th August 2016, the board of directors declared an interim dividend of HK3 cents per ordinary share (2015 interim dividend: HK4 cents and interim special dividend: HK1 cent) for the year ending 31st December 2016.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 5th October 2016 (Wednesday) to 7th October 2016 (Friday), both dates inclusive, during which no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Share Registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 4th October 2016 (Tuesday) for registration. Interim dividend will be payable on or before 31st October 2016.

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 2016.

This condensed consolidated interim financial information of the Group for the six months ended 30th June 2016 has not been audited but prepared in accordance with HKAS 34 "Interim Financial Reporting" and reviewed by the independent external auditors, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

CORPORATE GOVERNANCE

The directors of the Company have adopted various policies to ensure compliance with the code provisions of the Corporate Governance Code (the "Code Provisions") under Appendix 14 of the Listing Rules. In the opinion of the directors, the Company complied with the Code Provisions throughout the accounting period covered by the interim report except as disclosed below.

CORPORATE GOVERNANCE *(Continued)*

In future, the Company will also adopt more Recommended Best Practices according to actual needs, so as to further enhance the level of corporate governance.

According to the Code Provisions, a service term of over nine years is one of the key factors in determining the independence of an independent non-executive director. Mr. Chan Kay-Cheung and Ms. Yau Lai Man have served as such independent non-executive Directors for over nine years. During their years of service with the Company, Mr. Chan and Ms. Yau have contributed by providing an independent viewpoint and advice to the Company in relation to its businesses, operations, future development and strategy. The Board considers that Mr. Chan and Ms. Yau have the character, integrity, ability and experience as required to continue to fulfill his/her role effectively. The Company believes that Mr. Chan and Ms. Yau can independently express opinions on matters of the Company and there is no evidence that his/her over nine years of service with the Company would have any impact on his/her independence and therefore his/her independence is confirmed. According to the Code Provisions A.4.3, if an independent non-executive director serves more than nine years, his/her further appointment should be subject to a separate resolution to be approved by shareholders. Mr. Chan and Ms. Yau retired on rotation at the annual general meeting (the “AGM”) held on 21st May 2015, and being eligible, offered themselves for re-election at the AGM. Mr. Chan and Ms. Yau had already been re-appointed by separate resolutions of the shareholders at the said meeting.

According to the Code Provisions A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The roles of chairman and managing director were acted by Mr. Liu Weiqing and Mr. Xiong Gebing respectively. After the resignation of Mr. Liu Weiqing on 3rd May 2015, as more time is needed to arrange the appointment of a suitable candidate as the chairman of the Board or managing director, the Board has unanimously resolved to appoint Mr. Xiong Gebing, the managing director of the Company, as the chairman of the Board (and the chairman of the Executive Committee and the Nomination Committee) temporarily with effect from 3rd May 2015. Announcement in respect of the related appointment of the chairman of the Board or managing director will be made by the Company when such appointment 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 as set out in Appendix 10 to the Listing Rules. All directors have complied with the relevant code of conduct throughout the accounting period covered by this interim report.

DIRECTORS

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 31st December 2015.

As at the date of this report, the Company's executive directors are Mr. Xiong Gebing, Mr. Zeng He and Mr. Cheng Jie; non-executive director is Mr. Zhang Lei; independent non-executive directors are Mr. Chan Kay-cheung, Ms. Yau Lai Man and Mr. Chow Bing Sing.

By Order of the Board
Xiong Gebing
Managing Director

Hong Kong, 30th August 2016



**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 34 to 79, 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 2016 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 2016

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2016

	Note	As at 30th June 2016 HK\$ '000	As at 31st December 2015 HK\$'000 (Restated)
ASSETS			
Non-current assets			
Property, plant and equipment	8	1,417,429	1,455,446
Investment properties	8	4,800	4,829
Land use rights	8	474,169	489,787
Intangible assets – goodwill		37,005	37,751
Joint ventures		416,462	465,161
Associates		117,266	124,636
Deposit and prepayment		42,549	23,096
Deferred income tax assets		1,364	1,364
		2,511,044	2,602,070
Current assets			
Inventory		2,031	752
Trade and other receivables	10	774,201	713,828
Loans to joint ventures	11	17,453	17,805
Cash and cash equivalents		897,914	912,794
		1,691,599	1,645,179
Asset held for sale	9	–	1,367
		1,691,599	1,646,546
Total assets		4,202,643	4,248,616
EQUITY			
Share capital	12	1,333,171	1,333,171
Reserves		1,265,075	1,215,748
		2,598,246	2,548,919
Non-controlling interests		219,882	217,979
Total equity		2,818,128	2,766,898

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET (Continued)

As at 30th June 2016

	Note	As at 30th June 2016 HK\$'000	As at 31st December 2015 HK\$'000 (Restated)
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		81,761	83,056
Deferred income		6,381	7,657
Amount due to the non-controlling interest of a subsidiary	16	37,825	38,013
Loan from immediate holding company	15	–	7,500
Other payables	14	–	346
Long term borrowings	13	63,373	51,722
		189,340	188,294
Current liabilities			
Trade and other payables	14	812,143	969,800
Dividend payable		54,000	–
Loans from associates	15	24,430	24,922
Amounts due to the non-controlling interests of subsidiaries	16	81,550	75,700
Amount due to a related party	16	14,070	14,354
Income tax payables		43,632	23,680
Short term borrowings	13	75,000	75,000
Current portion of long term borrowings	13	90,350	109,968
		1,195,175	1,293,424
Total liabilities		1,384,515	1,481,718
Total equity and liabilities		4,202,643	4,248,616

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2016

	Note	2016 HK\$'000	2015 HK\$'000 (Restated)
Revenue	7	1,104,062	1,247,781
Cost of services rendered		(853,077)	(986,302)
Gross profit		250,985	261,479
Other income		25,604	25,431
Other gains – net	17	1,078	4,575
General and administrative expenses		(148,556)	(157,385)
Operating profit	18	129,111	134,100
Finance income		7,497	3,835
Finance cost		(4,489)	(6,345)
Share of profits less losses of:			
– Joint ventures	19	34,821	34,866
– Associates	19	10,254	11,138
Profit before income tax		177,194	177,594
Income tax expense	20	(28,697)	(32,576)
Profit for the period		148,497	145,018
Attributable to:			
Equity holders of the Company		144,197	139,928
Non-controlling interests		4,300	5,090
		148,497	145,018
Earnings per share (HK cents)			
Basic	22	13.35	14.90
Diluted	22	13.35	14.90

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2016

	2016 HK\$'000	2015 HK\$'000 (Restated)
Profit for the period	148,497	145,018
Other comprehensive (loss)/income:		
<u>Items that may be reclassified to profit or loss</u>		
Currency translation differences		
– Subsidiaries	(33,788)	635
– Joint ventures and associates	(10,530)	730
Total comprehensive income for the period	104,179	146,383
Attributable to:		
Equity holders of the Company	102,276	141,247
Non-controlling interests	1,903	5,136
	104,179	146,383

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2016

	Attributable to equity holders of the Company									
	Share capital 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 2016, as previously reported	1,333,171	100,421	23,009	167,717	(543,031) (252,040)	1,625,295 94,377	1,374,411 (157,663)	2,706,582 (157,663)	217,979	2,924,561 (157,663)
Adoption of merger accounting	-	-	-	-	-	-	-	-	-	-
At 1st January 2016, as restated	1,333,171	100,421	23,009	167,717	(795,071)	1,719,672	1,215,748	2,548,919	217,979	2,766,898
Profit for the period	-	-	-	-	-	144,197	144,197	144,197	4,300	148,497
Other comprehensive income:										
Currency translation differences	-	(32,083)	-	-	-	-	(32,083)	(32,083)	(1,705)	(33,788)
- Subsidiaries	-	(9,838)	-	-	-	-	(9,838)	(9,838)	(692)	(10,530)
- Joint ventures and associates	-	-	-	-	-	-	-	-	-	-
Transfer of reserves	-	-	-	-	1,558	(1,558)	-	-	-	-
Total comprehensive income for the period	-	(41,921)	-	-	1,558	142,639	102,276	102,276	1,903	104,179
Transactions with owners:										
Value of employee services	-	-	-	-	1,051	-	1,051	1,051	-	1,051
2015 final dividend	-	-	-	-	-	(54,000)	(54,000)	(54,000)	-	(54,000)
At 30th June 2016	1,333,171	58,500	23,009	167,717	(792,462)	1,808,311	1,265,075	2,598,246	219,882	2,818,128

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)
For the six months ended 30th June 2015

	Attributable to equity holders of the Company									
	Share capital 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 2015, as previously reported	877,762	-	23,009	167,717	(553,607)	1,496,246	1,360,064	2,237,826	209,047	2,446,873
Adoption of merger accounting	-	-	-	-	(252,040)	150,791	(101,249)	(101,249)	-	(101,249)
At 1st January 2015, as restated	877,762	-	23,009	167,717	(805,647)	1,647,037	1,258,815	2,136,577	209,047	2,345,624
Profit for the period	-	-	-	-	-	139,928	139,928	139,928	5,090	145,018
Other comprehensive income:										
Currency translation differences	-	602	-	-	-	-	602	602	33	635
- Subsidiaries	-	717	-	-	-	-	717	717	13	730
- Joint ventures and associates	-	-	-	-	-	-	-	-	-	-
Transfer of reserves	-	-	-	-	370	(370)	-	-	-	-
Total comprehensive income for the period	-	1,319	-	-	370	139,558	141,247	141,247	5,136	146,383
Transactions with owners:										
Placement of shares	455,409	-	-	-	-	-	-	455,409	-	455,409
2015 interim dividend paid to immediate holding company	-	-	-	-	-	(4,056)	(4,056)	(4,056)	-	(4,056)
2014 final dividend	-	-	-	-	-	(64,800)	(64,800)	(64,800)	-	(64,800)
Dividend declared to non-controlling interests	-	-	-	-	-	-	-	-	(7,700)	(7,700)
At 30th June 2015	1,333,171	228,018	23,009	167,717	(805,277)	1,717,739	1,331,206	2,664,377	206,483	2,870,860

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2016

	Note	2016 HK\$'000	2015 HK\$'000 (Restated)
Cash flows from operating activities			
Cash generated from operations		92,394	41,730
Income tax paid		(10,040)	(17,540)
Net cash generated from operating activities		82,354	24,190
Cash flows from investing activities			
Purchase of property, plant and equipment		(31,607)	(43,731)
Proceeds from disposal of property, plant and equipment		1,104	839
Proceeds from disposal of asset held for sale		1,367	-
Deposits for purchase of property, plant and equipment		(19,453)	-
Acquisition of subsidiaries	2(ii)	(75,694)	-
Government grants received for purchasing of property, plant and equipment		-	5,070
Dividends received from joint ventures		38,280	-
Interest received		7,497	3,835
Net cash used in investing activities		(78,506)	(33,987)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT *(Continued)**For the six months ended 30th June 2016*

Note	2016 HK\$'000	2015 HK\$'000 (Restated)
Cash flows from financing activities		
Dividends paid	–	(68,678)
Interest paid	(4,489)	(6,345)
Repayment of bank loans	(19,500)	(178,000)
Drawdown of a bank loan	11,533	12,139
Net proceeds from placement of shares	–	455,409
Draw down of loan from immediate holding company	–	6,000
Repayment of loan from immediate holding company	(7,500)	–
Increase in amount due to the non-controlling interests of a subsidiary	5,850	–
Net cash (used in)/generated from financing activities	(14,106)	220,525
Net (decrease)/increase in cash and cash equivalents	(10,258)	210,728
Cash and cash equivalents at the beginning of the period	912,794	574,129
Effect of exchange rate changes	(4,622)	4,621
Cash and cash equivalents at the end of the period	897,914	789,478

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 Macau; the operation and management of river trade cargo terminals in the Mainland China and Hong Kong; cargo transportation, warehousing and storage business; provision of diesel and lubricants for passenger ferries and cargo vessels in Hong Kong; and provision of operation and management of facilities maintenance services for properties and so forth in Macau.

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 and has been approved for issue by the Board of Directors of the Company on 30th August 2016.

The financial information relating to the year ended 31st December 2015 that is included in the unaudited condensed consolidated interim financial information for the six months ended 30th June 2016 as comparative information does not constitute the Company’s statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31 December 2015 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

1 GENERAL INFORMATION *(Continued)*

The Company's auditor has reported on those financial statements. The auditor's report was unqualified; did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under sections 406(2), 407(2) or (3) of the Hong Kong Companies Ordinance (Cap. 622).

2 BASIS OF PREPARATION

- (i) This unaudited condensed consolidated interim financial information for the six months ended 30th June 2016 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 2015, 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)*

(ii) Reorganisation

On 4th March 2016, Chu Kong Shipping Enterprises (Holdings) Company Limited (“CKSE”), immediate holding company of the Company, underwent a group reorganisation, pursuant to which the Company acquired 100% equity interest in Sun Kong Petroleum Company Limited (“Sun Kong Petroleum”) from CKSE at a consideration of HK\$166,000,000. The Company and Chu Kong Passenger Transport Company Limited, a direct wholly-owned subsidiary of the Company, also acquired 100% equity interest in Cotai Chu Kong Shipping Management Services (Macau) Company Limited (“Cotai Shipping”) from CKSE and Sportwise Development Limited, a direct wholly-owned subsidiary of CKSE, at a consideration of MOP88,900,000 (equivalent to approximately HK\$86,233,000). On 11st May 2016, the Company paid HK\$75,694,000 as settlement of 30% consideration pursuant to the agreement. The transaction was completed on 30th June 2016. Accordingly, the Company became the holding company of Sun Kong Petroleum and Cotai Shipping (collectively, the “Acquired Group”), now comprising the Group.

The transactions resulting from the reorganisation are regarded as business combinations under common control. Accordingly, the unaudited condensed consolidated interim financial information for the period ended 30th June 2016, including the comparative figures, have 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 the Acquired Group throughout the periods presented or since their respective dates of incorporation, whichever is the shorter period. Details of the relevant statements of adjustments for the common control combinations on the Group’s financial position as at 31st December 2015 and the Group’s results for the period ended 30th June 2015 are set out in note 25.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2015, except the Group has adopted the following new and amended standards issued by the HKICPA which are mandatory for the financial period beginning on or after 1st January 2016.

Annual Improvements Project HKFRS 14	Annual Improvements 2012-2014 Cycle Regulatory Deferral Accounts
HKFRS 10, HKFRS 12 and HKAS 28 (Amendment)	Investment Entities: Applying the Consolidation Exception
HKFRS 11 (Amendment)	Accounting for Acquisitions of Interests in Joint Operations
HKAS 1 (Amendment)	Disclosure Initiative
HKAS 16 and HKAS 38 (Amendment)	Clarification of Acceptable Methods of Depreciation and Amortisation
HKAS 16 and HKAS 41 (Amendment)	Agriculture: Bearer Plants
HKAS 27 (Amendment)	Equity Method in Separate Financial Statements

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

3 ACCOUNTING POLICIES *(Continued)*

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

The HKICPA has issued the following new and amended standards which are not yet effective for the financial period beginning 1st January 2016:

		Effective for accounting periods beginning on or after
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1st January 2018
HKFRS 9	Financial Instruments	1st January 2018
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 15	Revenue from Contracts with Customers	1st January 2018
HKFRS 16	Leases	1st January 2019
HKAS 7 (Amendment)	Statement of Cash Flows	1st January 2017
HKAS 12 (Amendment)	Recognition of Deferred Tax Assets for Unrealised Losses	1st January 2017

The Group has not early adopted these new and amended 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 MERGER ACCOUNTING FOR COMMON CONTROL COMBINATIONS

The financial statements incorporate the financial statement items of the combining entities in which the common control combination occurs on the basis that they had been combined from the date when the combining entities first came under the control of the controlling party.

The net assets of the combining entities are combined using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated income statement includes the results of each of the combining entities from the earliest date presented or since the date when the combining entities first came under the common control, where this is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the financial statements are presented on the basis that the entities had been combined at the previous balance sheet date or when they first came under common control, whichever is shorter.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between combining entities are eliminated on consolidation.

Transaction costs, including professional fees, registration fees etc., incurred in relation to the common control combination that is to be accounted for by using merger accounting is recognised as an expense in the year in which it is incurred.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

5 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 2015.

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

6 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 2015.

7 SEGMENT INFORMATION

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

The executive directors of the Company consider the business from service perspectives and assesses the performance of the Group and its joint ventures and associates which are organised into five main businesses:

- (i) Cargo transportation – Shipping agency, river trade cargo direct shipment and transshipment and container handling and trucking
- (ii) Cargo handling and storage – Wharf cargo and container handling, cargo consolidation and godown storage
- (iii) Passenger transportation – Passenger transportation agency services, travel agency operation and passenger carrier service
- (iv) Fuel supply – Oil trading and marine bunkering service
- (v) Corporate and other businesses

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 SEGMENT INFORMATION *(Continued)*

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

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

	Cargo transportation HK\$'000	Cargo handling and storage HK\$'000	Passenger transportation HK\$'000	Fuel Supply HK\$'000	Corporate and other businesses HK\$'000	Total HK\$'000
Six months ended						
30th June 2016						
Total revenue	593,653	238,078	98,770	217,547	42,581	1,190,629
Inter-segment revenue	(2,373)	(51,476)	-	(17,750)	(14,968)	(86,567)
Revenue (from external customers)	591,280	186,602	98,770	199,797	27,613	1,104,062
Segment profit before income tax expense	2,606	62,126	76,471	14,471	21,520	177,194
Income tax expense	(1,170)	(14,750)	(6,978)	(1,942)	(3,857)	(28,697)
Segment profit after income tax expense	1,436	47,376	69,493	12,529	17,663	148,497
Segment profit before income tax expense includes:						
Finance income	28	317	74	7	7,071	7,497
Finance cost	-	(2,695)	-	-	(1,794)	(4,489)
Depreciation and amortisation	(5,441)	(44,337)	(99)	(886)	(1,786)	(52,549)
Share of profits less losses of:						
Joint ventures	474	10,314	24,019	-	14	34,821
Associates	-	2,485	7,769	-	-	10,254

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 SEGMENT INFORMATION *(Continued)*

	Cargo transportation HK\$'000	Cargo handling and storage HK\$'000	Passenger transportation HK\$'000	Fuel Supply HK\$'000	Corporate and other businesses HK\$'000	Total HK\$'000
Six months ended						
30th June 2015 (Restated)						
Total revenue	633,273	265,427	98,626	304,216	42,481	1,344,023
Inter-segment revenue	(3,173)	(51,716)	-	(26,255)	(15,098)	(96,242)
Revenue (from external customers)	630,100	213,711	98,626	277,961	27,383	1,247,781
Segment profit before income tax expense	6,638	64,152	72,704	13,632	20,468	177,594
Income tax expense	(2,129)	(16,159)	(6,403)	(2,249)	(5,636)	(32,576)
Segment profit after income tax expense	4,509	47,993	66,301	11,383	14,832	145,018
Segment profit before income tax expense includes:						
Finance income	67	260	47	6	3,455	3,835
Finance cost	-	(2,346)	-	-	(3,999)	(6,345)
Depreciation and amortisation	(5,575)	(47,078)	(50)	(886)	(1,670)	(55,259)
Share of profits less losses of:						
Joint ventures	850	12,360	21,648	-	8	34,866
Associates	-	2,640	8,345	153	-	11,138

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

7 SEGMENT INFORMATION *(Continued)*

	Cargo transportation HK\$'000	Cargo handling and storage HK\$'000	Passenger transportation HK\$'000	Fuel supply HK\$'000	Corporate and other businesses HK\$'000	Inter- segment elimination HK\$'000	Total HK\$'000
As at 30th June 2016							
Total segment assets	554,162	2,166,263	585,141	127,519	1,952,951	(1,183,393)	4,202,643
Total segment assets include:							
Joint ventures	26,321	194,652	163,420	-	32,069	-	416,462
Associates	-	47,089	70,177	-	-	-	117,266
Total segment liabilities	(444,620)	(649,665)	(117,056)	(42,211)	(1,314,356)	1,183,393	(1,384,515)
As at 31st December 2015 (Restated)							
Total segment assets	547,600	2,167,057	576,122	193,985	1,951,573	(1,187,721)	4,248,616
Total segment assets include:							
Joint ventures	26,115	191,741	214,603	-	32,702	-	465,161
Associates	-	45,528	79,108	-	-	-	124,636
Total segment liabilities	(419,437)	(653,344)	(106,622)	(121,207)	(1,368,829)	1,187,721	(1,481,718)

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 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 2016	1,455,446	4,829	489,787	1,950,062
Exchange differences	(22,872)	-	(9,632)	(32,504)
Additions	31,607	-	-	31,607
Disposal/write off	(218)	-	-	(218)
Depreciation and amortisation	(46,534)	(29)	(5,986)	(52,549)
Closing net book value as at 30th June 2016	1,417,429	4,800	474,169	1,896,398
Opening net book value as at 1st January 2015 (Restated)	1,549,419	4,886	533,077	2,087,382
Exchange differences	481	-	232	713
Additions	52,121	-	-	52,121
Disposal/write off	(445)	-	-	(445)
Depreciation and amortisation	(48,748)	(29)	(6,422)	(55,199)
Closing net book value as at 30th June 2015 (Restated)	1,552,828	4,857	526,887	2,084,572

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

9 ASSET HELD FOR SALE

On 31 December 2015, the Directors approved the disposal of Sun Kong Petroleum's investment in an associate, Celelight Company Limited ("Celelight"). Accordingly, management classified Sun Kong Petroleum's investment in Celelight as asset held for sale, as the carrying amount would be recovered principally through sale, the investment was available for immediate sale at its present conditions and such sale was considered highly probably. The transaction is expected to be completed within 12 months.

In accordance with HKFRS 5, Sun Kong Petroleum adopts the lower of fair value less costs to sell and carrying amount to measure the value of the asset held for sale. As the fair value less costs to sell was higher than the carrying amount of the asset held for sale. As the result, the asset held for sale was measured as carrying amount of HK\$1,367,000.

10 TRADE AND OTHER RECEIVABLES

	As at 30th June 2016 HK\$'000	As at 31st December 2015 HK\$'000 (Restated)
Trade receivables, net of provision (note (a)):		
– third parties	331,970	275,610
– joint ventures and an associate	21,608	28,005
– fellow subsidiaries	18,486	8,460
– other related companies	19,165	11,504
	391,229	323,579
Less: provision for impairment		
– third parties	(6,544)	(5,107)
Trade receivables, net	384,685	318,472

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

10 TRADE AND OTHER RECEIVABLES *(Continued)*

	As at 30th June 2016 HK\$'000	As at 31st December 2015 HK\$'000 (Restated)
Other receivables (note (b)):		
- third parties	104,335	89,470
- immediate holding company	21,001	101,951
- fellow subsidiaries	2,406	4,038
- joint ventures and associates	261,611	199,608
- other related companies	163	289
	389,516	395,356
Total trade and other receivables	774,201	713,828

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION**

10 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 trade receivables by invoice date is as follows:

	As at 30th June 2016 HK\$'000	As at 31st December 2015 HK\$'000 (Restated)
Within 3 months	330,041	283,426
4 to 6 months	39,371	29,468
7 to 12 months	15,653	5,607
Over 12 months	6,164	5,078
	391,229	323,579
Less: Provision for impairment	(6,544)	(5,107)
	384,685	318,472

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

11 LOANS TO JOINT VENTURES

	As at 30th June 2016 HK\$'000	As at 31st December 2015 HK\$'000 (Restated)
Unsecured loans		
– interest-free	10,881	11,101
– at floating rate (note)	6,572	6,704
	17,453	17,805

Note:

The loans bear interest at the base lending rate announced by the People's Bank of China ("PBOC") (31st December 2015: base lending rate announced by the PBOC).

12 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Number of shares (‘000)	Share capital HK\$'000 (Restated)
At 1st January 2016 and 30th June 2016	1,080,000	1,333,171
At 1st January 2015	900,000	877,762
Placement of shares (note (a))	180,000	455,409
At 30th June 2015	1,080,000	1,333,171

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 SHARE CAPITAL *(Continued)*

Notes:

- (a) During the year 2015, 180,000,000 new shares were issued and placed to institutional investors at a subscription price of HK\$2.50 plus HK\$0.06 per share representing the proposed final dividend for the year ended 31st December 2015 per share. The gross proceeds received by the Company were HK\$460,800,000 and the net proceeds amounting to HK\$455,409,000 were credited to the share capital account.

13 BORROWINGS

	As at 30th June 2016 HK\$'000	As at 31st December 2015 HK\$'000 (Restated)
Short term bank loans – unsecured	75,000	75,000
Long term bank loans		
– secured	69,223	57,690
– unsecured	84,500	104,000
Less: current portion	153,723 (90,350)	161,690 (109,968)
	63,373	51,722

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 BORROWINGS *(Continued)*

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

	As at 30th June 2016 HK\$'000	As at 31st December 2015 HK\$'000 (Restated)
Repayable within one year	90,350	109,968
Repayable within one to two years	11,700	11,936
Repayable within two to five years	38,025	38,792
Repayable more than five years	13,648	994
	153,723	161,690
Less: current portion	(90,350)	(109,968)
	63,373	51,722

The secured bank loans at 31st December 2015 were secured by certain land use rights and property, plant and equipment of the Group, denominated in Renminbi, and interest-bearing at the base lending rate announced by the PBOC.

The unsecured bank loans are denominated in Hong Kong dollars and bear interest at rates range from 1.23% to 1.88% (31st December 2015: 1.58% to 2.22%) per annum.

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

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION**

14 TRADE AND OTHER PAYABLES

	As at 30th June 2016 HK\$'000	As at 31st December 2015 HK\$'000 (Restated)
Trade payables (notes (a) and (b)):		
– third parties	268,852	261,058
– immediate holding company	20,576	17,732
– fellow subsidiaries	2,671	6,113
– joint ventures and associates	17,528	10,648
– other related companies	17,212	21,084
	326,839	316,635
Other payables (note (b)):		
– third parties	184,517	182,594
– immediate holding company	171,878	340,385
– fellow subsidiaries	2,792	2,626
– joint ventures and associates	117,678	117,306
– key management	576	2,736
– a non-controlling interest of a subsidiary	7,700	7,700
– other related companies	163	164
	485,304	653,511
Less: non-current portion	–	(346)
	485,304	653,165
	812,143	969,800

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

14 TRADE AND OTHER PAYABLES *(Continued)*

Notes:

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

	As at 30th June 2016 HK\$'000	As at 31st December 2015 HK\$'000 (Restated)
Within 3 months	325,064	312,431
4 to 6 months	500	1,145
7 to 12 months	490	638
Over 12 months	785	2,421
	326,839	316,635

- (b) 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

15 LOANS FROM ASSOCIATES AND IMMEDIATE HOLDING COMPANY

- (a) Breakdown of loan from associates:

	As at 30th June 2016 HK\$'000	As at 31st December 2015 HK\$'000 (Restated)
Unsecured loans		
– interest-free (note (a))	1,030	1,050
– at floating rate (note (b))	23,400	23,872
	24,430	24,922

Note:

- (a) The loan is provided by an associate to the Group which is denominated in Renminbi, unsecured and repayable on demand.
- (b) The loan is provided by an associate to the Group which is denominated in Renminbi, unsecured, interest-bearing at the base deposit rate announced by the People's Bank of China ("PBOC") (31st December 2015: PBOC) and repayable on demand.
- (b) The loan from immediate holding company as at 31st December 2015 was denominated in Hong Kong dollars, unsecured, repayable in 2017 and interest bearing at 6% per annum. The amount was early repaid in 2016.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 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 2016 HK\$'000	As at 31st December 2015 HK\$'000 (Restated)
Non-current		
– at fixed interest rate (note (ii))	28,500	28,500
– at floating rate (note (iii))	9,325	9,513
	37,825	38,013
Current		
– interest-free (note (i))	77,300	71,450
– at fixed interest rate (note (ii))	4,250	4,250
	81,550	75,700
	119,375	113,713

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 AMOUNTS DUE TO THE NON-CONTROLLING INTERESTS OF SUBSIDIARIES AND A RELATED PARTY *(Continued)*

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

Note:

- (i) The amounts of HK\$71,450,000 and HK\$5,850,000 are denominated in Hong Kong dollars and Renminbi, respectively. The amounts are unsecured and repayable in 2016 (31st December 2015: repayable in 2016).
- (ii) The amounts of HK\$32,750,000 are denominated in Hong Kong dollars, unsecured, repayable in 2016 and 2017 (31st December 2015: repayable in 2016 and 2017) and interest-bearing at 4% (31st December 2015: 4%) per annum.
- (iii) The amount is denominated in Renminbi, unsecured and interest-bearing at the base lending rate announced by the PBOC (31st December 2015: base lending rate announced by the PBOC).
- (b) The amount due to a related party, the ultimate beneficial shareholder of a non-controlling interest, as at 30th June 2016 and 31st December 2015 is denominated in Renminbi, unsecured, repayable on demand and interest-bearing at the base lending rate announced by the PBOC.

17 OTHER GAINS – NET

	2016 HK\$'000	2015 HK\$'000 (Restated)
Exchange (losses)/gains, net	(1,049)	4,740
Gain on disposals of property, plant and equipment	886	394
Reversal/(provision) for impairment of trade receivables	1,241	(559)
Other gains, net	1,078	4,575

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

18 OPERATING PROFIT

Operating profit is stated after charging the following:

	2016	2015
	HK\$'000	HK\$'000 (Restated)
Amortisation of land use rights	5,986	6,422
Costs of cargo transportation, passenger transportation and cargo handling and storage (including fuel cost)	393,277	437,037
Costs of oil trading (including cost of inventories)	190,522	281,496
Costs of passenger and maintenance service	1,459	2,361
Depreciation of property, plant and equipment	46,534	48,808
Depreciation of investment properties	29	29
Operating lease rental expenses		
– vessels and barges	52,444	52,242
– buildings	27,969	25,440
– property that generated rental income	2,500	4,418
Staff costs (including directors' emoluments)	187,443	189,058
Sub-contracting cost	1,135	1,055
Staff secondment expenses	–	932
Others	92,335	94,389

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

19 SHARE OF PROFITS LESS LOSSES OF JOINT VENTURES AND ASSOCIATES

	2016 HK\$'000	2015 HK\$'000 (Restated)
Share of profits less losses before income tax of		
– joint ventures	44,573	45,364
– associates	13,311	14,858
	57,884	60,222
Share of income tax of		
– joint ventures	(9,752)	(10,498)
– associates	(3,057)	(3,720)
	(12,809)	(14,218)
	45,075	46,004

20 INCOME TAX EXPENSE

	2016 HK\$'000	2015 HK\$'000 (Restated)
Current income tax		
– Hong Kong profits tax	10,421	12,724
– PRC corporate income tax	12,651	14,389
– Macau profits tax	2,355	2,199
Deferred income tax expense	3,270	3,264
	28,697	32,576

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 INCOME TAX EXPENSE *(Continued)*

Hong Kong profits tax has been provided for at the rate of 16.5% (2015: 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% (2015: 25%). Macau profits tax has been provided at the applicable tax rate (2015: applicable tax rate) on the estimated assessable profit for the period.

21 DIVIDENDS

	2016 HK\$'000	2015 HK\$'000 (Restated)
	<hr/>	<hr/>
Interim, declared, of HK3 cents (2015: HK4 cents) per ordinary share	32,400	43,200
Interim special, declared, of HK nil (2015: HK1 cent) per ordinary share	-	10,800
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	32,400	54,000
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On 30th August 2016, the Board of Directors declared an interim dividend of HK3 cents per ordinary share for the year ending 31st December 2016 (2015: interim dividend of HK4 cents per ordinary share and interim special dividend of HK1 cent per ordinary share).

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 profits of the Company for the year ending 31st December 2016.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22 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.

	2016	2015 (Restated)
Profit attributable to equity holders of the Company (HK\$'000)	144,197	139,928
Weighted average number of ordinary shares in issue ('000)	1,080,000	939,000
Basic earnings per share (HK cents)	13.35	14.90

Diluted

The potential ordinary shares in respect of the Company's share options were anti-dilutive for the six months ended 30th June 2016. The basic earnings per share for the six months ended 30th June 2016 was equal to the diluted earnings per share.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22 EARNINGS PER SHARE *(Continued)*

Diluted *(Continued)*

Diluted earnings per share for the six months ended 30th June 2015 and 30th June 2016 were calculated by adjusting the profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company included share options. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

23 CAPITAL COMMITMENTS

	As at 30th June 2016 HK\$'000	As at 31st December 2015 HK\$'000 (Restated)
Contracted but not provided for – Property, plant and equipment	64,376	59,925

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

	As at 30th June 2016 HK\$'000	As at 31st December 2015 HK\$'000 (Restated)
Contracted but not provided for	1,324	1,165

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

24 RELATED PARTY TRANSACTIONS

The directors of the Company regard Chu Kong Shipping Enterprises (Holdings) Company Limited (“CKSE”) as the immediate holding company, which owns 60% (31st December 2015: 60%) of the Company’s ordinary shares at 30th June 2016. The parent company of the Group is Guangdong Province Navigation Group Company Limited (“GNG”), a state-owned enterprise established in the PRC. GNG itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC.

Related parties include GNG and its subsidiaries (other than the Group), other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and GNG as well as their close family members.

For the six months ended 30th June 2016 and 2015, 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 2016 and 2015.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

24 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with related parties

	Note	2016 HK\$'000	2015 HK\$'000 (Restated)
Revenues:			
Shipping agency, river trade cargo direct shipment and transshipment income	(i)		
– fellow subsidiaries		121	116
– joint ventures and an associate		1,486	473
– other related companies		142	165
Passenger transportation agency fees	(i)		
– fellow subsidiaries		1,072	994
– joint ventures and an associate		5,750	6,094
– other related companies		7,307	7,922
Ferry terminal operation service fees	(i)		
– fellow subsidiaries		2,166	2,744
– joint ventures and associates		11,651	12,654
– other related companies		16,758	18,335

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION**

24 RELATED PARTY TRANSACTIONS *(Continued)*

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

	Note	2016 HK\$'000	2015 HK\$'000 (Restated)
		<u> </u>	<u> </u>
Management service fees			
– immediate holding company	(ii)	20,000	20,000
– a fellow subsidiary	(iii)	500	250
– joint ventures	(iii)	1,241	1,415
– a related company	(iii)	132	132
Vessel rental income	(i)		
– a related company		1,041	1,352
Interest income	(iv)		
– a joint venture		146	190
Fuel supply income	(i)		
– fellow subsidiaries		15,518	17,749
– joint ventures and associates		22,639	93,559
– other related companies		56,580	23,219
Marine bunkering service fees	(i)		
– fellow subsidiaries		449	526
– a joint venture and an associate		76	1,917
– other related companies		1,733	5
		<u> </u>	<u> </u>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

24 RELATED PARTY TRANSACTIONS *(Continued)*

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

	Note	2016 HK\$'000	2015 HK\$'000 (Restated)
Expenses:			
Shipping agency, river trade cargo direct shipment and transshipment expenses	(i)		
– a joint venture and an associate		5,422	3,966
– a related company		–	5,468
Wharf cargo handling, cargo transportation and godown storage expenses	(i)		
– joint ventures and an associate		30,528	28,795
– a related company		5,432	7,712
Agency fee expenses	(i)		
– fellow subsidiaries		104	181
– a joint venture and an associate		469	549
– other related companies		317	314
Ferry terminal operation services fee	(i)		
– a fellow subsidiary		3,461	3,810
Luggage handling fee	(v)		
– a related company		3,001	3,361
Vessel rental expenses	(i)		
– a joint venture		15,787	16,044

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION**

24 RELATED PARTY TRANSACTIONS *(Continued)*

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

	Note	2016 HK\$'000	2015 HK\$'000 (Restated)
		<hr/>	<hr/>
Warehouse rental expenses	(vi)		
– immediate holding company		2,500	2,500
Office rental expenses	(i)		
– immediate holding company		3,252	3,335
Staff quarter rental expenses	(i)		
– immediate holding company		1,558	1,429
Loan interest expenses			
– an associate	(vii)	139	380
– non-controlling interests	(viii)	876	928
– a related party	(ix)	309	409
– immediate holding company	(x)	225	144
Management fee expense	(xi)		
– immediate holding company		4,725	4,725
Staff secondment expenses	(i)		
– a fellow subsidiary		–	932
Vehicle rental expenses	(i)		
– a fellow subsidiary		121	–
		<hr/> <hr/>	<hr/> <hr/>

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION**24 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, and is subsequently extended to 30th June 2017.
- (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 base lending rate announced by the base lending rate announced by the PBOC (2015: base lending rate announced by the PBOC) pursuant to the agreements entered into between the Group and the joint ventures.
- (v) Luggage handling fee was charged at HK\$1.94 to HK\$3.3 (2015: HK\$1.94 to 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

24 RELATED PARTY TRANSACTIONS *(Continued)*

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

- (vii) Loan interest was charged by an associate at the base deposit rate announced by the PBOC (2015: the base deposit rate announced by the PBOC) pursuant to the agreement entered into between the Group and the associate.
- (viii) Interests were charged by the non-controlling interests in respect of loans bearing interest rates at 4% per annum or at the base lending rate announced by the PBOC (2015: 4% per annum or at the base lending rate announced by the PBOC).
- (ix) Interest was charged by the related party at the base lending rate announced by the PBOC (2015: base lending rate announced by the PBOC).
- (x) Interest was charged by CKSE at 6% per annum (2015: 6% per annum).
- (xi) Management fee expense was charged at HK\$600,000 per month for IT services and HK\$187,500 per month for property management service provided by CKSE as set out in the agreement governing these transactions.

(b) Key management compensation

	2016	2015
	HK\$'000	HK\$'000
		(Restated)
Salaries and allowances	2,927	3,819
Directors' fees	360	600
Retirement benefit scheme contributions	133	126
Share options granted	125	-
Housing benefit	428	522
	3,973	5,067

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

24 RELATED PARTY TRANSACTIONS *(Continued)*

(c) Loans to joint ventures

	2016 HK\$'000	2015 HK\$'000 (Restated)
As at 1st January	17,805	18,908
Exchange differences	(352)	(1,103)
As at 30th June	17,453	17,805

25 BUSINESS COMBINATIONS UNDER COMMON CONTROL

Statements of adjustments for common control combinations of the Acquired Group on the Group's results for the period ended 30th June 2015 and consolidated balance sheet as at 31st December 2015 are as follows:

	The Group before the acquisition of the Acquired Group HK\$'000	Acquired Group HK\$'000	Notes	Adjustments HK\$'000	Total HK\$'000
Period ended 30th June 2015					
Revenue	942,437	331,599	(i)	(26,255)	1,247,781
Profit before income tax	154,069	23,525		-	177,594
Income tax expense	(29,210)	(3,366)		-	(32,576)
Profit for the year	124,859	20,159		-	145,018
As at 31st December 2015					
ASSETS					
Non-current assets	2,581,361	20,709		-	2,602,070
Current assets	1,441,931	209,861	(iii)	(6,613)	1,645,179
Assets held for sale	-	1,367		-	1,367
Total assets	4,023,292	231,937		(6,613)	4,248,616

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM
FINANCIAL INFORMATION**

25 BUSINESS COMBINATIONS UNDER COMMON CONTROL *(Continued)*

	The Group before the acquisition of the Acquired Group HK\$'000	Acquired Group HK\$'000	Notes	Adjustments HK\$'000	Total HK\$'000
EQUITY					
Share capital	1,333,171	249	(ii)	(249)	1,333,171
Reserves	1,319,411	94,401	(ii)	(252,064)	1,161,748
Final dividend proposed	54,000	85,000		-	139,000
	<u>2,706,582</u>	<u>179,650</u>		<u>(252,313)</u>	<u>2,633,919</u>
Non-controlling interests	217,979	-		-	217,979
	<u>2,924,561</u>	<u>179,650</u>		<u>(252,313)</u>	<u>2,851,898</u>
LIABILITIES					
Non-current liabilities	178,903	9,391		-	188,294
Current liabilities	919,828	42,896	(iii)	245,700	1,208,424
	<u>1,098,731</u>	<u>52,287</u>		<u>245,700</u>	<u>1,396,718</u>
Total equity and liabilities	<u>4,023,292</u>	<u>231,937</u>		<u>(6,613)</u>	<u>4,248,616</u>

Notes:

- (i) Adjustments to eliminate the inter-group transactions for the period ended 30th June 2015.
- (ii) Adjustments to eliminate the investment costs and share capital of the Acquired Group against reserves.
- (iii) Adjustments to eliminate the inter-group balances as at 31st December 2015 and recognise purchase consideration payable for the acquisition of the Acquired Group.

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

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

26 COMPARATIVE FIGURES

The Group has applied merger accounting to account for the acquisition of the Acquired Group during the period, on the basis that the business combinations had occurred from the beginning of the earliest financial years presented.

The adoption of merger accounting stated above has resulted in changes to the presentation of certain items and comparative figures have been restated accordingly.

27 SUBSEQUENT EVENT

On 11 May 2016, Chu Kong Warehouse Properties Co. Ltd. (“CKWH”), a wholly-owned subsidiary of the Company, had paid HK\$19,897,000 as the deposit pending the ultimate agreement of the grantor and preparation of the necessary documents to effect the terms of the Land Exchange (which has been applied as in part payment of the premium as stated in the below paragraph). The balance of the premium will be payable on or before the date of execution of the agreements. The premium payable on completion of the Land Exchange by CKWH will be financed by the Group’s internal resources.

On 3 August 2016, CKWH and the Government entered into agreements in relation of the Land Exchange. Pursuant to the agreements, CKWH agreed to surrender Section A of Tuen Mun Town Lot No. 320 (together with all messuages erections structures and buildings on the said piece or parcel of ground, area: 5,104 square meter) to the Government and the Government agreed to re-grant a lot to be known and registered in the Land Registry as Tuen Mun Town Lot No. 491 (area: 23,800 square meter) to CKWH for a premium of HK\$198,970,000 subject to the terms and conditions of agreements (the “Land Exchange”). Terms of asset to be re-granted is 50 years from the date of the agreement.

CORPORATE INFORMATION

Executive Director

Mr. Xiong Gebing
(Chairman/Managing Director)
Mr. Zeng He
Mr. Cheng Jie

Independent Non-executive Director

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

Executive Committee

Mr. Xiong Gebing
Mr. Zeng He
Mr. Cheng Jie

Audit Committee

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

Auditor

PricewaterhouseCoopers

Principal Banks

Bank of China (Hong Kong)
Nanyang Commercial Bank
Bank of East Asia
China Citic Bank International
Bank of Communications

Registrar

Tricor Tengis Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

Non-executive Director

Mr. Zhang Lei

Company Secretary

Ms. Cheung Mei Ki Maggie

Nomination Committee

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

Remuneration Committee

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

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