CHU KONG SHIPPING ENTERPRISES (GROUP) COMPANY LIMITED

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

Interim Report **2019**

Sailing on Pearl River
Tides for the New Era

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 2019 to the shareholders for their review.

REVIEW

In the first half of 2019, the global situation was complex and challenging, and the PRC economy was experiencing downward pressure. Being affected by several negative factors such as the Sino-US trade dispute and tightened policy on the import of renewable resources implemented in China, the business volume of our terminal navigation logistics business decreased. In addition, with the further improvement of the integrated transportation system in the Guangdong-Hong Kong-Macao Greater Bay Area upon the opening of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Hong Kong-Zhuhai-Macao Bridge and the Nansha Bridge, the high-speed waterway passenger transportation business of the Group was hit hard with significant decreases in the passenger volume of several major routes.

In the face of this challenging environment, the Group worked hard and was determined to overcome the challenges ahead. By leveraging the "five platforms", namely cross-border passenger transportation, Hong Kong local transportation, terminal logistics, "Belt and Road" investment and capital operation, and by making concerted efforts to exploit the "five growth drivers", namely the Greater Bay Area airports, the Hong Kong-Zhuhai-Macao Bridge, development of Nansha, cross-border e-commerce and overseas investment, the Group pushed ahead with the development of several major projects and expanded profitable businesses.

On one hand, the Group made vigorous efforts to implement its airport strategy. Chu Kong Passenger Transport Company Limited ("CKPT"), a subsidiary of the Group, won the bid for the new operation license contract for the SkyPier and baggage self-service consignment project at the Hong Kong International Airport ("HKIA"). Furthermore, CKPT proactively carried out the passenger terminal business for the HKIA within the Guangdong-Hong Kong-Macao Greater Bay Area service area, where the passenger terminal at the Guangzhoudong Railway Station has already been put into operation. Chu Kong Transhipment & Logistics Company Limited ("CKTL"), a subsidiary of the Group, was qualified as an overseas sand supplier for the Third Runway project at the HKIA, and has transported a number of vessels of sand from overseas sources.

On the other hand, the Group pushed ahead with the transformation and upgrading of its terminal navigation logistics business. The Group launched domestic trading businesses at Foshan Beicun Port, Nankong Port and Gaoming Port in an effort to introduce new cargo sources. By enhancing cooperation with railway companies, the Group successfully launched a rail-water union transportation business at Zhaoqing New Port, Gaoming Port and Sanbu Port. Simultaneously, the Group entered into rail-water union transportation cooperation agreements for its other ten cargo terminals, further expanding the cargo transportation network into Southwest China to provide more efficient and integrated logistics services for its customers.

Leveraging its geographical advantage of being adjacent to the Hong Kong-Zhuhai-Macao Bridge as well as its hardware advantages of having an import refrigerated bonded warehouse and an import bonded warehouse, Civet Port proactively developed high value-added businesses such as warehouse logistics, air freight logistics and cold-chain logistics in Hong Kong and Macao areas.

While successfully expanding a number of profitable businesses, the Group also implemented strict control over operational costs, revitalized assets and optimised resource allocation.

OUTLOOK

In the second half of the year, in the face of complex domestic and overseas economic environments and challenges in business operations, the Group will seize opportunities arising from national initiatives for development of the Guangdong-Hong Kong-Macao Greater Bay Area aimed at stabilising production and promoting innovative development.

Firstly, the Group will step up efforts to explore local business in Hong Kong by focusing on the business of supplying sand from overseas resources to Hong Kong, striving to win operational licenses for major waterway transportation services and routes and launching the high-end Victoria Harbour Tour project.

Secondly, the Group will continue to push forward its airport strategy, with an aim to explore new projects and expand new business at the HKIA.

Thirdly, the Group will join hands with Sunwah Group to launch the waterway passenger transportation route connecting Huangpu, Guangzhou with the HKIA and downtown Hong Kong.

Fourthly, the Group will implement a series of measures to accelerate the transformation and upgrading of its terminal logistics business by expediting the construction of the new Godown Wharf in Tuen Mun and developing an integrated warehousing business in order to improve operational efficiency; proactively promoting the import business of a variety of cargoes with high profit margins at its affiliated ports; planning to the launch of domestic trade business at nine ports, and carrying out strategic cooperation with Guangzhou Port and Dongguan Port with an aim to enhance the industrial value chain of the domestic trading business; vigorously expanding the bulk cargo business; carrying out e-commerce warehousing logistics business by leveraging warehouses at the new Tuen Mun Godown Wharfs and a number of ports in the Pearl River Delta region; exploring the opening of supply chain businesses by leveraging the Group's advantages having access to low bank financing costs, extensive port networks and well-established customer connections, so as to promote transportation volume at these ports and to increase income from value added services.

Fifthly, the Group will strengthen its capital operation by leveraging its sufficient cash to accelerate internal and external mergers and acquisitions, aiming to expand and strengthen the business scope of the Group.

APPRECIATION

On behalf of the Board, I would like to take this opportunity to express my heartfelt thanks to all of our investors and partners who have shown tremendous support to the Group, as well as to our management and staff who have worked hard to strive toward better results for the Group. We are "Committed to The Guangdong-Hong Kong-Macao Area, Setting Sail for The New Silk Road" as we strive to create value for shareholders, and make further contributions toward the prosperity of Guangdong, Hong Kong and Macao.

Huang Liezhang
Chairman

Hong Kong, 27th August 2019

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

For the period ended 30th June 2019, the Group recorded a consolidated revenue of HK$1,088,691,000, representing a decrease of 11.2% over the same period last year. Profit attributable to the equity holders of the Company amounted to HK$116,373,000, representing a decrease of 28.1% over the same period last year.

In the first half of 2019, uncertainties surrounding the global economy, the ongoing Sino-US trade dispute, slowdown of economic growth in Mainland China and tightened import policies on renewable resources were a harsh blow to the international trade and navigation market. The Group witnessed decrease in some indicators of its terminal navigation logistics business and significant decrease in its high-speed waterway passenger transportation business which was under pressure due to the gradual improvement of the cross-border road-bridge-rail transportation network. In face of the challenging environment, the Group made vigorous efforts to implement its strategy transition, and took a series of measures including enhancing connection and cooperation with peers in the industry, accelerating the transformation and upgrade of the logistics business segment, promoting the diversified development of the port and wharf business and optimising the passenger transportation route services to cope with the unfavorable operation environment.

Regarding the freight business, the Group continued to give full play to the network advantages of the terminals, explore profitable domestic trading business, launch the rail-water union transportation mode, increase the cargo source by developing both domestic and foreign trade and extend terminal service chain, so as to deal with the impact from the tightened policies on the import of renewable resources. During the period, the container transportation volume recorded 683,000 TEU, representing a year-on-year decrease of 9.1%; the break bulk cargo transportation volume recorded 373,000 tons, representing a year-on-year increase of 65.0%; for the cargo handling business, the container handling volume recorded 534,000 TEU, representing a year-on-year decrease of 14.6%; the break bulk cargo handling volume recorded 3,089,000 tons, representing a year-on-year increase of 67.2%; and the volume of container hauling and trucking recorded 104,000 TEU, representing a year-on-year decrease of 11.1%.

REVIEW OF OPERATIONS *(Continued)*

Regarding the passenger transportation business, being directly impacted by several negative factors such as the gradual improvement of the land transportation system in the Guangdong-Hong Kong-Macao Greater Bay Area and the opening of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Hong Kong-Zhuhai-Macao Bridge and the Nansha Bridge, the passenger transportation indicators recorded noticeable decrease. During the period, the total number of passengers for agency services was 2,358,000, representing a year-on-year decrease of 32.0%. The number of passengers for terminal services was 2,247,000, representing a year-on-year decrease of 31.6%.

I. TERMINAL NAVIGATION LOGISTICS BUSINESS

1. Cargo Transportation Business

Business Operation Indicators

Performance statistics of our major business operations are as follows:

	For the six months ended 30th June		
Indicators	**2019**	2018	Change
Container transportation volume (TEU)	**683,000**	751,000	–9.1%
Break bulk cargoes transportation volume (revenue tons)	**373,000**	226,000	65.0%
Volume of container hauling and trucking on land (TEU)	**104,000**	117,000	–11.1%

REVIEW OF OPERATIONS *(Continued)*

I. TERMINAL NAVIGATION LOGISTICS BUSINESS *(Continued)*

1. Cargo Transportation Business *(Continued)*

Subsidiaries

Affected by the tightened policies on the import of renewable resources in Mainland China and the increased efforts to regulate the oversize and overload transport on roads, CKTL continued to record decrease in the containers of renewable resources but which was narrowed by the increase in the containers of domestic trade, with a container transportation volume of 683,000 TEU during the period, representing a year-on-year decrease of 9.1% and the volume of container hauling and trucking on land was 104,000 TEU, representing a year-on-year decrease of 11.1%. Benefiting from the increase in the bulk cargo transportation volume, the break bulk cargoes transportation volume for the period reached 373,000 tons, representing a year-on-year increase of 65.0%.

CKTL took measures to optimise operation process, accelerate the replacement of vessels, promote the development of new business at each terminal and diversify the cargo portfolio. Meanwhile, CKTL enhanced cooperation with the HKIA, expanded its air freight and freight forwarding business, and won the bid for the sand transportation for the Third Runway project of the HKIA. Furthermore, CKTL has reached the intention with a number of large paper recycle companies in Hong Kong, in an effort to expand into the container transportation market for transporting waste paper to the PRC.

Regarding the air freight business, CKTL recorded a year-on-year decrease of 35.2% in air cargo transportation volume during the period. Tuen Mun Godown Wharfs obtained the qualification to conduct the X-ray inspection business of air freight cargo in Hong Kong, and new projects are scheduled to commence operation. Meanwhile, CKTL has established the e-commerce business department to conduct e-commerce logistics business, with an aim to maintain stable transaction volume for the air freight business.

REVIEW OF OPERATIONS *(Continued)*

I. TERMINAL NAVIGATION LOGISTICS BUSINESS *(Continued)*

2. Cargo Handling and Storage Business

Business Operation Indicators

Performance statistics of our major business operations are as follows:

	For the six months ended 30th June		
Indicators	**2019**	2018	Change
Container handling volume (TEU)	**534,000**	625,000	–14.6%
Volume of break bulk cargoes handled (revenue tons)	**3,089,000**	1,847,000	67.2%

Subsidiaries

During the period, despite the overall decrease in the container handling volume, each subsidiary of the Group still strived to explore and develop various new businesses to eliminate the significant negative impacts such as tightened policies on the import of renewable resources in Mainland China and the trade war between China and the US.

REVIEW OF OPERATIONS *(Continued)*

I. TERMINAL NAVIGATION LOGISTICS BUSINESS *(Continued)*

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

Subsidiaries *(Continued)*

The overall container handling volume in Zhaoqing region was 94,000 TEU, representing a year-on-year decrease of 25.1%. During the period, Zhaoqing New Port cooperated with China Railway Guangzhou Group to develop rail-water union transportation, and joined hands with Guangxi Liugang Logistics to conduct bulk domestic steel transportation business, taking a step to build and upgrade into the inland hub port alongside Xi River. Gaoyao Port achieved an increase in break bulk cargo transportation volume by establishing an additional loading point in Yunfu to obtain more orders from manufacturers supplying goods to Hong Kong and exploring the emerging business for export of ceramics products from Northwest Guangdong. Kangzhou Port successfully introduced the domestic slag container transshipment business in Fujian and Guangxi, cooperated with several barge companies to carry out domestic waterway transfer business, and launched the break bulk marble shipment business.

The overall container handling volume in Foshan region was 166,000 TEU, which was almost the same as that of the corresponding period last year. During the period, the container handling volume of Foshan Gaoming Port was 157,000 TEU, representing a slight year-on-year increase of 1.7%. In addition to the rail-water union transportation, Foshan Gaoming Port also explored the steel coil business and recorded additional domestic container handling volume of 45,000 TEU. Meanwhile, the company pushed forward the cooperation with ZTO Express in respect of e-commerce logistics projects. The container handling volume of Qingyuan Port was 9,000 TEU, representing a year-on-year decrease of 22.4%.

REVIEW OF OPERATIONS *(Continued)*

I. TERMINAL NAVIGATION LOGISTICS BUSINESS *(Continued)*

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

Subsidiaries *(Continued)*

The overall container handling volume of Zhuhai region was 121,000 TEU, representing a year-on-year decrease of 17.9%. During the period, the container handling volume of Civet Port and Doumen Port was 90,000 TEU and 31,000 TEU respectively, representing a year-on-year decrease of 20.9% and 7.8% respectively. Seizing the business opportunities of the Hong Kong-Zhuhai-Macao Bridge freight transport, Civet Port and Doumen Port launched the Zhuhai-Hong Kong cross-border drop and pull transportation projects such as the "Road-Bridge Transportation (路橋通)" and "All-in-one Bridge Transportation (一橋通)", with an aim to explore the Zhuhai-Hong Kong cross-border transportation business. Civet Port extended the service chain of the cold chain business, achieving connection of the refrigerated warehouses with those in Hong Kong and Macao. Doumen Port expanded the air freight storage business to attract the establishment of collection and delivery points for cargoes from the HKIA.

Zhongshan Huangpu Port exerted proactive efforts on the exploration of various major clients such as Galanz and Hisense, and continued to enhance cooperation with major liners and freight forwarding companies in Shenzhen. The container handling volume for the period was 15,000 TEU, representing a year-on-year increase of 17.1%.

The container handling volume in Hong Kong region was 137,000 TEU, representing a year-on-year decrease of 19.9%. During the period, CKTL proactively pushed ahead the construction of the new godown and facilitated the transformation and upgrade of the existing godowns at Tuen Mun. Some warehouses of the godown at Tuen Mun have been renovated into public bonded warehouses in May of this year and were officially put into operation, which are expected to create lucrative revenue.

REVIEW OF OPERATIONS *(Continued)*

I. TERMINAL NAVIGATION LOGISTICS BUSINESS *(Continued)*

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

Joint Ventures and Associates

The terminals in Jiangmen region included Guangdong Sanbu Passenger and Freight Transportation Co., Ltd. and Heshan County Hekong Associated Forwarding Co., Ltd. Jiangmen region recorded a total container handling volume of 127,000 TEU, representing a year-on-year increase of 23.2%. During the period, Heshan Port recorded the container handling volume of 35,000 TEU, representing a year-on-year increase of 30.5%. Heshan Port gradually expanded its domestic trading business by cooperating with "COSCO SHIPPING" to successfully introduce bulk imported goods, and introduced high-yield goods such as rubber wood and frozen food for its foreign trade container transportation business. The container handling volume of Sanbu Port for the period was 91,000 TEU, representing a year-on-year increase of 20.6%. Sanbu Port joined hands with China Railway Guangzhou Group in developing the rail-water union transportation to improve the cargo transportation volume in the Southwest China region, and cooperated with large-scale liners to explore the ceramics cargo source business in the region.

REVIEW OF OPERATIONS *(Continued)*

I. TERMINAL NAVIGATION LOGISTICS BUSINESS *(Continued)*

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

Joint Ventures and Associates *(Continued)*

The three terminals in Foshan region, namely Foshan Nankong Terminal Co., Ltd., Chu Kong Cargo Terminals (Beicun) Co., Ltd. and Foshan New Port Ltd., achieved a total container handling volume of 146,000 TEU, representing a year-on-year decrease of 29.1%. Foshan Nankong Port recorded a container handling volume of 64,000 TEU during the period, representing a year-on-year increase of 3.6%. Nankong Port recorded increase in the throughput as a result of the launch of domestic trade container transportation business. Foshan Beicun Port recorded a container handling volume of 13,000 TEU during the period, representing a year-on-year increase of 43.0%. Beicun Port took measures to consolidate the traditional break cargo business, expand domestic trade container and factory trade business, extend the service chain to provide comprehensive logistics services so as to increase the handling volume at the terminal with the aim to further reduce its dependence on the import of renewable resources. As Foshan New Port was suspended due to the expropriation of lands for wharfs and buildings erected on the land, the container handling volume was only 68,000 TEU, representing a year-on-year decrease of 49.0%. All business operation of Sanshui Sangang Containers Wharf Co., Ltd. continued to be suspended under the environmental protection policies.

REVIEW OF OPERATIONS *(Continued)*

II. PASSENGER TRANSPORTATION BUSINESS

Business Operation Indicators

Performance statistics of the major business operations are as follows:

	For the six months ended 30th June		
	Number of Passengers (in thousands)		
Indicators	**2019**	2018	Change
Total number of passengers for agency services	**2,358**	3,468	–32.0%
Total number of passengers for terminal services	**2,247**	3,284	–31.6%

Subsidiaries

The passenger transportation business of the Group was impacted by several negative factors such as the gradual improvement of the land transportation system in the Guangdong-Hong Kong-Macao Greater Bay Area and the opening of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Hong Kong-Zhuhai-Macao Bridge and the Nansha Bridge. During the period, the total number of passengers for agency services of CKPT was 2,358,000, representing a year-on-year decrease of 32.0%; the number of passengers for terminal services was 2,247,000, representing a year-on-year decrease of 31.6%.

REVIEW OF OPERATIONS *(Continued)*

II. PASSENGER TRANSPORTATION BUSINESS *(Continued)*

Subsidiaries *(Continued)*

Regarding urban routes, being significantly affected by the gradual improvement of the highway and railway transportation network in the Guangdong-Hong Kong-Macao region, the total number of passengers for urban routes transportation for the period was 1,401,000, representing a year-on-year decrease of 38.3%. The Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Nansha Bridge which were opened recently have dealt a harsh blow to the business of Panyu, Nansha and Shunde routes. Affected by the diversion of the Hong Kong-Zhuhai-Macao Bridge, the number of passengers for urban routes transportation of Zhuhai and Zhongshan routes both recorded a decrease. Furthermore, reduction in sails for Shunde route due to insufficient transport capacity as a result of retirement of obsolete vessel also contributed to the decrease in passenger transportation volume.

Regarding airport routes, the number of passengers served during the period was 957,000, representing a year-on-year decrease of 20.2%. Given that outbound travel was affected by several factors such as the Sino-US trade war, worsening macro-economic environment in Mainland China and the depreciation of Renminbi, there was an overall decrease in the number of passengers of all routes. Among which, Zhuhai, Macao and Zhongshan routes recorded substantial decrease in the number of passengers due to the traffic diversion impact brought by the Hong Kong-Zhuhai-Macao Bridge which offers more convenient land transportation. Accordingly, the number of passengers arriving and departing from Hong Kong (air-sea transshipment) recorded the largest decrease. Nansha airport route recorded a growth of 17.0% for the period as the route continued to facilitate integrated operation within the region and launched additional flight.

REVIEW OF OPERATIONS *(Continued)*

II. PASSENGER TRANSPORTATION BUSINESS *(Continued)*

Subsidiaries *(Continued)*

In order to cope with the direct impact on the Group's core businesses from the opening of the Hong Kong-Zhuhai-Macao Bridge and the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Group took proactive measures to overcome the challenges and pushed ahead the airport strategy to mitigate the risks brought by the decrease in the traditional businesses. The airport strategy has started to show positive effects. During the period, the Group won the bids for the baggage self-service consignment project of the departure level of Terminal 1 of the HKIA and the new business license for the Skypier at the HKIA. Speeding up efforts to improve the deployment of domestic lounges for the HKIA, the Group aims to transform into a comprehensive passenger transportation provider in the Greater Bay Area offering both waterway and road transportation services. The Group adjusted the sails and routes based on market conditions and passenger needs, including increasing the sails for Nansha route, adjusting the berthing arrangement of Zhuhai route and extending the service hours of the sails. CKPT joined hands with Sunwah Group to launch Guangzhou Huangpu route, in an effort to create new business growth driver. CKPT assisted the ship owners to invest and build new high-speed carbon fiber ferries, with an aim to set up a benchmark ferry fleet. It stepped up efforts to build its passenger transportation brand, improved service training and set up additional self-service facilities at the terminals, so as to promote its passenger transportation services and enhance traveling experience of the tourists.

II. PASSENGER TRANSPORTATION BUSINESS *(Continued)*

Subsidiaries *(Continued)*

The Group made breakthrough progress in tourism business as the sightseeing cruise ship under the name of "Oriental Pearl" owned by Cotai Chu Kong Shipping Management Services Company Limited ("Cotai Shipping") had entered into the phase of vessel decoration, equipment commissioning and staff training. During the period, Cotai Shipping vigorously pushed ahead the progress of the project, stepped up efforts in various preliminary preparation works such as staff recruitment, registration of its official website and development of the advertisement campaign proposal, and negotiated with several local catering suppliers regarding cooperation for onboard catering services. It is expected that the sightseeing cruise ship will be put into operation in the second half of the year.

Joint Ventures and Associates

The number of passengers served by each joint venture and associate recorded decrease to different extent due to the combined impact from the opening of the Guangzhou-Shenzhen-Hong Kong Express Rail Link, the Hong Kong-Zhuhai-Macao Bridge and the Nansha Bridge. During the period, the number of passengers served by SkyPier (operated by Hong Kong International Airport Ferry Terminal Services Limited) recorded a year-on-year decrease of 20.8%. The total number of passengers of Zhongshan – Hong Kong Passenger Shipping Co-op Co. Ltd. ("ZHPS") and Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd. ("SGPT") decreased by 19.3% and 43.4% respectively.

The shuttle bus business for the Hong Kong-Zhuhai-Macao Bridge jointly operated by Hong Kong-Zhuhai-Macao Bridge Shuttle Bus Co., Ltd., an associate of the Group, recorded a passenger volume of 8,503,000 during the period, maintaining a growth momentum in the overall passenger volume. While continuing to generate strong social and economic benefits, the business contributed a profit of HK$2,890,000 to the Group.

REVIEW OF OPERATIONS *(Continued)*

III. FUEL SUPPLY BUSINESS

As to the fuel supply business, diesel sales of Sun Kong Petroleum Company Limited ("Sun Kong Petroleum") decreased due to the opening of the Guangzhou-Shenzhen-Hong Kong Express Rail Link and the Hong Kong-Zhuhai-Macao Bridge, which led to less consumption from the passenger ferries. During the period, Sun Kong Petroleum recorded a sales volume of 53,000 tons for diesel, representing a decrease of 11.7% as compared to the corresponding period last year. The sales volume of engine oil was 293,000 litres, increasing by 27.9% over the corresponding period last year. Due to the slight decrease in international oil price, Sun Kong Petroleum recorded an increase in gross profit margin.

IV. CORPORATE AND OTHER BUSINESSES

As to the corporate and other businesses, the Company entered into the sales and purchase agreement with Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE") on 28th June 2019, pursuant to which the Company agreed to sell the whole 23rd floor of the property located at Chu Kong Shipping Tower, 143 Connaught Road Central, Hong Kong to CKSE at a consideration of HK$60,400,000. The transaction was completed during the period and recorded a gain from the disposal of approximately HK$55,751,000.

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 closely monitored its working capital and financial resources to maintain a solid financial position. As at 30th June 2019, the Group secured a total credit facilities of HK$1,184,000,000 and RMB260,000,000 (equivalent to approximately HK$295,555,000) (31st December 2018: HK$975,000,000 and RMB260,000,000 (equivalent to approximately HK$296,736,000)) granted by bona fide banks.

As at 30th June 2019, the current ratio of the Group, representing current assets divided by current liabilities, was 2.0 (31st December 2018: 2.3).

As at 30th June 2019, the Group's cash and cash equivalents amounted to HK$1,001,994,000 (31st December 2018: HK$905,330,000), which represented 21.8% (31st December 2018: 20.9%) of the total assets.

As at 30th June 2019, the gearing ratio of the Group, representing bank borrowings divided by total equity and bank borrowings, was 7.1% (31st December 2018: 7.3%) and the debt ratio, representing total liabilities divided by total assets, was 26.0% (31st December 2018: 22.3%).

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 2019**	As at 31st December 2018
Banks located in Hong Kong *(Note 1)*		
—Hong Kong Dollar	**100,000,000**	100,000,000
Banks located in China *(Note 2)*		
—Renminbi	**141,070,000 (equivalent to approximately HK$160,361,000)**	142,815,000 (equivalent to approximately HK$162,994,000)

Notes:

1. The loans from banks located in Hong Kong as at 30th June 2019 was bearing floating interest rate and unsecured. The relevant terms of which are identical with those set out in 2018 Annual Report.

2. The loans from banks located in China on 30th June 2019 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 2018 Annual Report.

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

CURRENCY STRUCTURE

As at 30th June 2019, 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, Macao pataca and Euro.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

Save as disclosed in this interim report, the Group had no other material acquisition or disposal of any subsidiaries, joint ventures and associates for the six months ended 30th June 2019.

SIGNIFICANT INVESTMENT

Save as disclosed in this interim report, the Group had no other significant investment for the six months ended 30th June 2019.

CONTINGENT LIABILITIES

As at 30th June 2019, the Group had no material contingent liabilities.

EMPLOYEES AND REMUNERATION

As at 30th June 2019, the Group employed 1,850 employees (30th June 2018: 1,916) 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 2019 amounted to HK$180,233,000 (30th June 2018: HK$186,146,000), 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

As at 30th June 2019, 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 2019, the changes of share options granted under the Share Option Scheme are as follows:

				Number of shares involved under share options					
Incentive Objects	Date of Grant	Exercise Price per Share Option (HK$) *(Note 1)*	Exercise Period	Held on 1st January 2019 *(Note 2)*	Granted during the Period	Exercised during the Period	Lapsed during the Period	Cancelled during the Period	Held on 30th June 2019
Staff of the Group	18th December 2015	2.33	19th December 2017 to 18th December 2024	1,681,038	–	–	(1,681,038) *(Note 3)*	–	–
Total				1,681,038	–	–	(1,681,038)	–	–

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 2019.

3. During the period, share options entitling the holders to subscribe for 1,681,038 ordinary shares were lapsed due to failure to reach the performance indicators, employees' resignation, retirement or other reasons.

EQUITY-LINKED AGREEMENT *(Continued)*

Share Option Scheme *(Continued)*

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 98,608,000 shares, representing approximately 8.8% 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 2019, 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:

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

Ordinary shares of the Company

Name of Shareholder	Capacity/Nature of interest	Number of Shares *(Note 1)*	Percentage of shareholding *(Note 2)*
(i) CKSE *(Note 3)*	Beneficial owner	784,817,520 (L)	70.0%
(ii) Guangdong Province Navigation Group Company Limited ("GNG") *(Note 3)*	Interest of controlled corporation	784,817,520 (L)	70.0%

Notes:

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

2. Percentage of shareholding is calculated on the basis of 1,121,166,885 issued shares of the Company as at 30th June 2019.

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.

Save as disclosed above, on 30th June 2019, 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.

INTERIM DIVIDEND

On 27th August 2019, the Board declared an interim dividend of HK3 cents per ordinary share (2018 interim dividend: HK3 cents) for the year ending 31st December 2019.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 18th September 2019 (Wednesday) to 20th September 2019 (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 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 17th September 2019 (Tuesday) for registration. Interim dividend will be payable on or before 15th October 2019 (Tuesday).

REVIEW BY AUDIT COMMITTEE

The Company's Audit Committee and the Company's independent auditors have reviewed the Group's unaudited consolidated interim financial information for the six months ended 30th June 2019.

This interim financial results of the Group for the six months ended 30th June 2019 has not been audited but prepared in accordance with HKAS 34 *Interim Financial Reporting* and reviewed by the independent external auditors, KPMG, 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 20th June 2019 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.

DIRECTORS

The Company is not aware of any change in the information of directors of the Company required to be disclosed pursuant to Rule 13.51B of the Listing Rules during the period since 31st December 2018.

As at the date of this report, the Company's executive directors are Mr. Huang Liezhang, Mr. Wu Qiang, 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
Wu Qiang
Managing Director

Hong Kong, 27th August 2019

KPMG

REVIEW REPORT 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 interim financial report set out on pages 28 to 75 which comprises the consolidated statement of financial position of Chu Kong Shipping Enterprises (Group) Company Limited (the "Company") and its subsidiaries (together as the "Group") as of 30th June 2019 and the related consolidated statement of profit or loss, statement of profit or loss and other comprehensive income and statement of changes in equity and condensed consolidated cash flow statement for the six month period then ended and explanatory notes. The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited require the preparation of an interim financial report 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 are responsible for the preparation and presentation of the interim financial report in accordance with Hong Kong Accounting Standard 34.

Our responsibility is to form a conclusion, based on our review, on the interim financial report and to report our conclusion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

SCOPE OF REVIEW

We conducted our review in accordance with Hong Kong Standard on Review Engagements 2410, *Review of interim financial information performed by the independent auditor of the entity*, issued by the Hong Kong Institute of Certified Public Accountants. A review of the interim financial report consists of making enquiries, 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 interim financial report as at 30th June 2019 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting.*

Certified Public Accountants

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

27th August 2019

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June 2019

(Expressed in Hong Kong dollars)

	Note	**As at 30th June 2019 HK$'000**	As at 31st December 2018 *(note)* HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	**1,705,130**	1,664,039
Investment property	7	**4,629**	4,658
Land use rights	7	**400,055**	409,130
Intangible assets		**43,817**	44,112
Investments in joint ventures		**423,651**	414,379
Investments in associates		**143,738**	137,823
Deposits		**3,966**	4,778
Deferred income tax assets		**4,927**	4,840
		2,729,913	2,683,759
Current assets			
Inventories		**5,082**	1,265
Trade and other receivables	8	**512,405**	407,301
Loans to joint ventures and fellow subsidiaries	9	**12,845**	13,189
Structured bank deposits	10	**336,478**	320,703
Cash and cash equivalents		**1,001,994**	905,330
		1,868,804	1,647,788
Total assets		**4,598,717**	4,331,547
EQUITY			
Share capital	11	**1,415,118**	1,415,118
Reserves		**1,707,103**	1,663,934
		3,122,221	3,079,052
Non-controlling interests		**283,080**	287,410
Total equity		**3,405,301**	3,366,462

UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

At 30th June 2019

(Expressed in Hong Kong dollars)

	Note	**As at 30th June 2019 HK$'000**	As at 31st December 2018 *(note)* HK$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**84,500**	85,141
Deferred income		**7,959**	10,064
Lease liabilities	3	**31,866**	–
Long term borrowings	12	**153,432**	159,011
		277,757	254,216
Current liabilities			
Trade payables, accruals and other payables	13	**616,240**	515,308
Dividend payable		**72,870**	–
Loan from a third party	14	**–**	1,004
Amounts due to the non-controlling interests of subsidiaries	15	**82,091**	82,145
Income tax payables		**16,058**	8,429
Lease liabilities	3	**21,471**	–
Current portion of long term borrowings	12	**106,929**	103,983
		915,659	710,869
Total liabilities		**1,193,416**	965,085
Total equity and liabilities		**4,598,717**	4,331,547
Net current assets		**953,145**	936,919
Total assets less current liabilities		**3,683,058**	3,620,678

Note:

The Group has initially applied HKFRS 16 at 1st January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 37 to 75 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30th June 2019

(Expressed in Hong Kong dollars)

	Note	**Six months ended 30th June 2019 HK$'000**	Six months ended 30th June 2018 *(note)* HK$'000
Revenue	6	**1,088,691**	1,225,388
Cost of services rendered		**(949,195)**	(1,015,561)
Gross profit		**139,496**	209,827
Other income		**42,264**	26,326
Other gains – net	16	**56,614**	58,318
General and administrative expenses		**(132,343)**	(150,285)
Operating profit	17	**106,031**	144,186
Finance income		**10,974**	9,260
Finance cost		**(6,534)**	(4,460)
Share of profits less losses of:			
– Joint ventures	18	**13,461**	23,996
– Associates	18	**6,360**	7,658
Profit before income tax		**130,292**	180,640
Income tax expense	19	**(12,189)**	(19,413)
Profit for the period		**118,103**	161,227
Attributable to:			
Equity holders of the Company		**116,373**	161,955
Non-controlling interests		**1,730**	(728)
Profit for the period		**118,103**	161,227
Earnings per share (HK cents)			
Basic	21	**10.38**	14.70
Diluted	21	**10.38**	14.70

UNAUDITED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June 2019

(Expressed in Hong Kong dollars)

	Note	**Six months ended 30th June 2019 HK$'000**	Six months ended 30th June 2018 *(note)* HK$'000
Profit for the period		**118,103**	161,227
Other comprehensive loss for the period:			
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		**(4,787)**	(10,737)
– Joint ventures and associates		**(1,607)**	(4,601)
Other comprehensive loss for the period, with HK$Nil tax effect		**(6,394)**	(25,607)
Total comprehensive income for the period		**111,709**	135,620
Attributable to:			
Equity holders of the Company		**110,439**	137,647
Non-controlling interests		**1,270**	(2,027)
Total comprehensive income for the period		**111,709**	135,620

Note:

The Group has initially applied HKFRS 16 at 1st January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 37 to 75 form part of this interim financial report.

UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2019

(Expressed in Hong Kong dollars)

	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 CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

For the six months ended 30th June 2019

(Expressed in Hong Kong dollars)

	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 July 2018	1,376,295	69,609	23,009	167,717	(771,019)	2,220,072	3,085,683	296,571	3,382,254
Profit for the period	–	–	–	–	–	64,117	64,117	(2,789)	61,328
Other comprehensive income:									
Release of currency translation differences upon disposal of joint ventures and an associate	–	(5,420)	–	–	–	–	(5,420)	–	(5,420)
Currency translation differences									
– Subsidiaries	–	(52,908)	–	–	–	–	(52,908)	(5,095)	(58,003)
– Joint ventures and associates	–	(16,897)	–	–	–	–	(16,897)	(1,277)	(18,174)
Transfer of reserves	–	–	–	–	1,570	(1,570)	–	–	–
Total comprehensive income for the period	–	(75,225)	–	–	1,570	62,547	(11,108)	(9,161)	(20,269)
Transactions with owners:									
Forfeiture of share option	–	–	–	–	(711)	–	(711)	–	(711)
2018 interim dividend	–	–	–	–	–	(33,635)	(33,635)	–	(33,635)
Shares issued in lieu of scrip dividend	38,823	–	–	–	–	–	38,823	–	38,823
At 31st December 2018 *(Note)*	1,415,118	(5,616)	23,009	167,717	(770,160)	2,248,984	3,079,052	287,410	3,366,462

Note: The Group has initially applied HKFRS 16 at 1st January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

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

For the six months ended 30th June 2019

(Expressed in Hong Kong dollars)

	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 2019	1,415,118	(5,616)	23,009	167,717	(770,160)	2,248,984	3,079,052	287,410	3,366,462
Profit for the period	–	–	–	–	–	116,373	116,373	1,730	118,103
Other comprehensive income:									
Currency translation differences									
– Subsidiaries	–	(4,452)	–	–	–	–	(4,452)	(335)	(4,787)
– Joint ventures and associates	–	(1,482)	–	–	–	–	(1,482)	(125)	(1,607)
Total comprehensive income for the period	–	(5,934)	–	–	–	116,373	110,439	1,270	111,709
Transaction with owners:									
2018 final dividend	–	–	–	–	–	(67,270)	(67,270)	–	(67,270)
Dividend to non-controlling interests	–	–	–	–	–	–	–	(5,600)	(5,600)
At 30th June 2019	1,415,118	(11,550)	23,009	167,717	(770,160)	2,298,087	3,122,221	283,080	3,405,301

The notes on pages 37 to 75 form part of this interim financial report.

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2019

(Expressed in Hong Kong dollars)

	Note	**Six months ended 30th June 2019 HK$'000**	Six months ended 30th June 2018 *(note)* HK$'000
Cash flows from operating activities			
Profit before income tax		**130,292**	180,640
Adjustments for:			
Depreciation and amortisation	17	**64,743**	51,015
Finance costs		**6,534**	4,460
Finance income		**(10,974)**	(9,260)
Gain on disposals on property, plant and equipment	16	**(56,056)**	(247)
Gain on disposal of subsidiaries	16	**–**	(54,034)
Share of profit of joint ventures and associates	18	**(19,821)**	(31,654)
Other operating activities		**(1,601)**	1,697
Changes in working capital:			
Increase in trade and other receivables		**(105,044)**	(54,622)
Increase/(decrease) in trade payables, accruals and other payables		**100,932**	(23,660)
Cash generated from operations		**109,005**	64,335
Income tax paid		**(5,159)**	(7,119)
Net cash generated from operating activities		**103,846**	57,216
Cash flows from investing activities			
Purchase of property, plant and equipment		**(43,877)**	(44,219)
Proceeds from sales of property, plant and equipment		**61,872**	1,107
(Increase)/decrease in structured bank deposits		**(15,775)**	74,725
Consideration received for disposal of subsidiaries		**–**	26,632
Interest received		**10,974**	9,260
Cash received from capital refund of a joint venture		**–**	4,985
Other investing activities		**–**	4,406
Net cash generated from investing activities		**13,194**	76,896

UNAUDITED CONDENSED CONSOLIDATED CASH FLOW STATEMENT *(Continued)*

For the six months ended 30th June 2019

(Expressed in Hong Kong dollars)

	Note	**Six months ended 30th June 2019 HK$'000**	Six months ended 30th June 2018 *(note)* HK$'000
Cash flows from financing activities			
Interest paid		**(6,534)**	(4,460)
Repayment of bank loans		**(1,984)**	(52,070)
Repayment of loan from a third party		**(1,004)**	–
Capital element of lease rentals paid		**(10,854)**	–
Interest element of lease rentals paid		**(956)**	–
Net cash used in financing activities		**(21,332)**	(56,530)
Net increase in cash and cash equivalents		**95,708**	77,582
Cash and cash equivalents at the beginning of the period		**905,330**	769,152
Effect of exchange rate changes		**956**	(7,748)
Cash and cash equivalents at the end of the period		**1,001,994**	838,986

Note: The Group has initially applied HKFRS 16 at 1st January 2019 using the modified retrospective approach. Under this approach, comparative information is not restated. See note 3.

The notes on pages 37 to 75 form part of this interim financial report.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

1 GENERAL INFORMATION

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

The Company and its subsidiaries (collectively referred to as the "Group") are mainly engaged in provision of management and other related services to high-speed waterway passenger transportation in Guangdong, Hong Kong and Macao; the operation and management of river trade cargo terminals in the Mainland China and Hong Kong; and cargo transportation, warehousing and storage businesses.

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

2 BASIS OF PREPARATION

This interim financial report has been prepared in accordance with the applicable disclosure provisions of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, including compliance with Hong Kong Accounting Standard (HKAS) 34, *Interim financial reporting*, issued by the Hong Kong Institute of Certified Public Accountants (HKICPA). It was authorised for issue on 27th August 2019.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2018 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2019 annual financial statements. Details of any changes in accounting policies are set out in note 3.

The preparation of an interim financial report in conformity with HKAS 34 requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses on a year to date basis. Actual results may differ from these estimates.

2 BASIS OF PREPARATION *(Continued)*

This interim financial report contains condensed consolidated financial statements and selected explanatory notes. The notes include an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the Group since the 2018 annual financial statements. The condensed consolidated interim financial statements and notes thereon do not include all of the information required for a full set of financial statements prepared in accordance with HKFRSs.

The interim financial report is unaudited, but has been reviewed by KPMG 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 HKICPA. KPMG's independent review report to the Board of Directors is included on page 26.

The financial information relating to the financial year ended 31st December 2018 that is included in the interim financial report as being previously reported information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. The predecessor auditor, PricewaterhouseCoopers, has expressed an unqualified opinion on those financial statements in its report dated 27th March 2019, and its report did not include a reference to any matters to which the predecessor auditor drew attention by way of emphasis without qualifying its report; and did not contain a statement under section 406(2), 407(2) or (3) of the Companies Ordinance.

The Company has delivered the financial statements for the year ended 31st December 2018 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

3 ACCOUNTING POLICIES

The HKICPA has issued a new HKFRS, HKFRS 16, *Leases*, and a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

Except for HKFRS 16, *Leases*, none of the developments have had a material effect on how the Group's results and financial position for the current or prior periods have been prepared or presented in this interim financial report. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

HKFRS 16, *Leases*

HKFRS 16 replaces HKAS 17, *Leases*, and the related interpretations, HK(IFRIC) 4, *Determining whether an arrangement contains a lease*, HK(SIC) 15, *Operating leases – incentives*, and HK(SIC) 27, *Evaluating the substance of transactions involving the legal form of a lease*. It introduces a single accounting model for lessees, which requires a lessee to recognise a right-of-use asset and a lease liability for all leases, except for leases that have a lease term of 12 months or less ("short-term leases") and leases of low value assets. The lessor accounting requirements are brought forward from HKAS 17 substantially unchanged.

The Group has initially applied HKFRS 16 as from 1st January 2019. The Group has elected to use the modified retrospective approach and has therefore recognised the cumulative effect of initial application as an adjustment to the opening balance of equity at 1st January 2019. Comparative information has not been restated and continues to be reported under HKAS 17.

3 ACCOUNTING POLICIES *(Continued)*

HKFRS 16, *Leases* *(Continued)*

Further details of the nature and effect of the changes to previous accounting policies and the transition options applied are set out below:

(a) Changes in the accounting policies

(i) New definition of a lease

The change in the definition of a lease mainly relates to the concept of control. HKFRS 16 defines a lease on the basis of whether a customer controls the use of an identified asset for a period of time, which may be determined by a defined amount of use. Control is conveyed where the customer has both the right to direct the use of the identified asset and to obtain substantially all of the economic benefits from that use.

The Group applies the new definition of a lease in HKFRS 16 only to contracts that were entered into or changed on or after 1st January 2019. For contracts entered into before 1st January 2019, the Group has used the transitional practical expedient to grandfather the previous assessment of which existing arrangements are or contain leases.

Accordingly, contracts that were previously assessed as leases under HKAS 17 continue to be accounted for as leases under HKFRS 16 and contracts previously assessed as non-lease service arrangements continue to be accounted for as executory contracts.

3 ACCOUNTING POLICIES *(Continued)*

HKFRS 16, *Leases* (Continued)

(a) Changes in the accounting policies (Continued)

(ii) Lessee accounting

HKFRS 16 eliminates the requirement for a lessee to classify leases as either operating leases or finance leases, as was previously required by HKAS 17. Instead, the Group is required to capitalise all leases when it is the lessee, including leases previously classified as operating leases under HKAS 17, other than those short-term leases and leases of low-value assets. As far as the Group is concerned, these newly capitalised leases are primarily in relation to property, plant and equipment as disclosed in note 7.

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

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

3 ACCOUNTING POLICIES *(Continued)*

HKFRS 16, *Leases* *(Continued)*

(a) Changes in the accounting policies *(Continued)*

(ii) Lessee accounting (Continued)

The right-of-use asset is subsequently stated at cost less accumulated depreciation and impairment losses.

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

(iii) Leasehold investment property

Under HKFRS 16, the Group is required to account for all leasehold properties as investment properties when these properties are held to earn rental income and/or for capital appreciation ("leasehold investment properties"). The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements as the Group previously elected to apply HKAS 40, Investment properties, to account for all of its leasehold properties that were held for investment purposes as at 31st December 2018. Consequentially, these leasehold investment properties continue to be carried at cost less accumulated depreciation and impairment losses.

3 ACCOUNTING POLICIES *(Continued)*

HKFRS 16, *Leases* *(Continued)*

(a) Changes in the accounting policies *(Continued)*

(iv) Lessor accounting

The accounting policies applicable to the Group as a lessor remain substantially unchanged from those under HKAS 17.

Under HKFRS 16, when the Group acts as an intermediate lessor in a sublease arrangement, the Group is required to classify the sublease as a finance lease or an operating lease by reference to the right-of-use asset arising from the head lease, instead of by reference to the underlying asset. The adoption of HKFRS 16 does not have a significant impact on the Group's financial statements in this regard.

(b) Critical accounting judgements and sources of estimation uncertainty in applying the above accounting policies

Determining the lease term

As explained in the above accounting policies, the lease liability is initially recognised at the present value of the lease payments payable over the lease term. In determining the lease term at the commencement date for leases that include renewal options exercisable by the Group, the Group evaluates the likelihood of exercising the renewal options taking into account all relevant facts and circumstances that create an economic incentive for the Group to exercise the option, including favourable terms, leasehold improvements undertaken and the importance of that underlying asset to the Group's operation. The lease term is reassessed when there is a significant event or significant change in circumstance that is within the Group's control. Any increase or decrease in the lease term would affect the amount of lease liabilities and right-of-use assets recognised in future years.

3 ACCOUNTING POLICIES *(Continued)*

HKFRS 16, *Leases* *(Continued)*

(c) Transitional impact

At the date of transition to HKFRS 16 (i.e. 1st January 2019), the Group determined the length of the remaining lease terms and measured the lease liabilities for the leases previously classified as operating leases at the present value of the remaining lease payments, discounted using the relevant incremental borrowing rates at 1st January 2019. The weighted average of the incremental borrowing rates used for determination of the present value of the remaining lease payments was 3% for leases denominated in Hong Kong Dollar and 5% for leases denominated in Renminbi.

To ease the transition to HKFRS 16, the Group applied the following recognition exemption and practical expedients at the date of initial application of HKFRS 16:

(i) the Group elected not to apply the requirements of HKFRS 16 in respect of the recognition of lease liabilities and right-of-use assets to leases for which the remaining lease term ends within 12 months from the date of initial application of HKFRS 16, i.e. where the lease term ends on or before 31st December 2019; and

(ii) when measuring the lease liabilities at the date of initial application of HKFRS 16, the Group applied a single discount rate to a portfolio of leases with reasonably similar characteristics (such as leases with a similar remaining lease term for a similar class of underlying asset in a similar economic environment).

3 ACCOUNTING POLICIES *(Continued)*

HKFRS 16, *Leases* *(Continued)*

(c) *Transitional impact* *(Continued)*

The following table reconciles the operating lease commitments as disclosed in note 22(b) as at 31st December 2018 to the opening balance for lease liabilities recognised as at 1st January 2019:

	As at 1st January 2019 HK$'000
Operating lease commitments at 31st December 2018	**77,526**
Less: commitments relating to leases exempt from capitalisation:	
– short-term leases and other leases with remaining lease term ending on or before 31st December 2019	**(21,360)**
Add: lease payments for the additional periods where the Group considers it reasonably certain that it will exercise the extension options	**8,279**
	64,445
Less: total future interest expenses	**(3,256)**
Total lease liabilities recognised at 1st January 2019	**61,189**

The right-of-use assets in relation to leases previously classified as operating leases have been recognised at an amount equal to the amount recognised for the remaining lease liabilities, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the consolidated statement of financial position at 31st December 2018.

So far as the impact of the adoption of HKFRS 16 on leases previously classified as finance leases is concerned, the Group is not required to make any adjustments at the date of initial application of HKFRS 16. There is no impact on the opening balance of equity.

3 ACCOUNTING POLICIES *(Continued)*

HKFRS 16, *Leases* *(Continued)*

(c) Transitional impact *(Continued)*

The Group presents right-of-use assets that do not meet the definition of investment property in 'Property, plant and equipment' and presents lease liabilities separately in the statement of financial position.

The following table summarises the impacts of the adoption of HKFRS 16 on the Group's consolidated statement of financial position:

	Carrying amount at 31st December 2018 HK$'000	Capitalisation of operating lease contracts HK$'000	Carrying amount at 1st January 2019 HK$'000
Line items in the consolidated statement of financial position impacted by the adoption of HKFRS 16:			
Property, plant and equipment	1,664,039	61,189	1,725,228
Total non-current assets	2,683,759	61,189	2,744,948
Lease liabilities (current)	–	22,621	22,621
Current liabilities	710,869	22,621	733,490
Net current assets	936,919	(22,621)	914,298
Total assets less current liabilities	3,620,678	38,568	3,659,246
Lease liabilities (non-current)	–	38,568	38,568
Total non-current liabilities	254,216	38,568	292,784
Net assets	3,366,462	–	3,366,462

3 ACCOUNTING POLICIES *(Continued)*

HKFRS 16, *Leases* *(Continued)*

(c) Transitional impact *(Continued)*

The analysis of the net book value of the Group's right-of-use assets by class of underlying asset at the end of the reporting period and at the date of transition to HKFRS 16 is as follows:

	As at 30th June 2019 HK$'000	As at 31st December 2018 HK$'000
Included in "Property, plant and equipment" at depreciated cost:		
Land and buildings	**52,979**	61,189

3 ACCOUNTING POLICIES *(Continued)*

HKFRS 16, *Leases* *(Continued)*

(d) Lease liabilities

The remaining contractual maturities of the Group's lease liabilities at the end of the reporting period and at the date of transition to HKFRS 16 are as follows:

	At 30th June 2019		At 1st January 2019	
	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000	Present value of the minimum lease payments HK$'000	Total minimum lease payments HK$'000
Within 1 year	21,471	22,830	22,621	23,038
After 1 year but within 2 years	15,133	15,893	16,861	17,695
After 2 years but within 5 years	16,733	17,079	21,707	23,712
	31,866	32,972	38,568	41,407
	53,337	55,802	61,189	64,445
Less: total future interest expenses		(2,465)		(3,256)
Present value of lease liabilities		53,337		61,189

3 ACCOUNTING POLICIES *(Continued)*

HKFRS 16, *Leases* *(Continued)*

(e) Impact on the financial result, segment results and cash flows of the Group

After the initial recognition of right-of-use assets and lease liabilities as at 1st January 2019, the Group as a lessee is required to recognise interest expense accrued on the outstanding balance of the lease liability, and the depreciation of the right-of-use asset, instead of the previous policy of recognising rental expenses incurred under operating leases on a straight-line basis over the lease term. This results in a negative impact on the reported profit from operations in the Group's consolidated statement of profit or loss, as compared to the results if HKAS 17 had been applied during the year. There is no material impact to the interim financial report in the current period.

In the cash flow statement, the Group as a lessee is required to split rentals paid under capitalised leases into their capital element and interest element. These elements are classified as financing cash outflows, similar to how leases previously classified as finance leases under HKAS 17 were treated, rather than as operating cash outflows, as was the case for operating leases under HKAS 17. Although total cash flows are unaffected, the adoption of HKFRS 16 therefore results in a significant change in presentation of cash flows within the cash flow statement.

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 2018.

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

(b) 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.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS *(Continued)*

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 2018.

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.

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 2019						
Total revenue	680,487	209,660	67,103	275,080	15,375	1,247,705
Inter-segment revenue	(49,594)	(75,212)	–	(27,658)	(6,550)	(159,014)
Revenue (from external customers)	630,893	134,448	67,103	247,422	8,825	1,088,691
Segment profit before income tax expense	10,079	25,098	32,120	8,453	54,542	130,292
Income tax expense	(2,902)	(3,404)	(2,422)	(1,210)	(2,251)	(12,189)
Segment profit after income tax expense	7,177	21,694	29,698	7,243	52,291	118,103
Segment profit before income tax expense includes:						
Finance income	898	386	399	197	9,094	10,974
Finance cost	(539)	(4,301)	(222)	(18)	(1,454)	(6,534)
Depreciation and amortisation	(6,997)	(52,143)	(1,396)	(1,422)	(2,785)	(64,743)
Share of profits less losses of:						
Joint ventures	984	2,070	10,407	–	–	13,461
Associates	–	2,110	4,250	–	–	6,360
Gain on disposal of owner-occupied property	–	–	–	–	55,751	55,751

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 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

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

(a) Right-of-use assets

As discussed in note 3, the Group has initially applied HKFRS 16 using the modified retrospective method and adjusted the opening balances at 1st January 2019 to recognise right-of-use assets relating to leases which were previously classified as operating leases under HKAS 17. Further details on the net book value of the Group's right-of-use assets by class of underlying asset are set out in note 3.

7 PROPERTY, PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND LAND USE RIGHTS *(Continued)*

(a) Right-of-use assets *(Continued)*

During the six months ended 30th June 2019, the Group entered into certain lease agreements for land and buildings, and therefore recognised the additions to right-of-use assets of HK$3,012,000.

(b) Acquisitions and disposals

During the six months ended 30th June 2019, the Group acquired items of plant and machinery with a cost of HK$43,877,000 (six months ended 30th June 2018: HK$44,219,000). Items with aggregated net book value of HK$5,816,000 were disposed of during the six months ended 30th June 2019 (six months ended 30th June 2018: HK$860,000), resulting in a gain on disposal of HK$56,056,000 (six months ended 30th June 2018: gain of HK$247,000).

Material disposal included the disposal of 23/F of Chu Kong Shipping Tower, an owner-occupied property with a carrying amount of HK$4,649,000 at the date of disposal, at a consideration of HK$60,400,000 to Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE"), the immediate holding company. The gain on disposal of HK$55,751,000 was included in "Other gains – net".

8 TRADE AND OTHER RECEIVABLES

	As at 30th June 2019 HK$'000	As at 31st December 2018 HK$'000
Trade receivables:		
– third parties	**288,215**	209,019
– joint ventures and associates	**10,228**	5,616
– fellow subsidiaries	**24,883**	18,174
– other related companies	**13,077**	15,416
Trade receivables, net (note (a)):	**336,403**	248,225
Other receivables:		
– third parties	**107,064**	91,985
– immediate holding company (note (b))	**11,421**	11,223
– fellow subsidiaries (note (b))	**39,842**	32,071
– joint ventures and associates (note (b))	**17,675**	23,797
	176,002	159,076
Total trade and other receivables	**512,405**	407,301

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 2019 HK$'000	As at 31st December 2018 HK$'000
Within 3 months	**304,244**	217,763
4 to 6 months	**23,596**	24,540
7 to 12 months	**6,529**	2,929
Over 12 months	**6,769**	7,788
	341,138	253,020
Less: loss allowance	**(4,735)**	(4,795)
	336,403	248,225

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.

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

9 LOANS TO JOINT VENTURES AND FELLOW SUBSIDIARIES

As at 30th June 2019 and 31st December 2018, loans to joint ventures and fellow subsidiaries of the Group are repayable within twelve months.

	As at 30th June 2019 HK$'000	As at 31st December 2018 HK$'000
Unsecured loans		
– interest-free (note (a))	**4,178**	4,495
– at floating rate (note (b))	**8,667**	8,694
	12,845	13,189

Notes:

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

(b) 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 2018: base lending rate announced by the PBOC).

10 STRUCTURED BANK DEPOSITS

As at 30th June 2019 and 31st December 2018, all the Group's structured bank deposits were principal-protected and placed with PRC banks. These deposits are financial assets 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 2019 and 31st December 2018	1,121,167	1,415,118

12 BORROWINGS

	As at 30th June 2019 HK$'000	As at 31st December 2018 HK$'000
Long term bank loans		
– secured	**160,361**	162,994
– unsecured	**100,000**	100,000
	260,361	262,994
Less: current portion	**(106,929)**	(103,983)
	153,432	159,011

The secured bank loans at 30th June 2019 were secured by certain land use rights and property, plant and equipment of the Group. The secured bank loans are 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 2.0% to 2.6% (31st December 2018: 3.2%) per annum.

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

13 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	As at 30th June 2019 HK$'000	As at 31st December 2018 HK$'000
Trade payables (note (a) and (b)):		
– third parties	**267,313**	210,283
– immediate holding company	**35,191**	34,173
– fellow subsidiaries	**3,270**	5,660
– joint ventures and associates	**6,587**	17,572
– other related companies	**2,219**	3,568
	314,580	271,256
Accruals and other payables:		
– third parties	**166,068**	207,085
– immediate holding company (note (b))	**6,580**	653
– fellow subsidiaries (note (b))	**33,900**	4,286
– joint ventures and associates (note (b))	**85,763**	19,521
– other related companies (note (b))	**1,032**	809
Contract liabilities	**8,317**	11,698
	301,660	244,052
	616,240	515,308

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

Notes:

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

	As at 30th June 2019 HK$'000	As at 31st December 2018 HK$'000
Within 3 months	**313,117**	269,840
4 to 6 months	**166**	23
7 to 12 months	**74**	225
Over 12 months	**1,223**	1,168
	314,580	271,256

(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 A THIRD PARTY

	As at 30th June 2019 HK$'000	As at 31st December 2018 HK$'000
Unsecured loan		
– interest-free (note (a))	**–**	1,004

Note:

(a) The loan is denominated in RMB, unsecured and repayable on demand. The amount has been repaid during the six months ended 30th June 2019.

15 AMOUNTS DUE TO THE NON-CONTROLLING INTERESTS

	As at 30th June 2019 HK$'000	As at 31st December 2018 HK$'000
Unsecured loans		
– interest-free (note (a))	**68,450**	68,450
– at floating rates (note (b))	**13,641**	13,695
	82,091	82,145

Notes:

(a) The amounts of HK$68,450,000 are denominated in Hong Kong dollars, unsecured and repayable in 2020 (31st December 2018: repayable in 2019).

(b) The amounts are denominated in RMB, unsecured and interest-bearing at the base lending rate announced by the PBOC (31st December 2018: base lending rate announced by the PBOC).

16 OTHER GAINS – NET

	Six months ended 30th June 2019 HK$'000	Six months ended 30th June 2018 HK$'000
Exchange gains, net	**498**	4,150
Gain on disposal of subsidiaries	**–**	54,034
Gain on disposals of property, plant and equipment (note 7(b))	**56,056**	247
Reversal of/(provision for) loss allowance of trade receivables	**60**	(113)
Other gains, net	**56,614**	58,318

17 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30th June 2019 HK$'000	Six months ended 30th June 2018 HK$'000
Amortisation of land use rights	**5,602**	5,936
Depreciation of property, plant and equipment	**47,901**	45,050
Depreciation of investment property	**29**	29
Depreciation of right-of-use assets	**11,211**	–
Operating lease rental expenses		
– vessels and barges	**67,951**	87,568
– buildings	**3,177**	8,521
– property that generated rental income	**–**	2,500
Staff costs (including directors' emoluments)	**180,233**	186,146

18 SHARE OF PROFITS LESS LOSSES OF JOINT VENTURES AND ASSOCIATES

	Six months ended 30th June 2019 HK$'000	Six months ended 30th June 2018 HK$'000
Share of profits less losses before income tax of		
– joint ventures	**17,684**	33,453
– associates	**7,853**	10,777
	25,537	44,230
Share of income tax of		
– joint ventures	**(4,223)**	(9,457)
– associates	**(1,493)**	(3,119)
	(5,716)	(12,576)
	19,821	31,654

19 INCOME TAX EXPENSE

	Six months ended 30th June 2019 HK$'000	Six months ended 30th June 2018 HK$'000
Current income tax		
– Hong Kong profits tax	**8,415**	12,735
– PRC corporate income tax	**3,339**	9,473
– Macao profits tax	**1,034**	–
Deferred income tax expense	**(599)**	(2,795)
	12,189	19,413

Hong Kong profits tax has been provided for at the rate of 16.5% (2018: 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% (2018: 25%). Macao profits tax has been provided at 12% (2018: 12%) on the estimated assessable profit for the period.

20 DIVIDENDS

	Six months ended 30th June 2019 HK$'000	Six months ended 30th June 2018 HK$'000
Final dividend paid/payable for 2018 of HK6 cents (2018: HK5 cents for 2017) per ordinary share (note (a))	**67,270**	55,094

Notes:

(a) At the board meeting held on 27th March 2019, the directors proposed a final dividend of HK6 cents per ordinary share for the year ended 31st December 2018. Such proposal was subsequently approved by shareholders on 20th June 2019. The aggregate amount of the dividend is estimated to be HK$67,270,000 (2018: HK$55,094,000).

(b) At the board meeting held on 27th August 2019, the directors declared an interim dividend of HK3 cents per ordinary share (2018: interim dividend of HK3 cents 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 (2018: HK$33,635,000). The interim dividend has not been recognised as a liability at the end of the reporting period.

21 EARNINGS PER SHARE

(a) Basic earnings per share

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

	Six months ended 30th June 2019	Six months ended 30th June 2018
Profit attributable to equity holders of the Company (HK$'000)	**116,373**	161,955
Weighted average number of ordinary shares in issue ('000)	**1,121,167**	1,101,890
Basic earnings per share (HK cents)	**10.38**	14.70

(b) Diluted earnings per share

The potential ordinary shares in respect of the Company's share options were anti-dilutive for the six months ended 30th June 2019. The basic earnings per share for the six months ended 30th June 2019 was equal to the diluted earnings per share.

21 EARNINGS PER SHARE *(Continued)*

(b) Diluted earnings per share *(Continued)*

Diluted earnings per share for the six months ended 30th June 2019 and 30th June 2018 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 period) 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 COMMITMENTS

(a) Capital commitments outstanding at 30th June 2019 not provided for in the interim financial report

	As at 30th June 2019 HK$'000	As at 31st December 2018 HK$'000
Property, plant and equipment:		
Contracted but not provided for	**32,691**	79,704
Authorised but not contracted for	**16,960**	13,604
	49,651	93,308

22 COMMITMENTS *(Continued)*

(b) At 31st December 2018, the total future minimum lease payments under non-cancellable operating leases were payable as follows:

	As at 31st December 2018 HK$'000
Land and buildings	
– Within 1 year	31,764
– After 1 year but within 5 years	31,586
	63,350
Vessels and barges	
– Within 1 year	14,176
	77,526

The Group is the lessee in respect of a number of land and buildings and vessels and barges held under leases which were previously classified as operating leases under HKAS 17. The Group has initially applied HKFRS 16 using the modified retrospective approach. Under this approach, the Group adjusted the opening balances at 1st January 2019 to recognise lease liabilities relating to these leases (see note 3). From 1st January 2019 onwards, future lease payments are recognised as lease liabilities in the statement of financial position in accordance with the policies set out in note 3.

23 RELATED PARTY TRANSACTIONS

The directors of the Company regard CKSE as the immediate holding company, which owns 70% (31st December 2018: 70%) of the Company's ordinary shares at 30th June 2019. 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, jointly control or exercise significant influence and key management personnel of the Company and GNG as well as their close family members.

For the six months ended 30th June 2019 and 2018, 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 2019 and 2018.

23 RELATED PARTY TRANSACTIONS *(Continued)*

(a) Transactions with related parties

	Note	**Six months ended 30th June 2019 HK$'000**	Six months ended 30th June 2018 HK$'000
Revenues:			
Shipping agency, river trade cargo direct shipment and transshipment income	(i)		
– fellow subsidiaries		**–**	47
– joint ventures and an associate		**3,647**	4,644
– other related companies		**114**	80
Passenger transportation agency fees	(i)		
– fellow subsidiaries		**1,116**	1,645
– joint ventures and an associate		**4,891**	6,600
– other related companies		**817**	1,043
Ferry terminal operation service fees	(i)		
– fellow subsidiaries		**2,320**	2,711
– joint ventures and an associate		**9,636**	12,491
– other related companies		**212**	235
Sub-baggage handling services fees	(i)		
– a related company		**2,696**	4,088
Management service fees			
– immediate holding company	(ii)	**20,000**	20,000
– a fellow subsidiary	(iii)	**17**	835
– joint ventures	(iii)	**3,319**	1,343
– a related company	(iii)	**132**	132

23 RELATED PARTY TRANSACTIONS *(Continued)*

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

	Note	**Six months ended 30th June 2019 HK$'000**	Six months ended 30th June 2018 HK$'000
Revenues: *(Continued)*			
Vessel rental income	(i)		
– a joint venture		**788**	–
– a related company		**1,396**	1,352
Interest income	(iv)		
– fellow subsidiaries		**–**	321
– a joint venture		**230**	150
Fuel supply income	(i)		
– fellow subsidiaries		**21,173**	26,806
– joint ventures and associates		**33,174**	35,158
– other related companies		**16,584**	30,322
Marine bunkering service fees	(i)		
– fellow subsidiaries		**300**	182
– a joint venture and an associate		**91**	123
– other related companies		**1,825**	1,882
Consulting and software service	(iii)		
– joint ventures and associates		**118**	123
Wheel supply income	(i)		
– fellow subsidiaries		**–**	136
– joint ventures and associates		**–**	216
– other related companies		**–**	67

23 RELATED PARTY TRANSACTIONS *(Continued)*

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

	Note	**Six months ended 30th June 2019 HK$'000**	Six months ended 30th June 2018 HK$'000
Expenses:			
Shipping agency, river trade cargo direct shipment and transhipment expenses	(i)		
– a joint venture and an associate		**2,230**	2,701
Wharf cargo handling, cargo transportation and godown storage expenses	(i)		
– a fellow subsidiary		**3,383**	–
– joint ventures and an associate		**27,154**	33,382
– a related company		**11,169**	12,022
Agency fee expenses	(i)		
– fellow subsidiaries		**45**	226
– a joint venture and an associate		**468**	585
Ferry terminal operation services fee	(i)		
– a fellow subsidiary		**2,503**	4,790
Luggage handling fee	(v)		
– a related company		**2,144**	3,206
Vessel rental expenses	(i)		
– a joint venture		**14,072**	15,302
– a fellow subsidiary		**346**	1,233

23 RELATED PARTY TRANSACTIONS *(Continued)*

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

	Note	**Six months ended 30th June 2019 HK$'000**	Six months ended 30th June 2018 HK$'000
Expenses: *(Continued)*			
Warehouse rental expenses	(vi)		
– immediate holding company		**2,500**	2,500
Office rental expenses	(i)		
– immediate holding company		**3,265**	2,746
– fellow subsidiaries		**655**	476
Staff quarter rental expenses	(i)		
– immediate holding company		**1,320**	1,406
Loan interest expenses	(vii)		
– non-controlling interests		**291**	114
Management fee expense	(viii)		
– immediate holding company		**1,894**	472
– a fellow subsidiary		**271**	469
– a related company		**11**	87

23 RELATED PARTY TRANSACTIONS *(Continued)*

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

Notes:

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

(ii) Management fee was charged to CKSE for provision of services to a number of subsidiaries and joint ventures of CKSE in Hong Kong and the PRC. According to the management agreement, the management fee is calculated annually at (i) HK$20,000,000 per year or (ii) 3.25% of the total assets value of these companies as at 30th June of each year, whichever is higher, but the amount shall not exceed HK$30,000,000. The 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 (2018: 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 (2018: HK$0.84 to HK$2.2) per item of luggage at China Ferry Terminal, Tsim Sha Tsui by an associate of the immediate holding company as set out in the respective agreement governing these transactions.

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

(vii) Interests were charged by the non-controlling interests in respect of loans bearing interest rates at the base lending rate announced by the PBOC (2018: base lending rate announced by the PBOC).

(viii) Management fee expenses were charged at HK$316,000 per month (2018: HK$316,000) for IT services and HK$187,500 per month (2018: HK$187,500) for property management service provided by CKSE as set out in the agreement governing these transactions.

23 RELATED PARTY TRANSACTIONS *(Continued)*

(b) Key management compensation

	Six months ended 30th June 2019 HK$'000	Six months ended 30th June 2018 HK$'000
Salaries and allowances	**3,427**	3,625
Directors' fees	**360**	360
Retirement benefit scheme contributions	**54**	60
Share options granted	**–**	11
Housing benefit	**–**	514
	3,841	4,570

(c) Loans to joint ventures and fellow subsidiaries

	Six months ended 30th June 2019 HK$'000	Six months ended 30th June 2018 HK$'000
As at 1st January	**13,189**	13,509
Additions	**–**	101,055
Exchange differences	**(344)**	(116)
As at 30th June	**12,845**	114,448

CORPORATE INFORMATION

EXECUTIVE DIRECTOR

Mr. Huang Liezhang *(Chairman)*
Mr. Wu Qiang *(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. Wu Qiang
Mr. Chen Jie
Mr. Leng Buli
Mr. Liu Wuwei

NOMINATION COMMITTEE

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

AUDIT COMMITTEE

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

KPMG

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Bank of East Asia
Taishin International Bank
HSBC

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