



CHU KONG SHIPPING ENTERPRISES (GROUP) COMPANY LIMITED

(Incorporated in Hong Kong with limited liability)

Stock Code : 00560



Embrace challenges
Forge ahead

INTERIM REPORT **2020**

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 2020 to the shareholders for their review.

REVIEW

In the first half of 2020, the COVID-19 epidemic caused prolonged stagnation in most industries and businesses, making a significant impact on the overall performance of the Group. Since the end of January 2020, the government has progressively closed the Guangdong-Hong Kong and Hong Kong-Macao cross-border waterway passenger terminals temporarily, resulting in a challenging operating environment for the Group’s cross-border passenger transportation and related ancillary businesses. The terminal logistics business of the Group was also hit hard due to the decline in the import and export volume of foreign trades in the Mainland China.

Facing unprecedented challenges, the Group was determined to overcome multiple hurdles. By leveraging on the “five platforms”, namely cross-border passenger transportation, Hong Kong local transportation, terminal logistics, the “Belt and Road” investment and capital operation, and by making concerted efforts to exploit the “five growth drivers”, namely Greater Bay Area airports, the Hong Kong-Zhuhai-Macao Bridge, development of Nansha, cross-border e-commerce and overseas investment, the Group succeeded in maintaining the stability of terminal logistics business in adversity and achieved a critical breakthrough in the local transportation business in Hong Kong.

Outcomes of the transformation and upgrading of the terminal logistics business started to unveil, and the diversification strategy has effectively reduced impacts brought by the epidemic and the Sino-US trade friction. Benefitting from proactive progressions of diversified businesses such as domestic container services, trailer transportation, break bulk cargoes handling and transportation, and supply of construction materials since 2019, the terminal logistics business of the Group has maintained business stability under the severe market environment. Among them, both break bulk cargoes transportation volume and handling volume increased by more than 70.0%.



The Group searched for opportunities in crises. Leverage on its fine domestic and international logistics networks, the Group developed a business on the logistics of anti-epidemic supplies. While contributing to the global combat against the epidemic, the new business also created additional profits for the Group. In particular, Chu Kong Transshipment & Logistics Company Limited (“CKTL”), a subsidiary of the Group, successfully undertook the Hong Kong quarantine site transportation project, providing complete logistics and transportation solutions from Malaysia to Hong Kong for the quarantine site and supporting facilities, which were highly recognised by clients. A number of cargo terminals under the Group continued to open green channels for the transshipment of important epidemic-prevention and critical daily supplies, effectively alleviating the difficulties caused by international logistics and transportation routes disruptions due to the epidemic.

Based on advantages of the logistics networks, the Group continued to expand businesses relevant to the Hong Kong International Airport and advance the Greater Bay Area airports strategy in an orderly manner. In February 2020, the Regulated Air Cargo Screening Facility (“RACSF”) and the air cargo warehouse at the Tuen Mun Godown Wharf were renovated and officially put into use, becoming one of the air cargo inspection bases authorised by the Civil Aviation Department of Hong Kong. Civet Port and Doumen Port have successively launched sand supply businesses to transport sand for the third runway reclamation project of the Hong Kong International Airport.

The Group’s local transportation business in Hong Kong made a critical breakthrough. The Group acquired 60% equity interests in New World First Ferry Services Limited (“First Ferry”) in May 2020, laying a solid foundation for building a local waterway transportation platform in Hong Kong. After the completion of the acquisition, the business of First Ferry remained relatively stable, creating sound economic benefits for the Group.

While successfully pushing forward several strategic missions, the Group conscientiously carried out epidemic prevention and control work, strictly controlled costs and expenses, and actively applied for government subsidies to relieve operating pressure.

OUTLOOK

In the second half of the year, the COVID-19 epidemic shows no sign of easing, and it will continue to exert tremendous pressure on businesses of the Group. In response to changes in the operating environment, the Group will focus on key strategies such as Hong Kong local transportation, Greater Bay Area airports, the “Belt and Road”, and terminal logistics, strengthen business innovations, tide over the crisis, and achieve sustainable developments.

Firstly, the Group will further expand the local ferry business in Hong Kong. The Group will perfect the operational integration works after the acquisition of First Ferry, prepare well for new route biddings, and actively develop the local transportation business in Hong Kong.

Secondly, the Group will continue to expedite the Greater Bay Area airports strategy. In terms of storage logistics, the Group will make use of the advantages of the air cargo warehouse in Tuen Mun and vigorously develop the air freight logistics business. In terms of passenger transportation, the Group will push forward the launch of routes from downtown Hong Kong to the Shenzhen Airport, and routes from Guangzhou Huangpu and Pazhou to the Hong Kong International Airport.

Thirdly, the Group will upgrade the terminal logistics business. With CKTL transforms into a hub connecting cargo terminals of the Group, the Group will build an integrated terminal logistics service platform. The Group will continue to strengthen developments of businesses such as cross-border e-commerce, cold chain distribution, integrated logistics, engineering and project logistics, cargo palletisation and so on to achieve high-quality development.

Fourthly, the Group will accelerate the deployment of businesses in countries along the “Belt and Road”. The Group will establish a “Belt and Road” investment platform in Singapore, actively acquire or participate in storage logistics projects over there, and further expand the logistics business network and freight forwarding sites in Southeast Asia.

Fifthly, the Group will increase the investment in infrastructure and endeavour to complete the new warehouse in Tuen Mun as early as possible, laying a foundation for providing logistics services to the Hong Kong International Airport.

Sixthly, the Group will increase the intensity of external acquisitions, in order to enlarge the business scale and asset size of the core business of the Group.



RESPONSE TO COVID-19 EPIDEMIC

Following the guidelines on epidemic prevention and anti-epidemic issued by the government of People's Republic of China and the government of the Hong Kong Special Administrative Region, the Group quickly took epidemic prevention measures to protect customers and staff while maintaining business continuity under the COVID-19 outbreak. The Group took multiple measures to minimise the risk of infection, including flexible working hours, split-team operations, work-from-home arrangements and procurement of sanitary items and protective equipment. These measures have been effective, with no confirmed cases of infection among the Group's staff.

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 supports 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, 26th August 2020

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

For the period ended 30th June 2020, the Group recorded a consolidated revenue of HK\$872,690,000, representing a decrease of 19.8% over the same period last year. Profit attributable to the shareholders of the Company amounted to HK\$17,780,000, representing a decrease of 84.7% over the same period last year.

In the first half of 2020, affected by the COVID-19 epidemic and other unfavourable factors, the global economy was facing material crises and challenges. International trades have dropped noticeably while travels to Hong Kong have mostly halted. Both the passenger and freight transportation businesses operated by the Group were under massive pressures. In response to the policy of “Customs Closure for Epidemic Prevention”, the cross-border waterway passenger transportation business has suspended operations of routes between Guangdong and Hong Kong and between Hong Kong and Macao since the end of January. The passenger transportation volume experienced a tremendous decline. Compared with the same period last year, the Group’s terminal logistics business delivered a steady performance. In contrast, the cross-border waterway passenger transportation business, affected by the unexpected epidemic, substantially underperformed, causing the Group’s performance in the first half of the year to fall far below expectations. In this exceptionally difficult period, the Group looked for opportunities in crises and overcame difficulties. With epidemic prevention and control work in place, the Group leveraged on the Guangdong-Hong Kong-Macao Greater Bay Area to vigorously grow its diversified and expanding businesses. While deepening market localisations, the Group actively formulated its “Belt and Road” game plan. The Group continued to push forward its transformation and upgrading strategy while stressing on cost reductions and efficiency enhancements, and took multiple measures to seek developments in the extremely unfavourable market environment.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

Regarding the freight business, the Group continued to leverage on advantages of terminals' network and diversified businesses to refine upstream to downstream industry chain coverage, stabilised foreign trade and strove for breakthroughs, strengthened domestic trade and promoted growths, and realised synergistic development on both domestic and foreign trade businesses. By actively expanding sand supply business, epidemic-prevention supplies transportation and other businesses, the Group effectively extended its service chain, and minimised impacts brought to the terminal logistics business by the epidemic to the fullest extent. During the period, the container transportation volume recorded 637,000 TEU, representing a year-on-year decrease of 6.7%; and the break bulk cargoes transportation volume recorded 636,000 tons, representing a year-on-year increase of 70.5%. As for the cargo handling business, the container handling volume recorded 527,000 TEU, representing a year-on-year decrease of 1.3%; the break bulk cargoes handling volume recorded 5,635,000 tons, representing a year-on-year increase of 82.4%; and the volume of container hauling and trucking amounted to 104,000 TEU, remaining static year-on-year.

Regarding the passenger transportation business, in order to address the need for epidemic prevention and control, the Group fully tied in with epidemic prevention policies, operations of the cross-border waterway passenger routes of urban areas and the airport were progressively suspended since the end of January 2020. Except for new local ferry services, other cross-border waterway passenger transportation demonstrated significantly declining business operation indicators. During the period, the total number of passengers for agency services recorded 408,000, representing a year-on-year decrease of 82.7%. The number of passengers for terminal services recorded 366,000, representing a year-on-year decrease of 83.7%.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. TERMINAL LOGISTICS BUSINESS

1. Cargo Transportation Business

Business Operation Indicators

Performance statistics of our major business operations are as follows:

Indicators	For the six months ended 30th June		
	2020	2019	Change
Container transportation volume (TEU)	637,000	683,000	-6.7%
Break bulk cargoes transportation volume (revenue tons)	636,000	373,000	70.5%
Volume of container hauling and trucking on land (TEU)	104,000	104,000	-

Subsidiaries

In the first half of the year, though influenced by unfavourable factors of the epidemic, CKTL embraced challenges ahead. While maintaining existing business stability, it actively fostered innovative projects. The declining rate of container volume flattened, with a container transportation volume of 637,000 TEU during the period, representing a year-on-year decrease of 6.7% and the volume of container hauling and trucking on land recorded 104,000 TEU, remaining static year-on-year; the break bulk cargoes transportation volume recorded 636,000 tons, representing a year-on-year increase of 70.5%, mainly due to significantly rise in bulk cargoes transportation volume brought by sand supply projects.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. TERMINAL LOGISTICS BUSINESS *(Continued)*

1. Cargo Transportation Business *(Continued)*

Subsidiaries *(Continued)*

CKTL took measures to optimise operational flow, accelerated the transformation and upgrade, promoted consolidation of resources, and deepened cooperation between cargo terminals and navigation. Focusing on the Greater Bay Area airports strategy, CKTL expedited the construction of Tuen Mun New Godown Wharf and pushed forward infrastructure construction as scheduled while maintaining the quality and the quantity; developed the construction logistics project and implemented, the sand transportation projects for the third runway of the Hong Kong International Airport smoothly; entered the domestic trade forwarding market, set up incentive schemes and cooperated with cargo terminals in the Pearl River Delta region to launch marketing campaigns for domestic trade business; promoted e-commerce business and successfully expanded the Hong Kong-Guangzhou Lianhuashan cross-border e-commerce high-speed waterway logistics business; regarded highly on the logistics of epidemic-prevention supplies, contributing to the global combat against the epidemic while creating additional profits.

Regarding the air freight business, CKTL recorded a year-on-year increase of 124.2% in air freight forwarding volume. During the period, CKTL completed the compliance assessment of the Regulated Air Cargo Screening Facility and put it into operation. Currently, a number of mature customers are introduced to facilitate the maximisation of benefits of the X-ray inspection business.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. TERMINAL LOGISTICS BUSINESS *(Continued)*

2. Cargo Handling and Storage Business

Business Operation Indicators

Performance statistics of our major business operations are as follows:

Indicators	For the six months ended 30th June		
	2020	2019	Change
Container handling volume (TEU)	527,000	534,000	-1.3%
Volume of break bulk cargoes handled (revenue tons)	5,635,000	3,089,000	82.4%

Subsidiaries

During the period, despite impacts of unfavourable factors such as the COVID-19 epidemic and China's tightened controls on transportation overloads, each subsidiary of the Group actively explored various emerging businesses and tapped market potential. Declines in container volume at multiple terminals of the Group flattened.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. TERMINAL LOGISTICS BUSINESS *(Continued)*

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

Subsidiaries *(Continued)*

The overall container handling volume in Zhaoqing region recorded 70,000 TEU, representing a year-on-year decrease of 25.3%; the overall break bulk cargoes handling volume recorded 5,160,000 tons, representing a year-on-year increase of 101.2%. During the period, Zhaoqing New Port vigorously developed domestic and foreign trade break bulk cargoes businesses, such as transportation of bulk construction materials, steel, sand and so on. The break bulk cargoes handling volume increased by 247.1% year-on-year. It targets to turn losses into profits by the end of the year, and to build the initial phase of Xijiang River Hub. Due to the severity of the overseas epidemic situation, major sourcing countries of imported stone materials in Europe locked down, and the imported stone materials handling volume at Gaoyao Port fell sharply. On the other hand, through developments of three new sources of goods, namely sand, frozen food and ore, the container and break bulk cargoes handling volumes at Gaoyao Port during the period recorded reduced declines. In addition to differentiated terminal operations, Gaoyao Port also promoted the construction of a “Smart Customs” system to achieve simultaneous operations of domestic and foreign trade container businesses. Kangzhou Port continued to expand the local sand break bulk cargoes transportation business, focusing on growing business in Guangxi.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. TERMINAL LOGISTICS BUSINESS *(Continued)*

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

Subsidiaries *(Continued)*

The container handling volume at Gaoming Port of Foshan region recorded 150,000 TEU, representing a year-on-year decrease of 4.7%; the break bulk cargoes handling volume recorded 42,000 tons, representing a year-on-year increase of 116.8%. Gaoming Port intensified exploration of existing customers, and undertook more sources of domestic trade including customers like Haitian soy sauce; meanwhile, it has deepened its cooperation with ZTO Express on e-commerce logistics projects by establishing a joint venture to jointly operate cross-border e-commerce logistics services, forming a new and replicable business cooperation model between terminal and express delivery companies for promoting.

During the period, the container handling volume at Qingyuan Port recorded 38,000 TEU, representing a year-on-year increase of 313.3%, of which, new domestic trade container handling volume recorded 20,000 TEU, and the foreign trade container handling volume doubled year-on-year. Qingyuan Port has introduced more major liners to take advantage of backhauls of imported containers and to boost the volume of export containers; meanwhile, business processes were optimised and successfully attracted new types of goods to be imported. Both domestic and foreign trade businesses experienced counter-trend growths.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. TERMINAL LOGISTICS BUSINESS *(Continued)*

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

Subsidiaries *(Continued)*

The overall container handling volume in Zhuhai region recorded 118,000 TEU, representing a year-on-year decrease of 2.4%; the overall break bulk cargoes handling volume recorded 136,000 tons, representing a year-on-year increase of 14.7%. During the period, the container handling volume at Civet Port recorded 93,000 TEU, representing a year-on-year increase of 3.4%; the break bulk cargoes handling volume increased by 10.4% over the same period last year. Civet Port launched cold chain inspection business and created a new platform for cold chain imports and exports; deployed new cross-border e-commerce businesses to pave way for diversification of warehousing and storage services; explored new business forms for Zhuhai-Macao interoperability and entered the high-end supply chain logistics market. The container handling volume at Doumen Port recorded 25,000 TEU, representing a year-on-year decrease of 19.2%; the break bulk cargoes handling volume increased significantly by 22.2% year-on-year. Doumen Port seized new development opportunities and promoted professional development. It took building materials featured terminal as the development position, opened up the export business of sand and cement to Hong Kong and Macao, securing a steady increase of sand lighterage business. Meanwhile, Doumen Port also expanded the “All-in-one Bridge Transportation” business and launched integrated logistics services like break bulk consolidation transportation.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. TERMINAL LOGISTICS BUSINESS *(Continued)*

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

Subsidiaries *(Continued)*

Zhongshan Huangpu Port in Zhongshan region specialised in serving electrical appliances and small household appliances clusters in the region. It opened up imports of goods like pumice, float glass, copper cathode and rubber particles, and focused on developing household appliances and steel logistics businesses. During the period, container handling volume at Zhongshan Huangpu Port recorded 17,000 TEU, representing a year-on-year increase of 10.4%. Meanwhile, it added domestic trade import coil steel and export scrap iron break bulk cargoes businesses. Domestic trade break bulk cargoes handling volume recorded 18,000 tons. Going forward, Zhongshan Huangpu Port will continue to develop domestic container business and achieve a balanced development of domestic and foreign trade businesses.

The overall container handling volume in Hong Kong region recorded 134,000 TEU, representing a year-on-year decrease of 2.4%. During the period, CKTL extended the industrial chain from traditional business to also include bonded warehouse supply chain projects; completed the establishment of Vietnam outlets and steadily progressed on the set-up of the Southeast Asian market network; continued to strengthen Tuen Mun New Godown Wharf and Hong Kong International Airport business integration, positioning it as the central warehouse of the Group's new business model, leading the dynamics between multiple encircling satellite warehouses at terminals in the Pearl River Delta to form positive interactions.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. TERMINAL LOGISTICS BUSINESS *(Continued)*

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

Joint Ventures and Associates

Terminals in Jiangmen region include 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, remaining static year-on-year. During the period, the container handling volume at Sanbu Port recorded 77,000 TEU, representing a year-on-year decrease of 16.2%. Sanbu Port continued to strengthen its business development, introduced imported grain sources for foreign trades and increased quartz sand sources for domestic trades to cope with impacts brought by the epidemic. During the period, the container handling volume at Heshan Port recorded 51,000 TEU, representing a year-on-year increase of 43.1%. Counting on the increase in the volume of paper and rubber wood transportation, Heshan Port recorded a strong increase in foreign trade handling volume in the first half of the year, and the domestic container business also demonstrated a substantial growth.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. TERMINAL LOGISTICS BUSINESS *(Continued)*

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

Joint Ventures and Associates (Continued)

The two terminals in Foshan region, namely Foshan Nankong Terminal Co., Ltd. and Chu Kong Cargo Terminals (Beicun) Co., Ltd. recorded a total container handling volume of 61,000 TEU, representing a year-on-year decrease of 20.5%. During the period, the container handling volume at Foshan Nankong Port recorded 43,000 TEU, representing a year-on-year decrease of 33.1%; the break bulk cargoes handling volume recorded 50,000 tons, representing a year-on-year increase of 40.1%. Imports of machinery and exports of anti-epidemic supplies led to a substantial increase in break bulk cargoes handling volume at Foshan Nankong Port, driving up profit growth. During the period, the container handling volume at Foshan Beicun Port recorded 18,000 TEU, representing a year-on-year increase of 43.4%. Foshan Beicun Port cooperated with customs to create a “green channel” for rice imports, and is committed to building a featured grain terminal. It actively introduced major liners companies and gradually turned into a distribution center for CCA shipping companies in the region. Due to expropriations of lands for wharves and buildings erected on the land at Foshan New Port, its operation was suspended. As a result, Foshan New Port Ltd. generated nil revenue during the period. All business operations of Sanshui Sangang Containers Wharf Co., Ltd. continued to be suspended under the environmental protection policies.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

REVIEW OF OPERATIONS (Continued)

II. PASSENGER TRANSPORTATION BUSINESS

Business Operation Indicators

Performance statistics of the major business operations are as follows:

Indicators	For the six months ended 30th June		
	Number of Passengers (in thousands)		
	2020	2019	Change
Total number of passengers for agency services	408	2,358	-82.7%
Total number of passengers for terminal services	366	2,247	-83.7%
The number of passengers for local ferry transportation (<i>Note</i>)	2,056	2,229	-7.8%

Note: The number of passengers for local ferry transportation was calculated on a consolidation basis since the acquisition of First Ferry in May of this year, and the calculation of the number of passengers in 2019 also began in May.

Subsidiaries

Affected by the COVID-19 epidemic in the first half of the year, the Group's Guangdong-Hong Kong and Hong Kong-Macao cross-border waterway passenger terminals have been temporarily closed since the end of January, and the cross-border passenger transportation business has stalled. During the period, the total number of passengers for agency services of Chu Kong Passenger Transport Company Limited ("CKPT") was 408,000, representing a year-on-year decrease of 82.7%; the number of passengers for terminal services was 366,000, representing a year-on-year decrease of 83.7%.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

II. PASSENGER TRANSPORTATION BUSINESS *(Continued)*

Subsidiaries *(Continued)*

Regarding urban routes, during the period, in response to the Hong Kong government's announced requirements for epidemic control, the China Ferry Terminal and the Hong Kong Macau Ferry Terminal were closed at the end of January and early February this year respectively. The urban routes have been suspended since then, and the cross-border passenger transportation business operations are facing severe challenges. During the period, the total number of passengers for urban routes transportation was 146,000, representing a year-on-year decrease of 89.6%.

Regarding airport routes, due to the need for epidemic prevention and control, all flights to and from the SkyPier at the Hong Kong International Airport and ports at the Pearl River Delta were canceled since March this year. During the period, the number of passengers recorded 262,000, representing a year-on-year decrease of 72.6%. Except for the 47.4% increase of the Nansha Airport route, benefit from its integrated operation, the number of passengers of all other airport routes have dropped significantly. Although the airport routes suffered a hard hit in the first half of the year, the Group is still actively preparing for openings of new routes between Hong Kong Airport and Shenzhen Airport. It is expected, with the hope of easing the epidemic situation, the number of passengers of air-sea passengers union transportation will usher in a rapid rebound.

Regarding local ferry services, the Group formally acquired 60% equity interest in First Ferry from NWS Holdings Co., Ltd. in May this year. During the period, the business of the First Ferry was relatively stable. The Group actively pushes forward its follow-up operations and biddings for operating licenses. With First Ferry joining the Group, the Group adds in a local ferry business, which is expected to bring in long-term stable returns to the Group. Since the completion of the acquisition in May this year, the local ferry business has recorded a number of passengers of 2,056,000, representing a year-on-year decrease of 7.8%.



MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

II. PASSENGER TRANSPORTATION BUSINESS *(Continued)*

Joint Ventures and Associates

In the first half of the year, all joint ventures and associated companies were affected by the epidemic, and recorded various declines in numbers of passengers. During the period, the number of passengers at SkyPier (operated by Hong Kong International Airport Ferry Terminal Services Limited) recorded 271,000, representing a year-on-year decrease of 74.6%. Zhongshan – Hong Kong Passenger Shipping Co-op Co. Ltd. and Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd. were pioneers in operation suspension, their numbers of passengers dropped by 85.3% and 90.7% year-on-year respectively.

Also affected by the epidemic, 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 number of passengers of 1,168,000 during the period, representing a year-on-year decrease of 86.3%.

III. FUEL SUPPLY BUSINESS

As to the fuel supply business, being an auxiliary business to passenger and freight transportation businesses, recorded a decline in the diesel sales volume of Sun Kong Petroleum Company Limited (“Sun Kong Petroleum”), as a result of the decline in the passenger and freight business caused by the epidemic. During the period, Sun Kong Petroleum recorded a sales volume of 17,000 tons for diesel, representing a year-on-year decrease of 67.9%. The sales volume was 382,000 litres of engine oil, representing a year-on-year increase of 30.4%. Sun Kong Petroleum actively responded to the “Belt and Road” initiative and extended its industrial chain. It cooperated with Ming Wah (Singapore) Agency Pte. Ltd., a subsidiary of China Merchants, and obtained the exclusive agency right for the Green Fuel Max fuel treatment agent in Hong Kong and Macao. In addition, Sun Kong Petroleum also successfully won the bid of lubricant transportation, storage and distribution for Sinopec.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

IV. CORPORATE AND OTHER BUSINESSES

As to the corporate and other businesses, Cotai Chu Kong Shipping Management Services (Macau) Company Limited (“Cotai Macao”), whose main business is the maintenance and repair of property facilities, recorded a profit plummet during the period. It is mainly due to the reduction in facilities maintenance service projects sourced from the Municipal Affairs Bureau and the Inner Harbour Ferry Terminal. During the period, Cotai Macao reduced operating costs while keeping its business, actively improved service efficiency and strove to develop long-term stable emerging projects. It gained itself an important role in the Group’s strategic plan in Macao.

During the period, businesses of other subsidiaries, joint ventures and associates of the Group progressed well.



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 2020, the Group secured a total credit facilities of HK\$1,334,000,000 and RMB265,080,000 (equivalent to approximately HK\$290,212,000) (31st December 2019: HK\$1,184,000,000 and RMB260,000,000 (equivalent to approximately HK\$290,243,000) granted by bona fide banks.

As at 30th June 2020, the current ratio of the Group, representing current assets divided by current liabilities, was 2.0 (31st December 2019: 2.5).

As at 30th June 2020, the Group's cash and cash equivalents amounted to HK\$721,826,000 (31st December 2019: HK\$869,271,000), which represented 15.7% (31st December 2019: 19.9%) of the total assets.

As at 30th June 2020, the gearing ratio of the Group, representing bank borrowings divided by total equity and bank borrowings, was 9.3% (31st December 2019: 5.3%) and the debt ratio, representing total liabilities divided by total assets, was 25.0% (31st December 2019: 21.2%).

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, except fuel price swap contracts are used to hedge against fuel price rises for the local ferry transportation business, the Group did not use any other financial instruments for hedging purpose.

BANK LOANS AND PLEDGE OF ASSETS

Bank Loans	As at 30th June 2020	As at 31st December 2019
Banks located in Hong Kong (<i>Note 1</i>)		
– Hong Kong Dollar	150,000,000	50,000,000
Banks located in China (<i>Note 2</i>)		
– Renminbi	184,880,000 (equivalent to approximately HK\$202,409,000)	129,526,000 (equivalent to approximately HK\$144,592,000)

Note:

1. The loans from banks located in Hong Kong as at 30th June 2020 was bearing floating interest rate and unsecured. The relevant terms of which are identical with those set out in 2019 Annual Report.
2. The loans from banks located in China as at 30th June 2020 was bearing floating interest rate and 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 2019 Annual Report.
3. Detailed analysis on bank loans is set out in note 11 to the financial statements.

CURRENCY STRUCTURE

As at 30th June 2020, 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 (“USD”), Macao pataca and Euro.



MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

On 4th May 2020, the Company, New World First Holdings Limited, First Ferry and NWS Holdings Limited entered into a sale and purchase agreement, pursuant to which (i) the Company acquired 60% of the entire issued shares of First Ferry from New World First Holdings Limited, at a consideration of HK\$232,800,000 and (ii) NWS Holdings Limited agreed to guarantee the performance of the obligations of New World First Holdings Limited under the sale and purchase agreement. The relevant acquisition was completed on 18th May 2020, and the financial results of First Ferry have been consolidated into the consolidated financial statements of the Group.

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 2020.

SIGNIFICANT INVESTMENT

Save as disclosed in this interim report, there was no other significant investment held by the Group for the six months ended 30th June 2020.

CONTINGENT LIABILITIES

As at 30th June 2020, the Group had no material contingent liabilities.

EMPLOYEES AND REMUNERATION

As at 30th June 2020, the Group employed 2,298 employees (30th June 2019: 1,878) 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 2020 amounted to HK\$203,712,000 (30th June 2019: HK\$180,233,000), such costs included basic salaries and employee 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 employee benefits.

EXCHANGE RISK

Currently, the ordinary operations and investments of the Group are concentrated in Guangdong Province, Hong Kong and Macao, with operating revenue and expenses 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 Chief Executives' Interests And/Or Short Positions In The Shares, Underlying Shares And Debentures Of The Company Or Any Associated Corporation

As at 30th June 2020, the Company has not been notified of any interests or short positions of the Directors and chief executives 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 9.6% 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. All granted share options have lapsed due to reasons including failure to meet performance indicators, employee resignations or retirements etc.

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 chief executives, on 30th June 2020, the following persons, other than a Director or chief executives, 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 <i>(Note 1)</i>	Percentage of shareholding <i>(Note 2)</i>
(i) Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE") <i>(Note 3)</i>	Beneficial owner	784,817,520 (L)	70.0%
(ii) Guangdong Province Navigation Group Company Limited ("GNG") <i>(Note 3)</i>	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 2020.
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 2020, the Directors and chief executives 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 by the Company under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

INTERIM DIVIDEND

Due to severe impacts brought by the COVID-19 epidemic, the profit attributable to equity holders of the Company in the first half of the year was only marginal. Whilst, capital is reserved to address subsequent epidemic challenges and potential merger and acquisition opportunities, the Board decided not to declare an interim dividend for the year ending 31st December 2020 (2019 interim dividend: HK3 cents). Declaration on the final dividend will be subject to an integrated consideration.

REVIEW BY AUDIT COMMITTEE

The Company's Audit Committee and the Company's independent auditor have reviewed the Group's unaudited consolidated interim financial information for the six months ended 30th June 2020.

Interim financial results of the Group for the six months ended 30th June 2020 have not been audited but prepared in accordance with HKAS 34 *Interim Financial Reporting* and reviewed by the independent external auditor, 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 the 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, Ms. Yau Lai Man and Mr. Chow Bing Sing have served as such independent non-executive directors for over nine years. During their years of service with the Company, Mr. Chan, Ms. Yau and Mr. Chow 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, Ms. Yau and Mr. Chow have the character, integrity, ability and experience as required to continue to fulfill his/her role effectively. The Company believes that Mr. Chan, Ms. Yau and Mr. Chow 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. Ms. Yau retired on rotation at the annual general meeting held on 20th June 2019, and being eligible, offered herself for re-election at the said meeting. Ms. Yau had been re-appointed by separate resolution of the shareholders at the said meeting. Mr. Chan and Mr. Chow retired on rotation at the annual general meeting held on 21st May 2020, and being eligible, offered themselves for re-election at the said meeting. Mr. Chan and Mr. Chow had been re-appointed by separate resolutions of the shareholders at the said meeting.

DIRECTORS

On 1st April 2020, Ms. Ye Meihua as the non-executive director and Mr. Leng Buli as the executive director of the Company had resigned from the position of non-executive director and executive director of the Company respectively due to their appointments in other companies, and Ms. Zhong Yan was appointed as the non-executive director of the Company.

As Dah Chong Hong Holdings Limited (a former Hong Kong listed company) was privatised in January 2020, Mr. Chan Kay-cheung ceased to serve as an independent non-executive director of the company.

DIRECTORS *(Continued)*

Apart from the above mentioned changes of 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 2019.

As at the date of this report, the Company's executive directors are Mr. Huang Liezhang, Mr. Wu Qiang, Mr. Chen Jie and Mr. Liu Wuwei; non-executive director is Ms. Zhong Yan; 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, 26th August 2020



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 32 to 71 which comprises the consolidated statement of financial position of Chu Kong Shipping Enterprises (Group) Company Limited (the “Company”) as of 30th June 2020 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 2020 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

26th August 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June 2020 – unaudited

(Expressed in Hong Kong dollars)

	Note	As at 30th June 2020 HK\$'000	As at 31st December 2019 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	1,858,008	1,733,898
Investment properties		32,690	33,593
Land use rights	7	372,371	385,927
Intangible assets		218,072	43,612
Investments in joint ventures		374,693	387,006
Investments in associates		109,566	114,198
Other financial asset		1,743	–
Deferred income tax assets		4,072	4,494
		2,971,215	2,702,728
Current assets			
Inventories		31,667	1,814
Trade and other receivables	8	451,530	386,211
Loan to a joint venture		4,379	4,465
Structured bank deposits	9	409,299	409,441
Cash and cash equivalents		721,826	869,271
		1,618,701	1,671,202
Total assets		4,589,916	4,373,930
EQUITY			
Share capital	10	1,415,118	1,415,118
Reserves		1,690,909	1,734,922
		3,106,027	3,150,040
Non-controlling interests		338,390	297,047
Total equity		3,444,417	3,447,087

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30th June 2020 – unaudited

(Expressed in Hong Kong dollars)

	Note	As at 30th June 2020 HK\$'000	As at 31st December 2019 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		93,316	82,739
Deferred income		4,764	6,438
Lease liabilities		27,505	32,171
Long term borrowings	11	192,310	140,696
		317,895	262,044
Current liabilities			
Trade payables, accruals and other payables	12	522,659	494,333
Amounts due to the non-controlling interests	13	89,756	77,939
Derivative financial liabilities		14,008	–
Income tax payables		20,718	20,438
Lease liabilities		20,364	18,193
Short-term borrowings	11	150,000	50,000
Current portion of long term borrowings	11	10,099	3,896
		827,604	664,799
Total liabilities		1,145,499	926,843
Total equity and liabilities		4,589,916	4,373,930
Net current assets		791,097	1,006,403
Total assets less current liabilities		3,762,312	3,709,131

The notes on pages 41 to 71 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30th June 2020 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30th June 2020 HK\$'000	Six months ended 30th June 2019 HK\$'000
Revenue	6	872,690	1,088,691
Cost of sales/services rendered		(796,379)	(949,195)
Gross profit		76,311	139,496
Other income	14	77,137	42,264
Other (loss)/gains – net	14	(6,138)	56,614
General and administrative expenses		(119,568)	(132,343)
Operating profit		27,742	106,031
Finance income		13,322	10,974
Finance cost		(5,849)	(6,534)
Share of profits less losses of:			
– Joint ventures	16	(5,242)	13,461
– Associates	16	(2,995)	6,360
Profit before income tax		26,978	130,292
Income tax expense	17	(6,804)	(12,189)
Profit for the period		20,174	118,103
Attributable to:			
Equity holders of the Company		17,780	116,373
Non-controlling interests		2,394	1,730
Profit for the period		20,174	118,103
Earnings per share (HK cents)			
Basic	19	1.59	10.38
Diluted	19	1.59	10.38

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June 2020 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30th June 2020 HK\$'000	Six months ended 30th June 2019 HK\$'000
Profit for the period	20,174	118,103
Other comprehensive income for the period: <i>Item that will not be reclassified to profit or loss:</i> Unlisted equity security at fair value through other comprehensive income – change in fair value	(65)	–
	(65)	–
<i>Items that have been reclassified or may be reclassified subsequently to profit or loss:</i>		
Currency translation differences:		
– Subsidiaries	(28,573)	(4,787)
– Joint ventures and associates	(7,461)	(1,607)
Cash flow hedges:		
Net movement in hedging reserve, net with HK\$1,768,000 tax effect	8,940	–
Other comprehensive income for the period, net of tax effect	(27,159)	(6,394)
Total comprehensive income for the period	(6,985)	111,709
Attributable to:		
Equity holders of the Company	(10,378)	110,439
Non-controlling interests	3,393	1,270
Total comprehensive income for the period	(6,985)	111,709

The notes on pages 41 to 71 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2020 – unaudited

(Expressed in Hong Kong dollars)

	Share capital HK\$'000	Exchange reserve HK\$'000	Revaluation reserve HK\$'000	Capital reserve HK\$'000	Statutory reserves HK\$'000	Merger reserves HK\$'000	Retained profits HK\$'000	Total HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1st January 2019	1,415,118	(5,616)	23,009	167,717	101,265	(871,425)	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	-	(4,452)	-	-	-	-	-	(4,452)	(385)	(4,837)
- Subsidiaries	-	(1,482)	-	-	-	-	-	(1,482)	(125)	(1,607)
- Joint ventures and associates	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	(5,934)	-	-	-	-	116,373	110,439	1,270	111,709
2018 final dividend (note 18)	-	-	-	-	-	-	(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	101,265	(871,425)	2,298,087	3,122,221	283,080	3,405,301

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30th June 2020 – unaudited

(Expressed in Hong Kong dollars)

	Share capital HK\$'000	Exchange reserve HK\$'000	Revaluation reserve HK\$'000	Capital reserve HK\$'000	Statutory reserves HK\$'000	Merger reserves HK\$'000	Retained profits	Total	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1st July 2019	1,415,118	(11,550)	23,009	167,717	101,265	(871,425)	2,298,087	3,122,221	283,080	3,405,301
Profit for the period	-	-	-	-	-	-	97,705	97,705	16,340	114,045
Other comprehensive income:										
Currency translation differences	-	(26,145)	-	-	-	-	-	(26,145)	(1,547)	(27,692)
- Subsidiaries	-	(10,106)	-	-	-	-	-	(10,106)	(826)	(10,932)
- Joint ventures and associates	-	-	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	(36,251)	-	-	-	-	97,705	61,454	13,967	75,421
Transfer of reserves	-	-	-	-	3,948	-	(3,948)	-	-	-
2019 interim dividend (note 18)	-	-	-	-	-	-	(33,635)	(33,635)	-	(33,635)
At 31st December 2019	1,415,118	(47,801)	23,009	167,717	105,213	(871,425)	2,358,209	3,150,040	297,047	3,447,087

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30th June 2020 – unaudited

(Expressed in Hong Kong dollars)

	Attributable to owners of the Company							Non-controlling interests	Total equity			
	Fair value											
	Share capital	Exchange reserve	Revaluation reserve	Capital reserve	Fair value reserve (non-recycling)	Statutory reserves	Hedging reserve			Merger reserves	Retained profits	Total
HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	
At 1st January 2020	1,415,118	(47,801)	23,009	167,717	-	105,213	-	(871,425)	2,355,209	3,150,040	297,047	3,447,087
Profit for the period	-	-	-	-	-	-	-	-	17,780	17,780	2,394	20,174
Other comprehensive income:												
Currency translation differences	-	(26,474)	-	-	-	-	-	-	-	(26,474)	(2,099)	(28,573)
- Subsidiaries	-	(6,983)	-	-	-	-	-	-	-	(6,983)	(478)	(7,461)
- Joint ventures and associates	-	-	-	-	(65)	-	-	-	-	(65)	-	(65)
Fair value change on financial asset	-	-	-	-	-	-	-	-	-	-	-	-
Cash flow hedge: net movement in hedging reserve	-	-	-	-	-	-	5,364	-	-	5,364	3,576	8,940
Total comprehensive income for the period	-	(33,457)	-	-	(65)	-	5,364	-	17,780	(10,378)	3,393	(6,985)
Transfer of reserves	-	-	-	-	-	490	-	-	(490)	-	-	-
Acquisition of a subsidiary (note 22)	-	-	-	-	-	-	-	-	-	-	37,950	37,950
2019 final dividend (note 18)	-	-	-	-	-	-	-	-	(33,635)	(33,635)	-	(33,635)
At 30th June 2020	1,415,118	(81,258)	23,009	167,717	(65)	105,703	5,364	(871,425)	2,341,864	3,106,027	338,390	3,444,417

The notes on pages 41 to 71 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2020 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30th June 2020 HK\$'000	Six months ended 30th June 2019 HK\$'000
Cash flows from operating activities			
Profit before income tax		26,978	130,292
Adjustments for:			
Loss/(gain) on disposals on property, plant and equipment	14	1,528	(56,056)
Share of loss/(profit) of joint ventures and associates	16	8,237	(19,821)
Other operating activities		64,310	58,702
Changes in working capital:			
Increase in trade and other receivables		(19,268)	(105,044)
(Decrease)/increase in trade payables, accruals and other payables		(48,003)	100,932
Cash generated from operations			
Income tax paid		(10,901)	109,005 (5,159)
Net cash generated from operating activities			
		22,881	103,846
Cash flows from investing activities			
Purchase of property, plant and equipment		(109,327)	(43,877)
Proceeds from sales of property, plant and equipment		–	61,872
Acquisition of subsidiary, net of cash acquired	22	(163,681)	–
Other investing activities		13,299	(4,801)
Net cash (used in)/generated from investing activities			
		(259,709)	13,194



CONDENSED CONSOLIDATED CASH FLOW STATEMENT (Continued)

For the six months ended 30th June 2020 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30th June 2020 HK\$'000	Six months ended 30th June 2019 HK\$'000
Cash flows from financing activities			
Dividends paid	18	(33,635)	–
Repayment of bank loans		(2,371)	(1,984)
Drawdown of bank loans		162,952	–
Repayment of amounts due to the non-controlling interests		(18,000)	–
Other financing activities		(17,072)	(19,348)
Net cash generated from/(used in) financing activities		91,874	(21,332)
Net increase (used in)/generated from cash and cash equivalents		(144,954)	95,708
Cash and cash equivalents at the beginning of the period		869,271	905,330
Effect of exchange rate changes		(2,491)	956
Cash and cash equivalents at the end of the period		721,826	1,001,994

The notes on pages 41 to 71 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 26th August 2020.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2019 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2020 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.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

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 2019 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 pages 30 to 31.

The financial information relating to the financial year ended 31st December 2019 that is included in the interim financial report as comparative information does not constitute the Company's statutory annual consolidated financial statements for that financial year but is derived from those financial statements. Further information relating to these statutory financial statements disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31st December 2019 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

3 ACCOUNTING POLICIES

The HKICPA has issued a number of amendments to HKFRSs that are first effective for the current accounting period of the Group.

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. The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period.

4 FINANCIAL RISK MANAGEMENT

(a) Financial risk factors

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

Fuel pricing risk

The Group is exposed to the upside risk of fuel prices as it has a heavy demand on fuel for its ferry operations. The Group manages its exposure to this risk by using fuel price swap contracts when the need arises.

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 2019.

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



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

4 FINANCIAL RISK MANAGEMENT *(Continued)*

(b) Fair value estimation

The carrying values less impairment provision (if applicable) of financial assets (including cash and cash equivalents) and financial liabilities approximate to their fair values due to their short maturities. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

The financial instruments are measured in the statement of financial position at fair values and disclosed under the following fair value measurement hierarchy:

- Level 1: Quoted prices (unadjusted) in active market for identical assets and liabilities;
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for the assets and liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3: Inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

4 FINANCIAL RISK MANAGEMENT (Continued)

(b) Fair value estimation (Continued)

At 30th June 2020, the financial asset at fair value through other comprehensive income and financial derivatives of the Group were categorised in Level 2 and Level 3 and the fair values were summarised as follows:

	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial asset at FVOCI	-	-	1,743	1,743
Derivative financial instrument				
Fuel price swap contract	-	(14,008)	-	(14,008)
	-	(14,008)	1,743	(12,265)

During the six months ended 30th June 2020, there were no transfers between the levels.

5 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In preparing the condensed consolidated interim financial information, except for fuel pricing risk, 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 2019.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

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 assess 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, property management service and other businesses

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

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 2020						
Total revenue	591,622	200,910	50,119	79,840	74,156	996,647
Inter-segment revenue	(45,635)	(65,950)	-	(3,219)	(9,153)	(123,957)
Revenue (from external customers)	545,987	134,960	50,119	76,621	65,003	872,690
Segment profit before income tax expense	22,566	12,091	(16,594)	(1,128)	10,043	26,978
Income tax expense	(3,871)	(3,011)	2,127	-	(2,049)	(6,804)
Segment profit after income tax expense	18,695	9,080	(14,467)	(1,128)	7,994	20,174
Segment profit before income tax expense includes:						
Finance income	224	353	253	89	12,403	13,322
Finance cost	(234)	(4,058)	(753)	(20)	(784)	(5,849)
Depreciation and amortisation	(3,082)	(58,451)	(5,922)	(1,510)	(3,971)	(72,936)
Share of profits less losses of:						
Joint ventures	3,769	3,099	(12,110)	-	-	(5,242)
Associates	-	2,593	(5,588)	-	-	(2,995)
Government grants and subsidies	16,126	1,558	33,473	621	-	51,778

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

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 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	(3,117)	(56,023)	(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
Government grants and subsidies	12,305	8,019	-	-	-	20,324

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

7 PROPERTY, PLANT AND EQUIPMENT AND LAND USE RIGHTS

(a) Right-of-use assets

During the six months ended 30th June 2020, the Group entered into a number of lease agreements for use of operation site, staff quarter and machinery, and therefore recognised the additions to right-of-use assets of HK\$5,361,000. In addition, the acquisition of New World First Ferry Services Limited on 4th May 2020 brought in HK\$4,196,000 right-of-use assets.

(b) Property, plant and equipment

During the six months ended 30th June 2020, the Group acquired property, plant and equipment with a cost of HK\$109,327,000 (six months ended 30th June 2019: HK\$43,877,000). The Group also acquired property, plant and equipment with net book value of HK\$93,110,000 from acquisition of New World First Ferry Services Limited (note 22).

Items with aggregated net book value of HK\$3,927,000 were disposed of during the six months ended 30th June 2020 (six months ended 30th June 2019: HK\$5,816,000), resulting in a loss on disposal of HK\$1,528,000 (six months ended 30th June 2019: gain of HK\$56,056,000).



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

8 TRADE AND OTHER RECEIVABLES

	As at 30th June 2020 HK\$'000	As at 31st December 2019 HK\$'000
Trade receivables:		
– third parties	277,256	206,545
– joint ventures and associates	–	2,172
– fellow subsidiaries	27,245	23,901
– other related companies	10,521	16,949
Trade receivables, net (note (a)):	315,022	249,567
Other receivables:		
– third parties	86,396	87,685
– immediate holding company (note (b))	8,899	9,374
– fellow subsidiaries (note (b))	12,760	10,024
– joint ventures and associates (note (b))	28,453	29,561
	136,508	136,644
Total trade and other receivables	451,530	386,211

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

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 2020 HK\$'000	As at 31st December 2019 HK\$'000
Within 3 months	253,662	230,659
4 to 6 months	25,722	13,972
7 to 12 months	35,743	5,292
Over 12 months	4,084	4,596
	319,211	254,519
Less: loss allowance	(4,189)	(4,952)
	315,022	249,567

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 STRUCTURED BANK DEPOSITS

As at 30th June 2020 and 31st December 2019, all of 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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

10 SHARE CAPITAL

Ordinary shares, issued and fully paid:

	Numbers of shares (‘000)	Share capital HK\$’000
At 30th June 2020 and 31st December 2019	1,121,167	1,415,118

11 BORROWINGS

	As at 30th June 2020 HK\$’000	As at 31st December 2019 HK\$’000
Unsecured, short term bank loans	150,000	50,000
Long term bank loans – secured	202,409	144,592
	352,409	194,592
Less: current portion	(160,099)	(53,896)
	192,310	140,696

The secured bank loans at 30th June 2020 were secured by land use rights and property, plant and equipment of the Group with net book value, amounting to HK\$177,757,000 and HK\$171,701,000, respectively. The secured bank loans are denominated in Renminbi, and interest-bearing at the base lending rate announced by the People’s Bank of China (“PBOC”).

The unsecured short term bank loans are denominated in Hong Kong dollars, interest-bearing at rates range from 0.88% to 1.0% per annum over HIBOR (31st December 2019: 1.0% per annum over HIBOR).

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

12 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	As at 30th June 2020 HK\$'000	As at 31st December 2019 HK\$'000
Trade payables (note (a) and (b)):		
– third parties	211,636	186,398
– immediate holding company	42,735	38,903
– fellow subsidiaries	3,008	5,456
– joint ventures and associates	19,166	30,262
– other related companies	–	2,075
	276,545	263,094
Accruals and other payables:		
– third parties	187,317	195,594
– immediate holding company (note (b))	13,289	1,654
– fellow subsidiaries (note (b))	9,791	5,554
– joint ventures and associates (note (b))	26,202	18,238
– other related companies (note (b))	1,700	1,453
Contract liabilities	7,815	8,746
	246,114	231,239
	522,659	494,333

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

12 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 2020 HK\$'000	As at 31st December 2019 HK\$'000
Within 3 months	264,307	261,082
4 to 6 months	10,515	56
7 to 12 months	357	306
Over 12 months	1,366	1,650
	276,545	263,094

- (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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

13 AMOUNTS DUE TO THE NON-CONTROLLING INTERESTS

	As at 30th June 2020 HK\$'000	As at 31st December 2019 HK\$'000
Unsecured loans		
– interest-free (note (a))	80,450	68,450
– at floating rates (note (b))	9,306	9,489
	89,756	77,939

Notes:

- (a) The amounts of HK\$80,450,000 are denominated in Hong Kong dollars, unsecured and repayable on demand.
- (b) The amounts are denominated in RMB, unsecured and interest-bearing at the base lending rate announced by the PBOC and repayable on demand.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

14 OTHER INCOME

	Six months ended 30th June 2020 HK\$'000	Six months ended 30th June 2019 HK\$'000
Management fee income from Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE")	20,000	20,000
Property rental income	2,792	894
Government grants and subsidies	51,778	20,324
Others	2,567	1,046
	77,137	42,264

OTHER (LOSS)/GAINS - NET

	Six months ended 30th June 2020 HK\$'000	Six months ended 30th June 2019 HK\$'000
Exchange (loss)/gains, net	(4,655)	498
(Loss)/gain on disposals of property, plant and equipment (note 7(b))	(1,528)	56,056
Reversal of loss allowance of trade receivables	45	60
	(6,138)	56,614

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

15 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30th June 2020 HK\$'000	Six months ended 30th June 2019 HK\$'000
Amortisation of land use rights	5,622	5,602
Depreciation of property, plant and equipment	54,715	47,901
Depreciation of investment properties	347	29
Depreciation of right-of-use assets	12,252	11,211
Lease payments for short-term leases		
– vessels and barges	72,947	67,951
– buildings	4,012	3,177
– property that generated rental income	245	–
Staff costs (including directors' emoluments)	203,712	180,233



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

16 SHARE OF PROFITS LESS LOSSES OF JOINT VENTURES AND ASSOCIATES

	Six months ended 30th June 2020 HK\$'000	Six months ended 30th June 2019 HK\$'000
Share of profits less losses before income tax of		
– joint ventures	(7,517)	17,684
– associates	(3,661)	7,853
	(11,178)	25,537
Share of income tax of		
– joint ventures	2,275	(4,223)
– associates	666	(1,493)
	2,941	(5,716)
	(8,237)	19,821

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

17 INCOME TAX EXPENSE

	Six months ended 30th June 2020 HK\$'000	Six months ended 30th June 2019 HK\$'000
Current income tax		
– Hong Kong profits tax	2,937	8,415
– PRC corporate income tax	4,447	3,339
– Macao profits tax	8	1,034
Deferred income tax expense	(588)	(599)
	6,804	12,189

Hong Kong profits tax has been provided for at the rate of 16.5% (2019: 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% (2019: 25%). Macao profits tax has been provided at 12% (2019: 12%) on the estimated assessable profit for the period.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

18 DIVIDENDS

- (i) Dividends payable to equity shareholders attributable to the previous financial year, approved during the interim period

	Six months ended 30th June 2020 HK\$'000	Six months ended 30th June 2019 HK\$'000
Final dividend paid/payable for 2019 of HK3 cents (2019: HK6 cents for 2018) per ordinary share	33,635	67,270

At the board meeting held on 26th March 2020, the directors proposed a final dividend of HK3 cents per ordinary share for the year ended 31st December 2019. Such proposal was subsequently approved by shareholders on 21st May 2020. The aggregate amount of the dividend is estimated to be HK\$33,635,000 (2019: HK\$67,270,000).

- (ii) Dividends payable to equity shareholders attributable to the interim period

	2020 HK\$'000	2019 HK\$'000
Interim dividend declared and paid after the interim period of nil per share (2019: HK\$3 cents per share)	–	33,635

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

19 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 2020	Six months ended 30th June 2019
Profit attributable to equity holders of the Company (HK\$'000)	17,780	116,373
Weighted average number of ordinary shares in issue ('000)	1,121,167	1,121,167
Basic earnings per share (HK cents)	1.59	10.38

The amount of dilutive earnings per share is the same as basic earnings per share for the six months ended 30th June 2020 and 2019 as there were no dilutive potential ordinary shares in issue.

20 COMMITMENTS

Capital commitments outstanding at 30th June 2020 not provided for in the interim financial report

	As at 30th June 2020 HK\$'000	As at 31st December 2019 HK\$'000
Property, plant and equipment: Contracted but not provided for	267,273	371,930
Authorised but not contracted for	438	–
	267,711	371,930



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

21 RELATED PARTY TRANSACTIONS

The directors of the Company regard CKSE as the immediate holding company, which owns 70% (31st December 2019: 70%) of the Company's ordinary shares at 30th June 2020. 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 2020 and 2019, 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 2020 and 2019.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

21 RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties

	Note	Six months ended 30th June 2020 HK\$'000	Six months ended 30th June 2019 HK\$'000
Revenues:			
Shipping agency, river trade cargo direct shipment and transshipment income	(i)		
– joint ventures and an associate		2,336	3,647
– other related companies		33	114
Passenger transportation agency fees	(i)		
– fellow subsidiaries		270	1,116
– joint ventures and an associate		830	4,891
– other related companies		156	817
Ferry terminal operation service fees	(i)		
– fellow subsidiaries		177	2,320
– joint ventures and an associate		1,368	9,636
– other related companies		33	212
Sub-baggage handling services fees	(i)		
– a related company		247	2,696
Management service fees			
– immediate holding company	(ii)	20,000	20,000
Staff management service fees			
– a fellow subsidiary	(iii)	–	17
– joint ventures	(iii)	5,133	3,319
– a related company	(iii)	132	132

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

21 RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

	Note	Six months ended 30th June 2020 HK\$'000	Six months ended 30th June 2019 HK\$'000
Revenues: (Continued)			
Vessel rental income	(i)		
– a joint venture		–	788
– a related company		1,219	1,396
Interest income	(iv)		
– a joint venture		96	230
Fuel supply income	(i)		
– fellow subsidiaries		7,762	21,173
– joint ventures and associates		4,470	33,174
– other related companies		8,689	16,584
Marine bunkering service fees	(i)		
– fellow subsidiaries		335	300
– a joint venture and an associate		14	91
– other related companies		310	1,825
Consulting and software service	(iii)		
– joint ventures and associates		105	118

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

21 RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

	Note	Six months ended 30th June 2020 HK\$'000	Six months ended 30th June 2019 HK\$'000
Expenses:			
Shipping agency, river trade cargo direct shipment and transhipment expenses	(i)		
– a joint venture and an associate		2,577	2,230
Wharf cargo handling, cargo transportation and godown storage expenses	(i)		
– a fellow subsidiary		1,870	3,383
– joint ventures and an associate		23,085	27,154
– a related company		2,685	11,169
Agency fee expenses	(i)		
– fellow subsidiaries		3	45
– a joint venture and an associate		89	468
Ferry terminal operation services fee	(i)		
– a fellow subsidiary		325	2,503
Luggage handling fee	(v)		
– a related company		303	2,144

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

21 RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties (Continued)

	Note	Six months ended 30th June 2020 HK\$'000	Six months ended 30th June 2019 HK\$'000
Expenses: (Continued)			
Vessel rental expenses	(i)		
– a joint venture		17,519	14,072
– a fellow subsidiary		835	346
Warehouse rental expenses	(vi)		
– immediate holding company		2,500	2,500
Office rental expenses	(i)		
– immediate holding company		4,450	3,265
– fellow subsidiaries		649	655
Staff quarter rental expenses	(i)		
– immediate holding company		1,373	1,320
Loan interest expenses			
– non-controlling interests	(vii)	204	291
Property management fee expense	(iii)		
– a fellow subsidiary		417	271
– a related company		–	11
IT Management fee expense			
– immediate holding company	(viii)	1,474	1,894

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

21 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.
- (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 (2019: 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 (2019: 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 (2019: base lending rate announced by the PBOC).
- (viii) IT Management fee expenses were charged at HK\$245,628 per month (2019: HK\$245,628) for IT services provided by CKSE as set out in the agreement governing these transactions.



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

21 RELATED PARTY TRANSACTIONS (Continued)

(b) Key management compensation

	Six months ended 30th June 2020 HK\$'000	Six months ended 30th June 2019 HK\$'000
Salaries and allowances	3,684	3,427
Directors' fees	360	360
Retirement benefit scheme contributions	59	54
	4,103	3,841

(c) Loans to joint ventures and fellow subsidiaries

	Six months ended 30th June 2020 HK\$'000	Six months ended 30th June 2019 HK\$'000
As at 1st January	4,465	13,189
Exchange differences	(86)	(344)
As at 30th June	4,379	12,845

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

22 ACQUISITION OF A SUBSIDIARY

The Group acquired 60% equity interest of New World First Ferry Services Limited on 18th May 2020, a ferry services and charter hire of vessels services company in Hong Kong, at a cash consideration of HK\$232,800,000, subject to certain adjustments as defined in the acquisition agreement. The objective of the acquisition is to further expand the Group's local ferry business in Hong Kong.

The acquired business contributed revenue of HK\$39,253,000 and net profit of HK\$5,425,000 to the Group for the period from the acquisition date to 30th June 2020.

If the acquisition had occurred on 1st January 2020, the management estimates that the Group's revenue and profit after tax for the period would have been HK\$939,189,000 and HK\$33,282,000 respectively.

The following table summaries the provisional fair values of assets and liabilities recognised at the date of acquisition:

	Fair value HK\$'000
Property, plant and equipment	97,307
Inventories	30,200
Trade and other receivables	46,051
Financial asset	1,808
Cash and cash equivalents	69,119
Trade and other payables	(76,329)
Derivative financial liabilities	(24,716)
Lease liabilities	(4,215)
Amount due to former immediate holding company	(30,000)
Income tax payables	(3,789)
Deferred tax liabilities	(10,561)
	<hr/>
Net identifiable assets acquired	94,875



NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

22 ACQUISITION OF A SUBSIDIARY (Continued)

The fair value of trade and other receivables is HK\$46,051,000 which includes trade debtors with a fair value of HK\$16,620,000. The gross contractual amounts for trade and other receivables is HK\$46,051,000, and loss allowance is nil.

The amounts of assets and liabilities arising from the acquisition of New World First Ferry Services Limited as at 30th June 2020 and the related consideration are currently determined provisionally. At the date of this interim financial report, the necessary valuations and other calculations for the net assets acquired and liabilities assumed had not been finalised and therefore have been provisionally determined based on the latest information available to the management. Any adjustments to these provisional values upon finalisation will be recognised within 12 months of the acquisition date. The adjustments will be calculated as if the fair values had been recognised on the acquisition date. Goodwill will also be adjusted to the amount that would have been recognised if the fair value had been used at the acquisition date.

Goodwill arising from the acquisition has been recognised as follows:

	HK\$'000
Total consideration transferred	232,800
Less: net identifiable assets acquired	<u>(94,875)</u>
	137,925
Share of non-controlling interests	<u>37,950</u>
Goodwill	<u><u>175,875</u></u>

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT

(Expressed in Hong Kong dollars unless otherwise indicated)

22 ACQUISITION OF A SUBSIDIARY *(Continued)*

The goodwill is mainly attributable to the skills and technical talent of work force and its knowhow in the provision of ferry services in Hong Kong. None of the goodwill recognised is expected to be deductible for income tax purpose.

Analysis of the net outflow of cash and cash equivalents in respect of the acquisition is as follows:

	HK\$'000
Cash consideration	232,800
Less: cash and cash equivalent acquired	<u>(69,119)</u>
Net cash outflow from investing activities	<u>163,681</u>

Acquisition-related costs of HK\$435,000 that were not directly attributable to the acquisition are included in other operating expenses in the condensed consolidated statement of profit or loss and in operating cash flows in the condensed consolidated statement of cash flows.



CORPORATE INFORMATION

EXECUTIVE DIRECTORS

Mr. Huang Liezhang (*Chairman*)
Mr. Wu Qiang (*Managing Director*)
Mr. Chen Jie
Mr. Liu Wuwei

NON-EXECUTIVE DIRECTOR

Ms. Zhong Yan

INDEPENDENT NON-EXECUTIVE DIRECTORS

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. Liu Wuwei

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

AUDITOR

KPMG
Certified Public Accountants
Public Interest Entity Auditor
registered in accordance with the
Financial Reporting Council Ordinance

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HSBC
Bank of Communications
Standard Chartered

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