CHU KONG SHIPPING ENTERPRISES (GROUP) COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)
Stock Code : 00560

Committed to Great Bay Area, Set Sail for New Silk Road

INTERIM REPORT 2018

CHAIRMAN'S STATEMENT

On behalf of the board of directors of the Company (the "Board"), I hereby present the interim results of Chu Kong Shipping Enterprises (Group) Company Limited (the "Company") and its subsidiaries (the "Group") for the six months ended 30th June 2018 to the shareholders for their review.

REVIEW

The first half of 2018 saw the modest recovery of the international economy and the overall stable economic growth in China, where a 7.9% year-on-year growth was recorded in the total import and export value of foreign trade, and yet a lower year-on-year growth of just 2.7% was recorded in the import and export of foreign trade in Guangdong Province. Regarding the tourism market in Hong Kong, the number of visitors to Hong Kong increased remarkably. According to the statistics of Hong Kong Tourism Board, the number of visitors to Hong Kong increased by 10.1% in the first half of the year over the same period last year, of which the number of Mainland visitors increased by 13.4%.

The operation of the Group was generally stable in the first half of the year. Regarding the passenger transportation business, the Group recorded an increase in the number of passengers for agency services by means of various measures such as deepening the comprehensive cooperation with Nansha Ferry Terminal, and in the meanwhile, continued to advance the upgrade and update of its high-speed passenger ferries and expedited the preparation for the "Victoria Harbour Cruise" business. Regarding the terminal logistics business, affected by the country's tightened policies on the import of renewable resources, the Group recorded significant decreases in the number of containers for renewable resources at several terminals. To this end, the management actively sought to improve the structure of cargo sources, responded to the country's foreign trade policy of expanding imports and exerted great effort in market exploration and business layout. Facing the complicated external operating environment, the Group adhered to the strategy of "Prudent Development". On the one hand, the Group continued to shorten the management chain to improve management efficiency and reduce management cost. On the other hand, the Group stepped up business transformation and upgrade to strive for new business breakthroughs.

OUTLOOK

In the future, with the publication of the national development plan for the Guangdong-Hong Kong-Macau Greater Bay Area and the country's active expanding of the implementation of import foreign trade policy, the Greater Bay Area will embrace considerable development opportunities. The Group will develop the navigation business in the Guangdong-Hong Kong-Macau Greater Bay Area in six aspects.

Firstly, the Group will continue to focus on the upgrade of flight capacity by putting more energy-efficient and environment-friendly carbon fiber high-speed ferries into operation for passenger transportation routes to improve service quality. Secondly, the Group will enhance the cooperation with its peers in the Greater Bay Area to jointly develop such businesses as ferries, off-island tours and Victoria Harbour Cruise. Thirdly, the Group will develop the "economies of airports" and expand the mode of air-sea passenger transportation to connect the airports in Shenzhen, Hong Kong and Macau in the Greater Bay Area with high-speed passenger ferries, as well as developing air logistics by connecting the logistics warehouses within 50 nautical miles of Hong Kong Airport with fast barges. Fourthly, the Group will provide intercity water bus services between the major cities in the Greater Bay Area such as Guangzhou, Shenzhen, Zhuhai and Zhongshan and operate or deploy the land passenger transportation business, including shuttle buses for the Hong Kong-Zhuhai-Macau Bridge, in response to the impact brought by the opening of the Hong Kong-Zhuhai-Macau Bridge and the high-speed rail. Fifthly, the Group will continue to increase infrastructure investment, including the construction of a new integrated godown and wharf in Tuen Mun as well as the bonded and refrigerated warehouses in Civet Port, etc., the development of a logistics business platform to carry out the cold-chain storage supply business and open up the new sources of imports encouraged by the country. Sixthly, the Group will actively identify, acquire and merge target companies in the market which bring business synergy to the Group, so as to expand the business scale of the Group and thus achieve economies of scale. In addition to its business layout in the Guangdong-Hong Kong-Macau Greater Bay Area, the Group has also been actively planning the development of various projects with respect to the Belt and Road Initiative, seeking to develop water passenger transportation and integrated logistics base projects along the Maritime Silk Road.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my heartfelt thanks to all the investors and partners who have shown great support to the Group, as well as the management and all the staff who have worked hard to strive for better results for the Group. We will "Grow in Greater Bay Area, Set Sail for New Silk Road" to strive to create value for the shareholders and make more contributions for the prosperous economy in Guangdong, Hong Kong and Macau.

Huang Liezhang
Chairman

Hong Kong, 23rd August 2018

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

For the period ended 30th June 2018, the Group recorded a consolidated revenue of HK$1,225,388,000, representing an increase of 0.3% over the same period last year. Profit attributable to the equity holders of the Company amounted to HK$161,955,000, representing an increase of 11.7% over the same period last year.

In the first half of 2018, the China-US trade war was increasingly intensified, the international trading environment went through ups and downs, the prices of crude oil kept rising, the recovery of the global economy and the shipping market began to slow down, and the policies on the import of renewable resources were tightened in Mainland China. Faced with great pressure on operation, the Group bucked the trend to carry out various work with solid progress and thus record a stable performance.

Regarding the freight business, in order to mitigate the impact of the significant decrease of the cargo volume of import renewable resources, the Group exerted great efforts on the exploration of new markets, optimised the structure of cargo sources and sought for new business growth points for the terminal navigation logistics business by giving full play to the network advantages of the terminals. During the period, the container transportation volume recorded 751,000 TEU, representing a year-on-year decrease of 2.2%; the break bulk cargo transportation volume recorded 226,000 tons, representing a year-on-year increase of 6.1%; for the cargo handling business, the container handling volume recorded 625,000 TEU, representing a year-on-year decrease of 11.3%; the break bulk cargo handling volume recorded 1,847,000 tons, representing a year-on-year increase of 127.2%; and the volume of container hauling and trucking recorded 117,000 TEU, representing a year-on-year decrease of 19.9%.

Regarding the passenger transportation business, due to positive factors such as the recovery of Hong Kong's tourist market, the stabilisation of its social environment and the promotion of the cooperation with Nansha Ferry Terminal, the passenger transportation indicators recorded growth. During the period, the total number of passengers for agency services was 3,468,000, representing a year-on-year increase of 10.8%. The number of passengers for terminal services was 3,284,000, representing a year-on-year increase of 4.2%.

REVIEW OF OPERATIONS *(Continued)*

I. TERMINAL NAVIGATION LOGISTICS BUSINESS

1. Cargo Transportation Business

Business Operation Indicators

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

	For the six months ended 30th June		
Indicators	**2018**	2017	Change
Container transportation volume (TEU)	**751,000**	768,000	-2.2%
Break bulk cargoes transportation volume (revenue tons)	**226,000**	213,000	6.1%
Volume of container hauling and trucking on land (TEU)	**117,000**	146,000	-19.9%

Subsidiaries

Affected by the tightened policies on the import of renewable resources in Mainland China, Chu Kong Transhipment & Logistics Company Limited ("CKTL") recorded a significant decrease in the containers of renewable resources, with a container transportation volume of 751,000 TEU during the period, representing a year-on-year decrease of 2.2%; the volume of container hauling and trucking on land was 117,000 TEU, representing a year-on-year decrease of 19.9%. Despite the significant decrease in the containers of renewable resources, CKTL enhanced the cooperation and established joint marketing teams with the terminals under the Group to carry out integrated marketing, strengthened the expansion of domestic liner business and improved the regular liner service between the terminals of the Group and other major terminals, which mitigated the impact of the significant decrease of the cargo volume of import renewable resources. Benefiting from the remarkable increases in domestic liner and regular liner cargo volume, the break bulk cargo transportation volume for the period reached 226,000 tons, representing a year-on-year increase of 6.1%.

1. Cargo Transportation Business *(Continued)*

Subsidiaries *(Continued)*

Regarding the air freight business, CKTL recorded air cargo transportation volume of 1,143 tons during the period, representing a year-on-year decrease of 28.0%. CKTL is actively liasing with airlines and air freight agencies to determine the business operation and cooperation mode after the warehouse in Tuen Mun is put into operation, and to consider launching the delivery service between the warehouse and the airport for the air freight business to extend the business chain.

2. Cargo Handling and Storage Business

Business Operation Indicators

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

	For the six months ended 30th June		
Indicators	**2018**	2017	Change
Container handling volume (TEU)	**625,000**	705,000	-11.3%
Volume of break bulk cargoes handled (revenue tons)	**1,847,000**	813,000	127.2%

Subsidiaries

During the period, affected by the tightened policies on the import of renewable resources in Mainland China, several terminals of the Group, including the ones in Zhaoqing, Foshan and Hong Kong, recorded significant decreases in the containers of renewable resources, thus resulting in a year-on-year decrease in the container handling business. The overall container handling volume in Zhaoqing region was 125,000 TEU, representing a year-on-year decrease of 22.3%; the container handling volume of Foshan Gaoming Port was 155,000 TEU, representing a year-on-year decrease of 21.8%, and the container handling volume of Qingyuan Port was 12,000 TEU, representing a year-on-year decrease of 13.7%. The container handling volume in Hong Kong region was 171,000 TEU, representing a year-on-year decrease of 11.5%. Faced with the increasingly stringent policies on environmental protection, the terminals of the Group actively improved the structure of cargo sources to reduce the dependency on renewable resource cargo. The terminals in Zhaoqing region actively visited the industrial parks in the region to vigorously explore new cargo sources. Zhaoqing Kangzhou Port recorded a stably improving performance in gravel shipment business, with the gravel handling volume increased by 1,474.3% year-on-year to 881,000 tons. Gaoming Port made efforts to explore new cargo sources for battens, plastic pellets and quartz sand, and, in the meanwhile, gave full play to its advantages in the great number of container sources and extensive routes to provide clients with various value-added services, so as to consolidate the client base and strengthen the "water-to-water" business. CKTL enhanced the market exploration for comprehensive logistics projects: firstly, it provided Jinyu Paper with an integrated warehouse in Hong Kong as well as comprehensive in-warehouse operation and the ancillary delivery-to-store service; secondly, it provided Esquel Group with sorting, storage and delivery services, and successfully won part of the shipping agency and air freight agency business of the client.

REVIEW OF OPERATIONS *(Continued)*

I. TERMINAL NAVIGATION LOGISTICS BUSINESS *(Continued)*

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

Subsidiaries *(Continued)*

The overall performance of the business of the terminals in Zhuhai region was good. The total container handling volume of the two terminals in the region amounted to 148,000 TEU, representing a year-on-year increase of 8.2%. The total container handling volume of Civet Port during the period amounted to 114,000 TEU, representing a year-on-year increase of 6.9%. Leveraging on the advantageous position as a foothold of the Hong Kong-Zhuhai-Macao Bridge, Civet Port actively explored the air freight business of Hong Kong Airport, and in this May, the Group entered into a business development memorandum with Hong Kong Air Cargo Industry Services Limited at Civet Port. The refrigerated warehouses at Civet Port entered into the acceptance stage, and are now expected to carry out refrigerated warehousing business as soon as possible. The container handling volume of Doumen Port for the period was 33,000 TEU, representing a year-on-year increase of 13.2%, which was mainly due to the increase in the cargo volume from major clients such as Flextronics and Gree. In this April, Doumen Port entered into a contractual agreement with Zhuhai Venture Capital Hong Kong-Zhuhai-Macau Bridge Zhuhai Port Operation Management Co., Ltd. (珠海創投港珠澳大橋珠海口岸運營管理有限公司) to carry out the construction and operation of the outbound and inbound cargo inspection and handling projects at the port of the Hong Kong-Zhuhai-Macau Bridge.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. TERMINAL NAVIGATION LOGISTICS BUSINESS *(Continued)*

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

Subsidiaries *(Continued)*

Despite the short period of time after the commencement of operation, Zhongshan Huangpu Port exerted proactive efforts on the exploration of foreign trade business, and has successfully introduced various major clients such as Midea Group, Zhongshan Changhong and TCL Group and enhanced the cooperation with major liners and freight forwarding companies. Benefiting from which, it saw a significant growth in business volume and recorded a container handling volume of 13,000 TEU for the period, representing a year-on-year increase of 305.8%.

Joint Ventures and Associates

The major terminals in the Jiangmen region included Guangdong Sanbu Passenger and Freight Transportation Co., Ltd. and Heshan County Hekong Associated Forwarding Co., Ltd. During the period, the Jiangmen region recorded a total container handling volume of 102,000 TEU, representing a year-on-year decrease of 14.9%, of which Heshan Port recorded a total container handling volume of only 26,000 TEU due to the impact of the tightened policies on the import of renewable resources, representing a year-on-year decrease of 44.8%. And Sanbu Port recorded a container handling volume of 76,000 TEU during the period, representing a year-on-year increase of 4.4%. Sanbu Port adjusted its marketing strategy to explore domestic trade resources in depth, and improved service quality in the meanwhile to attract certain clients for foreign trade containers back to Sanbu Port, thus successfully promoting the growth in business volume.

Joint Ventures and Associates (Continued)

During the period, the three terminals in the Foshan region, namely Foshan New Port Ltd., Foshan Nankong Terminal Co., Ltd. and Chu Kong Cargo Terminals (Beicun) Co., Ltd., achieved a total container handling volume of 207,000 TEU, representing a year-on-year decrease of 12.4%. Foshan New Port recorded a container handling volume of 134,000 TEU during the period, representing a slight year-on-year decrease of 0.7%; Foshan Nankong Port recorded a container handling volume of 62,000 TEU during the period, representing a year-on-year decrease of 13.8%; Beicun Port recorded a container handling volume of 9,000 TEU during the period, representing a year-on-year decrease of 18.2%. Beicun Port improved its marketing strategy to intensify efforts to explore businesses such as the containers for imported rice and plastic pellets, so as to gradually reduce the dependency on the import business of renewable resources step by step; and Sanshui Sangang Containers Wharf Co., Ltd. suspended its operations during the period due to the impact of environmental protection policies.

II. PASSENGER TRANSPORTATION BUSINESS

Business Operation Indicators

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

	For the six months ended 30th June Number of Passengers (in thousands)		
Indicators	**2018**	2017	Change
Total number of passengers for agency services	**3,468**	3,130	10.8%
Total number of passengers for terminal services	**3,284**	3,150	4.3%

Subsidiaries

The passenger transportation business of the Group gradually recovered. During the period, the total number of passengers for agency services of Chu Kong Passenger Transport Company Limited ("CKPT") was 3,468,000, representing a year-on-year increase of 10.8%; the number of passengers for terminal services was 3,284,000, representing a year-on-year increase of 4.3%.

II. PASSENGER TRANSPORTATION BUSINESS *(Continued)*

Subsidiaries *(Continued)*

Regarding urban routes. In the first half of 2018, Hong Kong's tourist market recovered, and benefiting from favorable macro factors such as the appreciation of RMB, the number of visitors from Mainland China to Hong Kong increased significantly. According to the statistics of Hong Kong Tourism Board, the number of visitors coming to Hong Kong from January to June in the year increased by 10.1% year-on-year. Benefit from the good weather conditions in the first half of the year, few flights had been cancelled by reason of weather factors. During festivals and holidays, CKPT ensured sufficient transport capacity by actively increasing carrying capacity and through professional dispatch, thus promoting the growth in the passenger volume during traditional peak seasons. Since passengers are worried about the long-time traffic jam during traditional festivals and holidays and other rush hours, they are becoming more willing to travel through waterway, thus resulting in a remarkable increase in the passenger volume during major festivals and holidays. During the period, the total number of passengers for agency services of CKPT for urban routes was 2,270,000, representing a year-on-year increase of 10.8%. Among the urban routes, significant increases were recorded in such routes as the Nansha Route, Shunde Route, Zhongshan Route, Shekou Route and Zhuhai Route, while Jiangmen Route and Doumen Route had been temporarily suspended from the end of 2017 because of the construction of ferries in progress and expected to resume in the third quarter of this year.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

II. PASSENGER TRANSPORTATION BUSINESS *(Continued)*

Subsidiaries *(Continued)*

Regarding airport routes, the number of passengers served during the year was 1,198,000, representing a year-on-year increase of 10.8%. With the increase in per capita disposable income and the upgrading of consumption among the residents in Mainland China, the tourists from Mainland China are becoming more willing to travel abroad, and the growth in such demand for outbound travel has directly contributed to the growth in the number of passengers for agency services under airport routes. Besides, the structure of passengers for outbound travel is also changing gradually, and the proportion of passengers choosing Foreign Independent Travel has risen gradually, which has boosted the passenger volume of air-sea transportation. CKPT followed the trend and improved the operating efficiency of airport routes through various measures such as continuously optimising the ticketing, baggage handling and other service processes, increasing service counters, shortening the waiting time for transfer and expanding online sales for airport routes. During the period, most airport routes recorded double-digit year-on-year growth.

Subsidiaries *(Continued)*

The Hong Kong-Zhuhai-Macao Bridge is expected to open to traffic in the second half of 2018. In order to prepare for the impact of the opening of the Hong Kong-Zhuhai-Macao Bridge on the existing passenger transportation business, the Group actively enriched its business structure and continued the development of business such as Hong Kong-Zhuhai-Macao Bridge shuttle buses, off-island tours, and tours for Victoria Harbour. During the period, the Group made important breakthroughs in various key aspects, including promoting the upgrading of ship owners' ferry capacity, continuing to advance medium and high-end tours for Victoria Harbour and accelerating the development of local ferry services. First of all, we coordinated Lianhuashan Port, Zhongshan Port and Shunde Port to implement ferry capacity upgrading plans and focus on the promotion of carbon fiber high-speed ferries to the market by highlighting the characteristics of the new ferries, namely the greater speed and convenience, higher comfortableness and greater environmental friendliness. Secondly, we continued to develop mid to high-end tours for Victoria Harbour and step up the commencement of the construction of ferries, which can be expected in the second half of the year. Thirdly, Fortune Ferry, an asset custody company, accelerated the development of the local ferry business, and applied to the Transport Department during the period to open up new routes to increase the passenger volume of local ferry routes. Fortune Ferry also took the initiative to explore various brand new tours such as the sightseeing tours for the Hong Kong-Zhuhai-Macao Bridge, off-island tours and marine buses to enrich the types of business, thereby enriching the business scope of Chu Kong Tourism Company Limited.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

II. PASSENGER TRANSPORTATION BUSINESS *(Continued)*

Joint Ventures and Associates

During the period, the number of passengers served by SkyPier (operated by Hong Kong International Airport Ferry Terminal Services Limited) increased and its attributable profit increased by 16.1% year-on-year. The total number of passengers of Zhongshan – Hong Kong Passenger Shipping Co-op Co. Ltd. ("ZHPS") continued to increase, whereas the number of passengers for urban routes and airport routes increased by 15.8% and 13.7% year-on-year, respectively. The total number of passengers of Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd. ("SGPT") for all routes increased by 16.2% year-on-year. During the period, the profit contributed by ZHPS and SGPT to the Group increased by 25.3% and 6.5% year-on-year respectively.

III. FUEL SUPPLY BUSINESS

As to the fuel supply business, diesel sales of Sun Kong Petroleum Company Limited ("Sun Kong Petroleum") decreased as some of the customers cut routes and sailings. During the period, Sun Kong Petroleum recorded a sales volume of 60,000 tons for diesel, representing a decrease of 13.0% as compared to the corresponding period last year. The sales volume of engine oil was 229,000 litres, increasing by 28.7% over the corresponding period last year. During the period, affected by the significant increase in oil price, the significant fluctuation of exchange rates and the change in quotation mode, Sun Kong Petroleum recorded a decrease in gross profit margin.

III. FUEL SUPPLY BUSINESS *(Continued)*

Faced with new challenges, Sun Kong Petroleum actively cooperated with Hong Kong government with respect to the modification project for the oil supply system of China Ferry Terminal, and successfully obtained the oil supply project of China Ferry Terminal. In addition, Sun Kong Petroleum adapted to the new environment protection requirements in China, prepared itself for the supply of diesel that is friendlier to the environment, and took advantage of its influence to advertise the national policies on emission restriction and the coping strategies therefore to expand its influence as well as explore new clients and uplift market share by virtue of the new policies on environmental protection.

IV. CORPORATE AND OTHER BUSINESSES

As to the corporate and other businesses, Cotai Chu Kong Shipping Management Services (Macau) Company Limited ("Macau Cotai"), affected by the major contracts unrenewed upon maturity, recorded a significant year-on-year decrease in profit for the period. During the period, Macau Cotai strived to remarkably reduce its cost, focused on enhancing its core competitiveness, and actively explored new opportunities for business development, so as to promote the implementation of the Group's strategy in Macau.

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

The Group keeps close track of its working capital and financial resources to maintain a solid financial position. As at 30th June 2018, the Group secured a total credit limit of HK$975,000,000 and RMB260,000,000 (equivalent to approximately HK$308,386,000) (31st December 2017: HK$975,000,000 and RMB260,000,000 (equivalent to approximately HK$311,042,000)) granted by bona fide banks.

As at 30th June 2018, the current ratio of the Group, represented by current assets divided by current liabilities, was 2.3 (31st December 2017: 2.2).

As at 30th June 2018, the Group's cash and cash equivalents amounted to HK$838,986,000 (31st December 2017: HK$769,152,000), which represented 18.5% (31st December 2017: 17.2%) of the total assets.

As at 30th June 2018, the gearing ratio of the Group, represented by bank borrowings divided by total equity and bank borrowings, was 8.4% (31st December 2017: 10.0%) and the debt ratio, representing total liabilities divided by total assets, was 25.4% (31st December 2017: 26.0%).

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

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

BANK LOANS AND PLEDGE OF ASSETS

Bank Loans	As at 30th June 2018	As at 31st December 2017
Banks located in Hong Kong *(Note 1)*		
– Hong Kong Dollar	**140,000,000**	190,000,000
Banks located in China *(Note 2)*		
– Renminbi	**144,560,000 (equivalent to approximately HK$171,462,000)**	146,304,000 (equivalent to approximately HK$175,026,000)

Note:

1. The loans from banks located in Hong Kong as at 30th June 2018 was bearing floating interest rate and unsecured. The relevant terms of which are identical with those set out in 2017 Annual Report.

2. The loans from banks located in China on 30th June 2018 borne floating interest rate and was secured by the land use right of Zhongshan Huangpu Port and certain properties and the land use right of Civet Port. The relevant terms of which are identical with those set out in 2017 Annual Report.

3. Detailed analysis on bank loans is set out in note 12 to the financial statements.

CURRENCY STRUCTURE

As at 30th June 2018, the Group deposited its cash and cash equivalents with several reputable banks, of which the majority were denominated in Hong Kong dollar and Renminbi, with a few denominated in United States dollar, Macau pataca and Euro.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

On 16th April 2018, the Company entered into equity disposal agreements with Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE"), pursuant to which, the Company agreed to transfer the total equity interest in Zhaoqing Chu Kong Cargo Terminals (Dawang) Co., Ltd. ("Dawang Cargo Terminals") for a consideration of RMB26,293,000 and Zhaoqing Chu Kong Logistics (Dawang) Co., Ltd. ("Dawang Logistics") for a consideration of RMB46,206,000, respectively, to CKSE, in total amounting to RMB72,499,000. Upon completion, Dawang Cargo Terminals and Dawang Logistics shall cease to be subsidiaries of the Company. The transactions were completed on 1st August 2018.

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 2018.

SIGNIFICANT INVESTMENT

Save as disclosed in this interim report, the Group had no other significant investment for the six months ended 30th June 2018.

CONTINGENT LIABILITIES

As at 30th June 2018, the Group had no material contingent liabilities.

EMPLOYEES AND REMUNERATION

As at 30th June 2018, the Group employed 1,916 employees (at 30th June 2017: 2,095) and remunerated its employees according to the duty of their positions and the market conditions. The staff costs of the Group as at 30th June 2018 amounted to HK$186,146,000 (as at 30th June 2017: HK$201,174,000), such costs included basic salaries and staff benefits such as discretionary bonus, medical and insurance plans, pension scheme and share option scheme, etc. The Group will also provide trainings for staff from time to time in addition to the above staff benefits.

EXCHANGE RISK

Currently, the ordinary operations and investments 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 received in Mainland China may be used for payment of expenses of the Group which are denominated in RMB and 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. So long as the linked exchange rate system in Hong Kong with USD is maintained in the short term, it is expected that the Group will not be subject to relatively significant exchange risk.

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

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

SECURITIES TRANSACTIONS AND INTERESTS HELD BY THE DIRECTORS

Adoption of Model Code for Securities Transaction by Directors

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

SECURITIES TRANSACTIONS AND INTERESTS HELD BY THE DIRECTORS *(Continued)*

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 2018, 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")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO; or were required to be notified to the Company and The Stock Exchange 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 are as follows:

Share Options (Long Positions)

Director Name	Capacity	Number of underlying shares involved under share options	Percentage to the issued shares of the Company *(Note 1)*
Mr. Zeng He	Beneficial owner	201,000	0.0182%
Mr. Cheng Jie	Beneficial owner	201,000	0.0182%
Mr. Fan Linchun	Beneficial owner	201,000	0.0182%
		603,000	0.0546%

Note 1: Percentage of shareholding is calculated on the basis of 1,101,890,171 issued shares of the Company as at 30th June 2018.

SECURITIES TRANSACTIONS AND INTERESTS HELD BY THE DIRECTORS *(Continued)*

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 2018, the Company has not been notified of any interests or short positions of the Directors and chief executive in the shares, underlying shares and debentures of the Company and its associated corporations, as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO; or were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO; or were required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

EQUITY-LINKED AGREEMENT

Share Option Scheme

In accordance with the share option scheme (the "Share Option Scheme") approved and adopted on the general meeting of the Company held on 8th December 2015 (the "Adoption Date"), the Board may grant share options to the incentive objects (including, on principle, the Chairmen, directors (excluding independent non-executive directors), and senior management of the Company and its subsidiaries) 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.

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

EQUITY-LINKED AGREEMENT *(Continued)*

Share Option Scheme *(Continued)*

The total number of shares that may be issued under the Share Option Scheme is 108,000,000, representing 9.63% of issued shares of the Company as at the date of this interim report. On 18th December 2015, the Company granted share options (which were duly accepted by the eligible persons subsequently) under the Share Option Scheme to certain eligible persons to subscribe for a total of 9,165,000 ordinary shares. During the period ended 30th June 2018, the changes of share options granted under the Share Option Scheme are as follows:

Incentive Objects	Date of Grant	Exercise Price per Share Option (HK$) *(Note 1)*	Exercise Period	Held on 1st January 2018 *(Note 2)*	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	Held on 30th June 2017
				Number of shares involved under share options					
Directors, chief executives or substantial Shareholders or their respective associates									
Mr. Zeng He (Director)	18th December 2015	2.33	19th December 2017 to 18th December 2024	201,000	–	–	–	–	201,000
Mr. Cheng Jie (Director)	18th December 2015	2.33	19th December 2017 to 18th December 2024	201,000	–	–	–	–	201,000
Mr. Fan Linchun (Director)	18th December 2015	2.33	19th December 2017 to 18th December 2024	201,000	–	–	–	–	201,000
Mr. Xiong Gebing (General Manager) (Resigned as General Manager on 11th June 2018)	18th December 2015	2.33	19th December 2017 to 18th December 2024	241,000	–	–	(241,000) (Note 3)	–	–
Staff of the Group	18th December 2015	2.33	19th December 2017 to 18th December 2024	6,019,000	–	–	(267,000) (Note 4)	–	5,752,000
Total				6,863,000	–	–	(508,000)	–	6,355,000

EQUITY-LINKED AGREEMENT *(Continued)*

Share Option Scheme *(Continued)*

Notes:

1. The closing price per share of the Company as quoted on the Stock Exchange on the day immediately before the date of grant was HK$2.33.

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 the share options in relation to 227,000 ordinary shares had not been accepted by the eligible persons. Accordingly, the offer of the grant of such share options automatically lapsed on 8th January 2016 and the shares in respect of such share options which had not been accepted by the eligible persons were not included in the number of share options held on 1st January 2018.

3. Mr. Xiong Gebing resigned as a general manager of the Company on 11th June 2018. The share options of 241,000 ordinary shares held by him were lapsed on the same day.

4. During the period, share options entitling the holders to subscribe for 267,000 ordinary shares were lapsed due to employees' resignation, retirement or other reasons.

Please refer to the Company's circular dated 23rd November 2015 for particulars of the Share Option Scheme.

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

The remaining total number of shares which may be issued under the Share Option Scheme amounts to 101,645,000 shares, representing approximately 9.07% of the issued shares of the Company as at the date of this interim report.

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

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

So far as was known to the Directors and the chief executive, on 30th June 2018, the following persons, other than a Director or the chief executive, had, or were deemed to have interests or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was recorded in the register required to be kept by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange:

Ordinary shares of the Company

Shareholder Name	Capacity/Nature of interest	Number of Shares *(Note 1)*	Percentage of shareholding *(Note 2)*
(i) CKSE *(Note 3)*	Beneficial owner	760,306,000 (L)	69.0%
(ii) Guangdong Province Navigation Group Company Limited ("GNG") *(Note 3)*	Interest of controlled corporation	760,306,000 (L)	69.0%

Notes:

1. The letter "L" denotes long position in the shares of the Company.

2. Percentage of shareholding is calculated on the basis of 1,101,890,171 issued shares of the Company as at 30th June 2018.

3. CKSE is wholly owned by GNG, GNG is deemed to be interested 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 OR SHORT POSITIONS IN THE SHARES OF THE COMPANY *(Continued)*

Ordinary shares of the Company *(Continued)*

Save as disclosed above, on 30th June 2018, the Directors and the chief executive were not aware of any other person who had, or were deemed to have, interests or short positions in the shares or underlying shares of the Company, which would fall to be disclosed to the Company and the Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or was recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

PUBLICATION OF RESULT ON THE WEBSITE OF THE SEHK

The interim report of the Company for the six months ended 30th June 2018 containing all the information required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "SEHK") (the "Listing Rules") will be published on the websites of the SEHK (www.hkexnews.hk) and the Company (www.cksd.com) in due course.

INTERIM DIVIDEND

On 23rd August 2018, the Board declared an interim dividend of HK3 cents per ordinary share (2017 interim dividend: HK3 cents and an interim special dividend of HK1 cent) for the year ending 31st December 2018.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 19th September 2018 (Wednesday) to 21st September 2018 (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 18th September 2018 (Tuesday) for registration. Interim dividend will be payable on or before 15th October 2018.

REVIEW BY AUDIT COMMITTEE

The Company's Audit Committee and independent auditor have reviewed the Group's unaudited condensed consolidated interim financial information for the six months ended 30th June 2018.

This condensed consolidated interim financial information of the Group for the six months ended 30th June 2018 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.

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.

CORPORATE GOVERNANCE *(Continued)*

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 15th May 2018 and 21st May 2015 respectively, 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 meetings.

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. Mr. Xiong Gebing, the general manager of the Company, resigned from his position on 11th June 2018 due to his other business commitment. As more time is needed to arrange the suitable appointment of the general manager, the Board has unanimously resolved to appoint Mr. Huang Liezhang, the chairman of the Board, as the general manager of the Company temporarily with effect from 11th June 2018. Further announcement in respect of the related appointment of the general manager will be made by the Company when it is confirmed.

DIRECTORS

On 18th July 2018, Mr. Zeng He and Mr. Cheng Jie resigned as the executive directors of the Company as well as the deputy general managers and the members of executive committee due to their personal affairs. Mr. Fan Linchun also resigned as the non-executive director of the Company due to his personal affairs. With the nomination by the nomination committee, Mr. Chen Jie, Mr. Leng Buli and Mr. Liu Wuwei were appointed as the executive directors of the Company as well as the deputy general managers and the members of executive committee, and Ms. Ye Meihua was appointed as a non-executive director of the Company.

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 2017.

As at the date of this report, the Company's executive directors are Mr. Huang Liezhang, Mr. Chen Jie, Mr. Leng Buli and Mr. Liu Wuwei; non-executive director is Ms. Ye Meihua; and independent non-executive directors are Mr. Chan Kay-cheung, Ms. Yau Lai Man and Mr. Chow Bing Sing.

By Order of the Board
Huang Liezhang
Managing Director

Hong Kong, 23rd August 2018

羅兵咸永道

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 32 to 70, which comprises the unaudited condensed consolidated balance sheet of Chu Kong Shipping Enterprises (Group) Company Limited (the "Company") and its subsidiaries (together, the "Group") as at 30th June 2018 and the unaudited condensed consolidated income statement, the unaudited condensed consolidated statement of comprehensive income, the unaudited condensed consolidated statement of changes in equity and the unaudited condensed consolidated 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.

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羅兵咸永道

SCOPE OF REVIEW

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

CONCLUSION

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 23rd August 2018

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

As at 30th June 2018

	Note	**As at 30th June 2018 HK$'000**	As at 31st December 2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**1,620,873**	1,631,142
Investment property	7	**4,686**	4,715
Land use rights	7	**430,848**	440,255
Intangible assets		**46,358**	46,619
Investments in joint ventures		**455,095**	469,024
Investments in associates		**114,501**	107,795
Deposit and prepayment		**4,321**	—
Deferred income tax assets		**7,616**	7,746
		2,684,298	2,707,296
Current assets			
Inventories		**3,323**	2,627
Trade and other receivables	8	**672,938**	546,201
Loans to joint ventures and fellow subsidiaries	9	**114,448**	13,509
Structured bank deposits	10	**217,056**	291,781
Cash and cash equivalents		**838,986**	769,152
		1,846,751	1,623,270
Assets of a disposal group classified as held for sale		**—**	134,192
		1,846,751	1,757,462
Total assets		**4,531,049**	4,464,758
EQUITY			
Share capital	11	**1,376,295**	1,376,295
Reserves		**1,709,388**	1,628,394
		3,085,683	3,004,689
Non-controlling interests		**296,571**	298,598
Total equity		**3,382,254**	3,303,287

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET *(Continued)*

As at 30th June 2018

	Note	As at 30th June 2018 HK$'000	As at 31st December 2017 HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**85,754**	90,451
Deferred income		**8,645**	3,188
Long term borrowings	12	**267,323**	270,851
		361,722	364,490
Current liabilities			
Trade payables, accruals and other payables	13	**576,265**	605,449
Dividend payable		**55,094**	—
Loan from an associate	14	**1,044**	1,053
Amounts due to the non-controlling interests of subsidiaries	15	**82,683**	82,806
Income tax payables		**27,848**	12,564
Short term borrowings	12	**40,000**	90,000
Current portion of long term borrowings	12	**4,139**	4,175
		787,073	796,047
Liabilities of a disposal group classified as held for sale		**—**	934
		787,073	796,981
Total liabilities		**1,148,795**	1,161,471
Total equity and liabilities		**4,531,049**	4,464,758

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

For the six months ended 30th June 2018

	Notes	**2018** **HK$'000**	2017 HK$'000
Revenue	6	**1,225,388**	1,221,218
Cost of services rendered		**(1,015,561)**	(964,737)
Gross profit		**209,827**	256,481
Other income		**26,326**	26,154
Other gains - net	16	**58,318**	14,782
General and administrative expenses		**(150,285)**	(156,683)
Operating profit	17	**144,186**	140,734
Finance income		**9,260**	9,772
Finance cost		**(4,460)**	(5,830)
Share of profits less losses of:			
– Joint ventures	18	**23,996**	27,376
– Associates	18	**7,658**	7,186
Profit before income tax		**180,640**	179,238
Income tax expense	19	**(19,413)**	(30,758)
Profit for the period		**161,227**	148,480
Attributable to:			
Equity holders of the Company		**161,955**	144,935
Non-controlling interests		**(728)**	3,545
		161,227	148,480
Earnings per share (HK cents)			
Basic	21	**14.70**	13.42
Diluted	21	**14.70**	13.42

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30th June 2018

	2018 **HK$'000**	2017 HK$'000
Profit for the period	**161,227**	148,480
Other comprehensive (loss)/income:		
Items that have been reclassified or may be reclassified subsequently to profit or loss		
Release of currency translation differences upon disposal of subsidiaries	**(10,269)**	—
Currency translation differences		
– Subsidiaries	**(10,737)**	43,902
– Joint ventures and associates	**(4,601)**	15,235
Total comprehensive income for the period	**135,620**	207,617
Attributable to:		
Equity holders of the Company	**137,647**	199,535
Non-controlling interests	**(2,027)**	8,082
	135,620	207,617

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2018

	Attributable to owners of the Company							Non-controlling interests	Total equity
	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 HK$'000	HK$'000	HK$'000
At 1st January 2018	1,376,295	93,917	23,009	167,717	(772,648)	2,116,399	3,004,689	298,598	3,303,287
Profit for the period	–	–	–	–	–	161,955	161,955	(728)	161,227
Other comprehensive income:									
Release of currency translation differences upon disposal of subsidiaries	–	(10,269)	–	–	–	–	(10,269)	–	(10,269)
Currency translation differences									
– Subsidiaries	–	(9,762)	–	–	–	–	(9,762)	(975)	(10,737)
– Joint ventures and associates	–	(4,277)	–	–	–	–	(4,277)	(324)	(4,601)
Transfer of reserves	–	–	–	–	3,188	(3,188)	–	–	–
Total comprehensive income for the period	–	(24,308)	–	–	3,188	158,767	137,647	(2,027)	135,620
Transactions with owners:									
Employee share option scheme:									
– Value of employee services	–	–	–	–	164	–	164	–	164
– Forfeiture of share option	–	–	–	–	(1,723)	–	(1,723)	–	(1,723)
2017 final dividend	–	–	–	–	–	(55,094)	(55,094)	–	(55,094)
At 30th June 2018	1,376,295	69,609	23,009	167,717	(771,019)	2,220,072	3,085,683	296,571	3,382,254

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

For the six months ended 30th June 2018

	Attributable to owners of the Company							Non-controlling interests	Total equity
	Share capital	Exchange reserve	Revaluation reserve	Capital reserve	Other reserves	Retained profits	Total		
	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000	HK$'000
At 1st January 2017	1,333,171	(27,366)	23,009	167,717	(783,541)	1,945,643	2,658,633	255,456	2,914,089
Profit for the period	–	–	–	–	–	144,935	144,935	3,545	148,480
Other comprehensive income:									
Currency translation differences									
– Subsidiaries	–	40,398	–	–	–	–	40,398	3,504	43,902
– Joint ventures and associates	–	14,202	–	–	–	–	14,202	1,033	15,235
Transfer of reserves	–	–	–	–	2,943	(2,943)	–	–	–
Total comprehensive income for the period	–	54,600	–	–	2,943	141,992	199,535	8,082	207,617
Transactions with owners:									
Employee share option scheme:									
– Value of employee services	–	–	–	–	954	–	954	–	954
Capital contribution by a non-controlling interest	–	–	–	–	–	–	–	3,457	3,457
Gain on partial disposal of a subsidiary	–	–	–	–	–	10,110	10,110	8,337	18,447
2016 final dividend	–	–	–	–	–	(64,800)	(64,800)	(4,000)	(68,800)
At 30th June 2017	1,333,171	27,234	23,009	167,717	(779,644)	2,032,945	2,804,432	271,332	3,075,764

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2018

	2018 **HK$'000**	2017 HK$'000
Cash flows from operating activities		
Cash generated from operations	**64,335**	80,501
Income tax paid	**(7,119)**	(4,614)
Net cash generated from operating activities	**57,216**	75,887
Cash flows from investing activities		
Purchase of property, plant and equipment	**(44,219)**	(49,606)
Proceeds from partial disposal of a subsidiary	**—**	18,447
Decrease/(increase) in structured bank deposits	**74,725**	(318,009)
Consideration received for disposal of subsidiaries (Note 22)	**26,632**	—
Repayment of loan to joint ventures	**—**	6,288
Interest received	**9,260**	9,772
Cash received from capital refund of a joint venture	**4,985**	4,029
Other investing activities	**5,513**	542
Net cash generated/(used) in investing activities	**76,896**	(328,537)

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

For the six months ended 30th June 2018

	2018	2017
	HK$'000	HK$'000
Cash flows from financing activities		
Interest paid	**(4,460)**	(5,830)
Repayment of bank loans	**(52,070)**	—
Drawdown of bank loans	**—**	130,480
Repayment of amount due to a related party	**—**	(13,576)
Capital contribution by non-controlling interests	**—**	3,457
Net cash (used)/generated from financing activities	**(56,530)**	114,531
Net increase/(decrease) in cash and cash equivalents	**77,582**	(138,119)
Cash and cash equivalents at the beginning of the period	**769,152**	817,669
Effect of exchange rate changes	**(7,748)**	13,371
Cash and cash equivalents at the end of the period	**838,986**	692,921

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; and cargo transportation, warehousing and storage businesses.

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

This unaudited condensed consolidated interim financial information is presented in Hong Kong dollars, unless otherwise stated and has been approved for issue by the Board of Directors of the Company on 23rd August 2018.

The financial information relating to the year ended 31st December 2017 that is included in the unaudited condensed consolidated interim financial information for the six months ended 30th June 2018 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 31st December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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

This unaudited condensed consolidated interim financial information for the six months ended 30th June 2018 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 2017, 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.

3 ACCOUNTING POLICIES

The accounting policies adopted are consistent with those of the annual financial statements for the year ended 31st December 2017, except the adoption of new and amended standards as set out below.

(a) New and amended standards adopted by the Group

A number of new or amended standards became applicable for the current reporting period. The impact of the adoption of these standards and the new accounting policies related to the Group are disclosed in note 3(b) below. The adoption of other new standards and amendments to standards does not have a significant impact on the Group's accounting.

(b) Effect of the adoption of the aforementioned new standards

(i) HKFRS 9 Financial Instruments – Impact of adoption

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

Impairment of financial assets

From 1st January 2018, the Group assesses on a forward looking basis the expected credit losses associated with its financial assets classified at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

The adoption has no significant impact on the opening balance of retained earnings as at 1st January 2018 to the Group.

3 ACCOUNTING POLICIES *(Continued)*

(b) Effect of the adoption of the aforementioned new standards *(Continued)*

(ii) HKFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Group has adopted HKFRS 15 Revenue from Contracts with Customers from 1st January 2018.

The Group has assessed the impact of the application of HKFRS 15 and based on its assessment, the adoption has no significant impact on the opening balance of retained earnings as at 1st January 2018 to the Group.

(c) Effect of standards issued but not yet applied by the Group

The Group has not early adopted the new standards and amendments to standards effective for annual periods beginning 1st January 2019 in the unaudited condensed consolidated interim financial information but has already commenced an assessment of the related impact to the Group. Based on preliminary assessment, the major impact of adoption of these standards and amendments to standards are as follows:

(i) HKFRS 16 Leases

HKFRS 16 was issued in January 2016. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised. The only exceptions are short-term and low-value leases. The accounting for lessors will not significantly change.

3 ACCOUNTING POLICIES *(Continued)*

(c) Effect of standards issued but not yet applied by the Group *(Continued)*

(i) HKFRS 16 Leases *(Continued)*

The standard will affect primarily the accounting for the Group's operating leases. As at 30th June 2018, the Group has non-cancellable operating lease commitments of HK$132,227,000. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's profit and classification of cash flows.

Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under HKFRS 16.

The standard is mandatory for first interim periods within annual reporting periods beginning on or after 1st January 2019. The Group does not intend to adopt the standard before its effective date.

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

The unaudited condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31st December 2017.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

4 FINANCIAL RISK MANAGEMENT *(Continued)*

(a) Financial risk factors *(Continued)*

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

(b) Liquidity risk

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

(c) Fair value estimation

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

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing the condensed consolidated interim financial information, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that were applied to the annual financial statements for the year ended 31st December 2017.

6 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 hauling and trucking

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

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

(iv) Fuel supply - Oil trading and marine bunkering service

(v) Corporate and other businesses - Investment holding and property management service

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION *(Continued)*

Sales between segments are carried out on terms equivalent to those that prevail with third parties. The revenue from external parties reported to the executive directors of the Company is measured in a manner consistent with that in the 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 2018						
Total revenue	719,036	247,751	106,265	328,568	11,797	1,413,417
Inter-segment revenue	(57,201)	(99,156)	–	(27,022)	(4,650)	(188,029)
Revenue (from external customers)	661,835	148,595	106,265	301,546	7,147	1,225,388
Segment profit before income tax expense	43,186	39,575	78,783	8,484	10,612	180,640
Income tax expense	(2,858)	(8,335)	(7,847)	(1,400)	1,027	(19,413)
Segment profit after income tax expense	40,328	31,240	70,936	7,084	11,639	161,227
Segment profit before income tax expense includes:						
Finance income	41	133	718	85	8,283	9,260
Finance cost	–	(4,460)	–	–	–	(4,460)
Depreciation and amortisation	(3,338)	(44,186)	(57)	(1,038)	(2,396)	(51,015)
Share of profits less losses of:						
Joint ventures	1,456	(399)	22,380	–	559	23,996
Associates	–	1,845	5,813	–	–	7,658
Gain on disposal of subsidiaries	39,117	14,917	–	–	–	54,034

6 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 2017						
Total revenue	623,788	261,006	107,422	255,554	41,819	1,289,589
Inter-segment revenue	(3,203)	(31,567)	–	(18,633)	(14,968)	(68,371)
Revenue (from external customers)	620,585	229,439	107,422	236,921	26,851	1,221,218
Segment profit before income tax expense	5,658	63,024	72,449	10,671	27,436	179,238
Income tax expense	(1,266)	(15,424)	(6,912)	(1,761)	(5,395)	(30,758)
Segment profit after income tax expense	4,392	47,600	65,537	8,910	22,041	148,480
Segment profit before income tax expense includes:						
Finance income	144	775	162	9	8,682	9,772
Finance cost	–	(4,308)	(98)	–	(1,424)	(5,830)
Depreciation and amortisation	(4,562)	(42,157)	(58)	(791)	(1,843)	(49,411)
Share of profits less losses of:						
Joint ventures	352	8,701	18,235	–	88	27,376
Associates	–	1,730	5,456	–	–	7,186

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

6 SEGMENT INFORMATION *(Continued)*

	Cargo transportation HK$'000	Cargo handling and storage HK$'000	Passenger transportation HK$'000	Fuel supply HK$'000	Corporate and other businesses HK$'000	Inter-segment elimination HK$'000	Total HK$'000
As at 30th June 2018							
Total segment assets	**544,145**	**2,557,817**	**649,355**	**167,427**	**2,122,662**	**(1,510,357)**	**4,531,049**
Total segment assets include:							
Joint ventures	**29,624**	**158,108**	**234,240**	**–**	**33,123**	**–**	**455,095**
Associates	**–**	**54,632**	**59,869**	**–**	**–**	**–**	**114,501**
Total segment liabilities	**(513,049)**	**(875,363)**	**(139,283)**	**(73,776)**	**(1,057,681)**	**1,510,357**	**(1,148,795)**
As at 31st December 2017							
Total segment assets	512,132	2,738,589	674,787	160,084	1,985,891	(1,606,725)	4,464,758
Total segment assets include:							
Joint ventures	28,432	192,304	215,441	–	32,847	–	469,024
Associates	–	53,250	54,545	–	–	–	107,795
Total segment liabilities	(564,017)	(939,943)	(168,964)	(64,202)	(1,031,070)	1,606,725	(1,161,471)

7 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND LAND USE RIGHTS

	Property, plant and equipment HK$'000	Investment property HK$'000	Land use rights HK$'000	Total HK$'000
Opening net book value as at 1st January 2018	**1,631,142**	**4,715**	**440,255**	**2,076,112**
Exchange differences	**(8,578)**	**—**	**(3,471)**	**(12,049)**
Additions	**44,219**	**—**	**—**	**44,219**
Disposals/write-off	**(860)**	**—**	**—**	**(860)**
Depreciation and amortisation	**(45,050)**	**(29)**	**(5,936)**	**(51,015)**
Closing net book value as at 30th June 2018	**1,620,873**	**4,686**	**430,848**	**2,056,407**
Opening net book value as at 1st January 2017	1,623,562	4,772	448,244	2,076,578
Exchange differences	32,855	—	13,877	46,732
Additions	49,606	—	—	49,606
Disposals/write-off	(305)	—	—	(305)
Depreciation and amortisation	(43,424)	(29)	(5,958)	(49,411)
Closing net book value as at 30th June 2017	1,662,294	4,743	456,163	2,123,200

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

8 TRADE AND OTHER RECEIVABLES

	As at 30th June 2018 HK$'000	As at 31st December 2017 HK$'000
Trade receivables:		
– third parties	**303,965**	258,153
– joint ventures and associates	**6,102**	5,364
– fellow subsidiaries	**25,229**	20,174
– other related companies	**16,619**	26,346
Trade receivables. net (note (a)):	**351,915**	310,037
Other receivables:		
– third parties	**85,260**	88,107
– immediate holding company (note (b))	**85,750**	11,646
– fellow subsidiaries (note (b))	**7,128**	1,568
– joint ventures and associates (note (b))	**142,885**	121,779
– Non-controlling interests of a subsidiary (note (b))	**—**	13,064
	321,023	236,164
Total trade and other receivables	**672,938**	546,201

8 TRADE AND OTHER RECEIVABLES *(Continued)*

Notes:

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

	As at 30th June 2018 HK$'000	As at 31st December 2017 HK$'000
Within 3 months	**323,676**	282,088
4 to 6 months	**21,837**	19,688
7 to 12 months	**6,879**	9,216
Over 12 months	**4,450**	4,085
	356,842	315,077
Less: Provision for impairment	**(4,927)**	(5,040)
	351,915	310,037

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.

The amount of HK$63,437,000 included in other receivables due from immediate holding company represented the remaining balance of the consideration of disposal of subsidiaries (note 22). The amount has been fully settled as at the date of this report.

(c) The carrying amount of trade and other receivables approximate their fair values.

9 LOANS TO JOINT VENTURES AND FELLOW SUBSIDIARIES

Loans to joint ventures and fellow subsidiaries of the Group are repayable within twelve months from balance sheet date.

	As at 30th June 2018 HK$'000	As at 31st December 2017 HK$'000
Unsecured loans		
– interest-free (note(a))	**4,359**	4,396
– at fixed rate (note(b) and (d))	**52,650**	—
– at floating rate (note(c) and (d))	**57,439**	9,113
	114,448	13,509

Note:

(a) The balance is denominated in Renminbi ("RMB").

(b) The balance is denominated in United States dollar ("USD") and bears interest at fixed rate of 3% per annum.

(c) The balances are denominated in RMB and bear interest at the base lending rate announced by the People's Bank of China ("PBOC") (31st December 2017: base lending rate announced by the PBOC).

(d) The balances include loans of HK$101,055,000 to subsidiaries disposed to immediate holding company (note 22). The loans are interest bearing under terms of note (b) and (c) above and are repayable within twelve months after the balance sheet date.

10 STRUCTURED BANK DEPOSITS

As at 30th June 2018 and 31st December 2017, all the Group's structured bank deposits were principal-protected and placed with PRC banks. These deposits are with original maturity dates more than three months, interest-bearing and denominated in RMB.

11 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Numbers of shares ('000)	**Share capital HK$'000**
At 30th June 2018 and 31st December 2017	1,101,890	1,376,295

12 BORROWINGS

	As at 30th June 2018 HK$'000	As at 31st December 2017 HK$'000
Short term bank loans – unsecured	**40,000**	90,000
Long term bank loans		
– secured	**171,462**	175,026
– unsecured	**100,000**	100,000
	271,462	275,026
Less: current portion	**(4,139)**	(4,175)
	267,323	270,851

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

12 BORROWINGS *(Continued)*

The secured bank loans at 30th June 2018 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 1.7% to 2.7% (31st December 2017: 1.2% to 1.9%) per annum.

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

13 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	As at 30th June 2018 HK$'000	As at 31st December 2017 HK$'000
Trade payables (notes (a) and (b)):		
– third parties	**246,868**	258,902
– immediate holding company	**29,590**	28,689
– fellow subsidiaries	**2,647**	665
– joint ventures and associates	**12,043**	17,283
– other related companies	**1,700**	2,924
	292,848	308,463
Accruals and other payables:		
– third parties	**181,681**	220,610
– immediate holding company (note (b))	**2,239**	615
– fellow subsidiaries (note (b))	**27,848**	9,126
– joint ventures and associates (note (b))	**71,411**	66,067
– other related companies (note (b))	**238**	568
	283,417	296,986
	576,265	605,449

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

13 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES *(Continued)*

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

	As at 30th June 2018 HK$'000	As at 31st December 2017 HK$'000
Within 3 months	**291,102**	306,716
4 to 6 months	**47**	364
7 to 12 months	**439**	14
Over 12 months	**1,260**	1,369
	292,848	308,463

(b) Trade payables, accruals 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.

(c) The carrying amount of trade payables, accruals and other payables approximate their fair values.

14 LOAN FROM AN ASSOCIATE

	As at 30th June 2018 HK$'000	As at 31st December 2017 HK$'000
Unsecured loan		
– interest-free (note (i))	**1,044**	1,053

Note:

(i) The loan is provided by an associate to the Group which is denominated in RMB, unsecured and repayable on demand.

15 AMOUNTS DUE TO THE NON-CONTROLLING INTERESTS OF SUBSIDIARIES

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

	As at 30th June 2018 HK$'000	As at 31st December 2017 HK$'000
Unsecured loans		
– interest-free (note (i))	**68,450**	68,450
– at floating rates (note (ii))	**14,233**	14,356
	82,683	82,806

Note:

(i) The amounts of HK$68,450,000 are denominated in Hong Kong dollars, unsecured and repayable in 2019 (31st December 2017: repayable in 2018).

(ii) The amounts are denominated in RMB, unsecured and interest-bearing at the base lending rate announced by the PBOC (31st December 2017: base lending rate announced by the PBOC).

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

16 OTHER GAINS – NET

	2018 HK$'000	2017 HK$'000
Exchange gains, net	**4,150**	14,492
Gain on disposal of subsidiaries (Note 22)	**54,034**	—
Gain on disposals of property, plant and equipment	**247**	483
Provision for impairment of trade receivables	**(113)**	(193)
Other gains, net	**58,318**	14,782

17 OPERATING PROFIT

Operating profit is stated after charging the following:

	2018 HK$'000	2017 HK$'000
Amortisation of land use rights (Note 7)	**5,936**	5,958
Depreciation of property, plant and equipment (Note 7)	**45,050**	43,424
Depreciation of investment property (Note 7)	**29**	29
Operating lease rental expenses		
– vessels and barges	**87,568**	63,506
– buildings	**27,738**	34,332
– property that generated rental income	**2,500**	2,500
Staff costs (including directors' emoluments)	**186,146**	201,174

18 SHARE OF PROFITS LESS LOSSES OF JOINT VENTURES AND ASSOCIATES

	2018 HK$'000	2017 HK$'000
Share of profits less losses before income tax of		
– joint ventures	**33,453**	35,401
– associates	**10,777**	9,531
	44,230	44,932
Share of income tax of		
– joint ventures	**(9,457)**	(8,025)
– associates	**(3,119)**	(2,345)
	(12,576)	(10,370)
	31,654	34,562

19 INCOME TAX EXPENSE

	2018 HK$'000	2017 HK$'000
Current income tax		
– Hong Kong profits tax	**12,735**	10,704
– PRC corporate income tax	**9,473**	14,346
– Macau profits tax	**—**	2,176
Deferred income tax expense	**(2,795)**	3,532
	19,413	30,758

Hong Kong profits tax has been provided for at the rate of 16.5% (2017: 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% (2017: 25%). Macau profits tax has been provided at 12% (2017: 12%) on the estimated assessable profit for the period.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

20 DIVIDENDS

	2018	2017
	HK$'000	HK$'000
Final dividend paid/payable for 2017 of HK5 cents (2017: HK6 cents for 2016) per ordinary share (note a)	**55,094**	64,800

Notes:

(a) At the board meeting held on 23rd March 2018, the directors proposed a final dividend of HK5 cents per ordinary share for the year ended 31st December 2017. Such proposal was subsequently approved by shareholders on 15th May 2018.

(b) At the board meeting held on 23rd August 2018, the directors declared an interim dividend of HK3 cents per ordinary share (2017: interim dividend of HK3 cents per ordinary share and interim special dividend of HK1 cent per ordinary share). Based on the latest number of shares in issue at the date of this report, the aggregate amount of the dividend is estimated to be HK$33,635,000 (2017: HK$44,076,000).

21 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.

	2018	2017
Profit attributable to equity holders of the Company (HK$'000)	**161,955**	144,935
Weighted average number of ordinary shares in issue ('000)	**1,101,890**	1,080,000
Basic earnings per share (HK cents)	**14.70**	13.42

21 EARNINGS PER SHARE *(Continued)*

Diluted

The potential ordinary shares in respect of the Company's share options were anti-dilutive for the six months ended 30th June 2018. The basic earnings per share for the six months ended 30th June 2018 was equal to the diluted earnings per share.

Diluted earnings per share for the six months ended 30th June 2018 and 30th June 2017 were calculated by adjusting the profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company included share options. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

22 GAIN ON DISPOSAL OF SUBSIDIARIES

During the period ended 30th June 2018, the Group disposed of its entire equity interests in two of its subsidiaries, Zhaoqing Chu Kong Cargo Terminals (Dawang) Co., Ltd. and Zhaoqing Chu Kong Logistics (Dawang) Co., Ltd to Chu Kong Shipping Enterprises (Holding) Company Limited ("CKSE"), the immediate holding company at a total consideration of RMB72,499,000 (equivalent to approximately HK$90,624,000), payable in two installments. The principal activities of these two companies were cargo consolidation and provision of logistics services. As a result of the disposal, a gain of HK$54,034,000 was recognised in the unaudited condensed consolidated income statement. The effect of the disposal is summarised as follows:

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

22 GAIN ON DISPOSAL OF SUBSIDIARIES *(Continued)*

	2018 HK$'000
Assets	
Property, plant and equipment and land use right	133,430
Trade and other receivables	20,387
	153,817
Liabilities	
Trade and other payables (note)	(107,513)
Net assets disposed	46,304
Expenses attributable to the disposal	555
Release of currency translation differences	(10,269)
Gain on disposal of subsidiaries	54,034
Total consideration	90,624
Total consideration satisfied by cash	90,624
Net cash flows arising from the disposal	
Cash consideration received	27,187
Direct cost of disposal	(555)
	26,632
Cash consideration to be received	63,437
	90,069

Note:

Included in the balance are loans to disposed subsidiaries amounted HK$101,055,000. The loans are interest bearing with fixed rate of 3% and floating rate of base lending rate announced by PBOC, and are repayable within twelve months from balance sheet date (note 9d).

23 CAPITAL COMMITMENTS

	As at 30th June 2018 HK$'000	As at 31st December 2017 HK$'000
Contracted but not provided for		
– Property, plant and equipment	**119,478**	104,562

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

	As at 30th June 2018 HK$'000	As at 31st December 2017 HK$'000
Contracted but not provided for	**54,485**	274

24 RELATED PARTY TRANSACTIONS

The directors of the Company regard CKSE as the immediate holding company, which owns 69% (31st December 2017: 68%) of the Company's ordinary shares at 30th June 2018. 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.

24 RELATED PARTY TRANSACTIONS *(Continued)*

For the six months ended 30th June 2018 and 2017, 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 2018 and 2017.

(a) Transactions with related parties

	Note	**2018** **HK$'000**	2017 HK$'000
Revenues:			
Shipping agency, river trade cargo direct shipment and transshipment income	(i)		
– fellow subsidiaries		**47**	109
– joint ventures and an associate		**4,644**	1,444
– other related companies		**80**	116
Passenger transportation agency fees	(i)		
– fellow subsidiaries		**1,645**	1,310
– joint ventures and an associate		**6,600**	5,870
– other related companies		**1,043**	7,436

24 RELATED PARTY TRANSACTIONS *(Continued)*

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

	Note	**2018 HK$'000**	2017 HK$'000
Revenues (Continued):			
Ferry terminal operation service fees	(i)		
– fellow subsidiaries		**2,711**	2,776
– joint ventures and associates		**12,491**	13,651
– other related companies		**235**	16,850
Management service fees			
– immediate holding company	(ii)	**20,000**	20,000
– a fellow subsidiary	(iii)	**835**	600
– joint ventures	(iii)	**1,343**	1,141
– a related company	(iii)	**132**	132
Vessel rental income	(i)		
– a related company		**1,352**	1,311
Interest income	(iv)		
– a joint venture		**150**	138
– fellow subsidiaries		**321**	—
Fuel supply income	(i)		
– fellow subsidiaries		**26,806**	18,740
– joint ventures and associates		**35,158**	29,841
– other related companies		**75,984**	80,234
Marine bunkering service fees	(i)		
– fellow subsidiaries		**182**	498
– a joint venture and an associate		**123**	116
– other related companies		**1,882**	1,912
Consulting and software service	(iii)		
– joint ventures and associates		**123**	441

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

24 RELATED PARTY TRANSACTIONS *(Continued)*

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

	Note	**2018 HK$'000**	2017 HK$'000
Revenues (Continued):			
Wheel supply income	(i)		
– fellow subsidiaries		**136**	—
– joint ventures and associates		**216**	—
– other related companies		**67**	—
Expenses:			
Shipping agency, river trade cargo direct shipment and transshipment expenses	(i)		
– a joint venture and an associate		**2,701**	2,611
Wharf cargo handling, cargo transportation and godown storage expenses	(i)		
– joint ventures and an associate		**33,382**	18,962
– a related company		**12,022**	5,257
Agency fee expenses	(i)		
– fellow subsidiaries		**226**	96
– a joint venture and an associate		**585**	519
– other related companies		**—**	324
Ferry terminal operation services fee	(i)		
– a fellow subsidiary		**4,790**	3,527
Luggage handling fee	(v)		
– a related company		**3,206**	2,955

24 RELATED PARTY TRANSACTIONS *(Continued)*

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

	Note	**2018 HK$'000**	2017 HK$'000
Expenses (Continued):			
Vessel rental expenses	(i)		
– a joint venture		**15,302**	15,230
– a fellow subsidiary		**1,233**	1,439
Warehouse rental expenses	(vi)		
– immediate holding company		**2,500**	2,882
Office rental expenses	(i)		
– immediate holding company		**2,746**	3,169
– fellow subsidiaries		**476**	242
Staff quarter rental expenses	(i)		
– immediate holding company		**1,406**	1,435
Loan interest expenses			
– an associate	(vii)	**—**	135
– non-controlling interests	(viii)	**114**	540
– a related party	(ix)	**—**	80
Management fee expense	(x)		
– immediate holding company		**472**	4,725
– a fellow subsidiary		**469**	2
– a related company		**87**	—

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.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

24 RELATED PARTY TRANSACTIONS *(Continued)*

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

Notes: *(Continued)*

(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 original contract period was from 1st July 2014 to 30th June 2017, and was subsequently extended to 30th June 2020.

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

(iv) Interests were charged to a joint venture and fellow subsidiaries in respect of loans at the base lending rate announced by the PBOC or fixed rate of 3% per annum (2017: base lending rate announced by the PBOC) pursuant to the agreements entered into between the Group and the joint venture and fellow subsidiaries.

(v) Luggage handling fee was charged at HK$0.84 to HK$2.2 (2017: 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.

(vii) Loan interest was charged by an associate at the base deposit rate announced by the PBOC in 2017 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 the base lending rate announced by the PBOC (2017: base lending rate announced by the PBOC).

(ix) Interest was charged by the related party at the base lending rate announced by the PBOC in 2017.

24 RELATED PARTY TRANSACTIONS *(Continued)*

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

Notes: *(Continued)*

(x) Management fee expenses were charged at HK$316,000 per month (2017:HK$600,000) 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

	2018	2017
	HK$'000	HK$'000
Salaries and allowances	**3,625**	3,863
Directors' fees	**360**	360
Retirement benefit scheme contributions	**60**	124
Share options granted	**11**	162
Housing benefit	**514**	564
	4,570	5,073

(c) Loans to joint ventures and fellow subsidiaries

	2018	2017
	HK$'000	HK$'000
As at 1st January	**13,509**	16,675
Repayment	**—**	(6,288)
Addition (Note 9d)	**101,055**	—
Exchange differences	**(116)**	319
As at 30th June	**114,448**	10,706

CORPORATE INFORMATION

EXECUTIVE DIRECTOR

Mr. Huang Liezhang
(Chairman/Managing Director)
Mr. Chen Jie
Mr. Leng Buli
Mr. Liu Wuwei

NON-EXECUTIVE DIRECTOR

Ms. Ye Meihua

INDEPENDENT NON-EXECUTIVE DIRECTOR

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

COMPANY SECRETARY

Ms. Cheung Mei Ki Maggie

EXECUTIVE COMMITTEE

Mr. Huang Liezhang
Mr. Chen Jie
Mr. Leng Buli
Mr. Liu Wuwei

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

Mr. Huang Liezhang
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. Huang Liezhang

AUDITOR

PricewaterhouseCoopers

PRINCIPAL BANKS

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

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