



*Spring ahead...
Spring is back*



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

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

INTERIM REPORT 2021

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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 2021 to the shareholders of the Company (the “Shareholders”) for their review.

REVIEW

In the first half of 2021, the COVID-19 epidemic situation remained volatile, various businesses of the Group were still affected in varying degrees. In response to the government’s requirements for epidemic control, except for the sailing service from Shekou to the Hong Kong International Airport, which maintains two one-way sailings per day, other cross-border waterway passenger sailing services remain suspended. Therefore, the Group’s cross-border passenger transportation and related auxiliary businesses are still facing tremendous operating pressure.

In response to the volatile epidemic situation, the Group planned for a development layout to promote business transformation, successfully maintaining a stable business operation under the significant reduction on government’s anti-epidemic subsidies. Among them, benefiting from the strong demand for international container shipping, the terminal logistics business achieved an outstanding performance; Hong Kong’s local ferry business is developing well, and passenger patronage has increased significantly.



The strategic logistics upgrade of the terminal logistics business has achieved remarkable results, effectively reducing the impact of the epidemic. The Group's air freight logistics, e-commerce logistics, and construction logistics have developed rapidly. The second X-ray inspection line for the Hong Kong air cargo X-ray inspection business at the Tuen Mun warehouse has commenced, driving the profit growth of the air logistics business. The Group also deepened the cooperation with China Duty Free International Limited by introducing Macao's e-commerce logistics business and greatly expanding the port operation section of e-commerce within the bonded warehouse to optimise the operational flow and improve the processing capacity of the e-commerce logistics business. Chu Kong Transhipment & Logistics Company Limited ("CKTL") successfully undertook multiple construction logistics projects of Gammon Construction Limited in the Guangdong-Hong Kong-Macao Greater Bay Area and won a tender for the ultra-high and ultra-wide vehicle transportation business of Jangho Curtain Wall Co., Ltd in Guangdong-Hong Kong and Guangdong-Macao sailings. In addition, the Group seized the opportunity of the renewable resources import policy adjustment in China, successfully opening up renewable resources import business at different cargo terminals such as Gaoming Port, Zhaoqing New Port, and Sihui Port and driving the container handling volume of foreign trade.

The public transportation strategy of the passenger transportation business was steadily progressed, while at the same time strengthening the synergies with related auxiliary businesses. Sun Ferry Services Company Limited ("Sun Ferry") successfully obtained the new service licenses for operating three outlying-island ferry routes and three inner harbour ferry routes for five years. With the subsidence of the COVID-19 pandemic in Hong Kong, local resident's desire for outings on outlying islands and participating in festivals on holidays have increased, significantly boosting the passenger traffic and fare revenue. The local ferry business has also carried out in-depth cooperation with passenger-transportation-related auxiliary businesses to ensure the safety of vessel operation, reduce overall operating costs and strengthen the synergies between various businesses of the Group. To alleviate the operating pressure caused by the suspension of most of the cross-border waterway passenger services, the Group actively promoted the Hong Kong airport strategy with Chu Kong Passenger Transport Company Limited ("CKPT") successfully tendering for the luggage handling project at the Hong Kong International Airport.

While successfully pushing forward several key projects, the Group conscientiously carried out epidemic prevention and control work, standardised risk management and strictly controlled costs and expenses to ease operating pressure.


OUTLOOK

In the second half of the year, the COVID-19 epidemic will continue to exert tremendous pressure on the Group's cross-border passenger transportation and related auxiliary businesses. The Group will actively integrate into national strategies such as the "Belt and Road" initiative and the construction of the Guangdong-Hong Kong-Macao Greater Bay Area, focus on key strategies such as logistics upgrades, public transportation, Hong Kong airport, intelligent terminals navigation, and the "Belt and Road" so as to strengthen the promotion of business transformation and upgrade, overcome major adverse effects of the epidemic, achieve sustainable development, and create greater value for the Shareholders.

Firstly, the Group will leverage the advantages of storage logistics resources. The new warehouse in Tuen Mun will be put into operation in the fourth quarter of this year. The Group will take advantage of the linkage between the new and existing warehouses in Tuen Mun and other warehousing and logistics resources in Guangdong, Hong Kong, and Macao to further expand air freight logistics, e-commerce logistics, and Hong Kong storage logistics business. The Group will also integrate storage logistics resources in Zhuhai and deploy livelihood businesses to supply fresh food to Hong Kong and Macao.

Secondly, the Group will continue to expedite the airport strategy. The Group will actively bid for more new service projects at the Hong Kong International Airport and deeply participate in airport on-site services. The Group will also improve the service chain of sea-to-air intermodal by expanding into aircraft ground handling and terminal services. In accordance with the epidemic prevention and control policy, the sailing services from downtown Hong Kong to Shenzhen Airport and the sailing services from Guangzhou Pazhou to Hong Kong International Airport will be opened timely.

Thirdly, the Group will accelerate the investment in countries along the "Belt and Road". "Belt and Road" is the way for the Group to break regional restrictions and achieve innovative development. In the second half of the year, the Group will continue to promote the acquisition of Singapore warehousing and logistics projects and accelerate the establishment of a logistics network in the ASEAN region.



Fourthly, the Group will further expand the local transportation business in Hong Kong. The Group will increase the influence over the local transportation business in Hong Kong by exploring acquisition opportunities to give full play to the synergies and drive the passenger-transportation-related auxiliary businesses of the Group out of the predicament. The Group is actively engaged in the preparation of the tours for Victoria Harbour on the sightseeing cruise “Oriental Pearl” to connect with Hong Kong’s local tourism resources.

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 Hong Kong Special Administrative Region, the Group quickly took epidemic prevention measures to protect customers and employees 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. These measures had been effective, with no confirmed cases of infection among the Group’s employees.

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 will remain true to our original aspiration and keep our mission firmly in mind, persistently drive forward the “Second Venture” strategy with faith and a high-spirited attitude to create value for the Shareholders.

Huang Liezhang
Chairman

Hong Kong, 26th August 2021

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

For the period ended 30th June 2021, the Group recorded a consolidated revenue of HK\$1,142,692,000, representing an increase of 30.9% over the same period last year. Profit attributable to the equity holders of the Company amounted to HK\$26,095,000, representing an increase of 46.8% over the same period last year.

In the first half of 2021, due to the continuous impact of the COVID-19 epidemic, the groundwork for a recovery of the world economy remained weak, the external environment remained complex and severe, and it was difficult for international trade to achieve a recovery in the short term. Despite the subsidence of the epidemic situation in Hong Kong, epidemic prevention policies and measures were still in place, with the entry and exit restrictions still being upheld between Guangdong, Hong Kong, and Macao. Except for the sailing services from Shekou to the Hong Kong International Airport, which maintains two one-way sailings per day, other cross-border waterway sailing services between Guangdong, Macao and Hong Kong remain suspended, resulting in an unprecedented challenge faced by the cross-border waterway passenger transportation business. Compared with the same period last year, despite a steady improvement of the Group's terminal logistics business together with a contrarian growth in the number of passengers for local ferry services, the business volume of the cross-border waterway passenger transportation business has fallen sharply due to the impact of the epidemic. In response to the unstable epidemic situation, the Group took initiative to seek opportunities in the crisis by setting up livelihood businesses, integrating resources in the Greater Bay Area, deploying ASEAN strategy, actively deploying from multiple angles, and seeking development in all directions.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

Regarding the freight business, the Group leveraged on advantages of business diversification to refine upstream to downstream industry chain coverage, strengthened the competitive position of the terminal's network, and steadily promoted the synergistic development on both domestic and foreign trade businesses. While carrying out epidemic prevention and control, we seized the opportunity to tap the market potential and minimised the impact of the epidemic on the terminal logistics business, and achieved steady growth. During the period, the container transportation volume recorded 714,000 TEU, representing a year-on-year increase of 12.1%; and the break bulk cargoes transportation volume recorded 326,000 tons, representing a year-on-year decrease of 48.7%. As for the cargo handling business, the container handling volume recorded 570,000 TEU, representing a year-on-year increase of 8.2%; the break bulk cargoes handling volume recorded 3,786,000 tons, representing a year-on-year decrease of 32.8%; and the volume of container hauling and trucking recorded 113,000 TEU, representing a year-on-year increase of 8.7%.

Regarding the passenger transportation business, thanks to the subsidence of the epidemic situation in Hong Kong, the business volume of the local ferry business in Hong Kong has increased significantly in the first half of the year. At the same time, 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 sailings of urban areas and the airport were progressively suspended since the end of January last year. Except for the one-way sailing from Shekou to the Hong Kong International Airport which maintains a limited-service, other sailings including Guangdong-Hong Kong and Hong Kong-Macao have yet to resume, which results in a significant decline in business operation indicators of cross-border waterway passenger transportation compared with the same period last year. During the period, the total number of passengers for agency services recorded 31,000, representing a year-on-year decrease of 92.4%. The number of passengers for terminal services recorded 31,000, representing a year-on-year decrease of 91.5%. The number of passengers for the local ferry service was 6,265,000, representing a year-on-year increase of 12.0%.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

REVIEW OF OPERATIONS (Continued)

I. TERMINAL NAVIGATION 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		
	2021	2020	Change
Container transportation volume (TEU)	714,000	637,000	12.1%
Break bulk cargoes transportation volume (revenue tons)	326,000	636,000	-48.7%
Volume of container hauling and trucking on land (TEU)	113,000	104,000	8.7%

Subsidiaries

In the first half of the year, in the context of the continuous spread of the global epidemic, CKTL was determined to overcome multiple hurdles, stabilised operations while improving efficiency in both domestic and foreign trade, actively expanded into innovative integrated logistics projects on the basis of preserving the original businesses to achieve a substantial increase in container transportation volume. During the period, the container transportation volume recorded 714,000 TEU, representing a year-on-year increase of 12.1%; the volume of container hauling and trucking on land recorded 113,000 TEU, representing a year-on-year increase of 8.7%. As the sand supply project at the Hong Kong International Airport has been completed, the volume of bulk cargo transportation has fallen. During the period, the break bulk cargoes transportation volume reached 326,000 tons, representing a year-on-year decrease of 48.7%.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. TERMINAL NAVIGATION LOGISTICS BUSINESS *(Continued)*

1. Cargo Transportation Business *(Continued)*

Subsidiaries *(Continued)*

CKTL actively promoted transformation and upgrade, took measures to expand emerging businesses, and deepened the cooperation between cargo terminals and navigation. In terms of the progress of infrastructure projects, the construction of the new warehouse in Tuen Mun is progressing as scheduled, and has now entered into the final stage, striving to be put into operation in the fourth quarter of this year. In terms of construction logistics projects, CKTL, being a local logistics and transportation provider in Hong Kong, strived to become the main contractor of infrastructure projects related to the third runway of the Hong Kong International Airport, and successfully tendered for the China-Hong Kong and China-Macao ultra-high and ultra-wide vehicle transportation business of Jangho Curtain Wall Co., Ltd for Hong Kong Kai Tak, City of Dreams and Galaxy Macau, etc.. In terms of freight forwarding business, CKTL communicated and coordinated with liners to achieve positive results. In terms of e-commerce logistics business, CKTL continued to increase cooperation with China Duty Free Group Co., Ltd, optimise operational flow, and improve service quality. In terms of air freight business, in order to cooperate with the implementation of the 100% air cargo screening measures, CKTL has put the second X-ray inspection machine into operation in the first quarter and introduced many customers with stable businesses.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

REVIEW OF OPERATIONS (Continued)

I. TERMINAL NAVIGATION LOGISTICS BUSINESS (Continued)

2. Cargo Handling and Storage Business

Business Operation Indicators

Performance statistics of our major business operations are as follows:

Indicators	For the six months ended 30th June		
	2021	2020	Change
Container handling volume (TEU)	570,000	527,000	8.2%
Volume of break bulk cargoes handled (revenue tons)	3,786,000	5,635,000	-32.8%

Subsidiaries

During the period, due to the impact of the COVID-19 epidemic, the subsidiaries embraced challenges ahead by actively promoting business transformation, connected with the domestic and international dual circular economy, and discovered potential opportunities in e-commerce logistics, sea-rail joint transportation, domestic and foreign trade in the same terminals, and bulk cargo handling, etc. The container handling volume of many of the Group's terminals has achieved a strong rebound.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. TERMINAL NAVIGATION LOGISTICS BUSINESS *(Continued)*

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

Subsidiaries *(Continued)*

The overall container handling volume in the Zhaoqing region recorded 81,000 TEU, representing a year-on-year increase of 15.7%; the overall break bulk cargoes handling volume recorded 2,695,000 tons, representing a year-on-year decrease of 47.8%. During the period, Zhaoqing New Port and CKTL jointly sourced key customers and vigorously developed import business such as the import of rice bran and more, container handling volume of Zhaoqing New Port recorded a year-on-year increase of 11.3%. Sihui Port expanded into the gravel building materials business while achieving a 26.2% year-on-year increase in the container handling volume, break bulk cargo has become a new growth driver. Gaoyao Port not only achieved a breakthrough in domestic trade through the development of domestic trade businesses such as importing coal containers and exporting ceramics, etc. but also significantly increased the rice bran containers handling volume for foreign trade, realising synergistic development on both domestic and foreign trade businesses. The gravel bulk cargo transportation business in Kangzhou Port has been steadily improving, the volume of Guangxi stone and stone powder containers has also achieved a contrarian growth. The volume of container and bulk cargo handling has both increased by 10.0% compared with the same period last year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

REVIEW OF OPERATIONS (Continued)

I. TERMINAL NAVIGATION LOGISTICS BUSINESS (Continued)

2. Cargo Handling and Storage Business (Continued)

Subsidiaries (Continued)

The container handling volume at Gaoming Port of Foshan region recorded 175,000 TEU, representing a year-on-year increase of 16.9%. Taking the renewable resources business as an important breakthrough, Gaoming Port has launched new service projects such as inland port transfer, land-to-water transportation, and transferring renewable resources from foreign to domestic, etc., continued to improve the customs clearance efficiency of high-yield businesses, built an integrated logistics service platform and developed new forms of cross-border e-commerce in an orderly manner to promote the optimisation and upgrade of the terminal business structure.

During the period, the container handling volume at Qingyuan Port recorded 44,000 TEU, representing a year-on-year increase of 14.6%; the domestic break bulk cargoes business was newly added and recorded a handling volume of 106,000 tons. Qingyuan Port strengthened business synergy and optimised its marketing model to promote the development of both domestic and foreign trade; Qingyuan Port also sought support from customs policies, improved customs clearance efficiency, and actively introduced more customers and categories of goods to enhance market competitiveness.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. TERMINAL NAVIGATION LOGISTICS BUSINESS *(Continued)*

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

Subsidiaries *(Continued)*

The overall container handling volume in the Zhuhai region recorded 102,000 TEU, representing a year-on-year decrease of 13.4%; the overall break bulk cargoes handling volume recorded 573,000 tons, representing a significant year-on-year increase of 320.2%. During the period, the container handling volume at Civet Port recorded 78,000 TEU, representing a year-on-year decrease of 16.4%; the break bulk cargoes handling volume recorded 153,000 tons, representing a year-on-year increase of 83.8%. Civet Port strived for business expansion, realised differentiated management of terminals by building a cold chain import and export platform; explored the potential of integrated logistics by promoting the implementation of cross-border e-commerce; explored new livelihood businesses in Macao to enter into the high-end supply chain market. The container handling volume at Doumen Port recorded 24,000 TEU, representing a year-on-year decrease of 2.2%; the break bulk cargoes handling volume recorded 420,000 tons, representing a significant year-on-year increase of 6.9 times. Doumen Port tapped into the Hong Kong-Zhuhai-Macao Bridge economy and expanded its integrated logistics business. During the period, the warehouse at the bridge terminal was established and a business agreement with DHL has been signed; Doumen Port also seized new opportunities for expansion and promoted professional development. During the period, the waste mud transfer project was officially launched, the prototype of the terminal featuring the development of construction materials handling business is gradually shaped.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

REVIEW OF OPERATIONS (Continued)

I. TERMINAL NAVIGATION LOGISTICS BUSINESS (Continued)

2. Cargo Handling and Storage Business (Continued)

Subsidiaries (Continued)

Zhongshan Huangpu Port in the Zhongshan region actively expanded import and export businesses and developed waterway gate operation business to achieve growth in cargo volume; provided imported pumice delivery service well to improve competitiveness. Two new customers were also introduced for new domestic break bulk business, resulting in a great enhancement on bulk cargo throughput. During the period, container handling volume at Zhongshan Huangpu Port recorded 13,000 TEU, representing a year-on-year decrease of 22.2%; the break bulk cargoes handling volume recorded 70,000 tons, representing a significant year-on-year increase of 291.8%.

The overall container handling volume in the Hong Kong region recorded 154,000 TEU, representing a year-on-year increase of 15.3%; the overall break bulk cargoes handling volume recorded 323,000 tons, representing a year-on-year increase of 15.9%. During the period, CKTL focused on the Greater Bay Area airports strategy, completed the new warehouse business plan, and strived to deploy the air freight and e-commerce logistics business; CKTL also actively promoted integrated logistics projects and construction logistics projects, and successfully tendered for projects such as the 2021-2022 China-Hong Kong logistics and transportation project of Esquel Enterprises Ltd. In addition, in response to changes in the market environment, CKTL refined management of liner business and Guangdong-Hong Kong routes to reduce costs and increase efficiency.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. TERMINAL NAVIGATION LOGISTICS BUSINESS *(Continued)*

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

Joint Ventures and Associates

Terminals in the 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 176,000 TEU, representing a year-on-year increase of 38.0%. During the period, the container handling volume at Sanbu Port recorded 77,000 TEU, remaining static year-on-year; the overall break bulk cargoes handling volume recorded 23,000 tons, representing a year-on-year increase of 60.8%. Sanbu Port continued to strengthen its business development by introducing pulp supply for foreign trade and increasing bentonite and porcelain clay for domestic trade while seizing the opportunities from the market and policy adjustment to develop construction materials handling business, such as gravel handling. The container handling volume at Heshan Port recorded 99,000 TEU, representing a year-on-year increase of 94.1%. Through the cooperation with Guangzhou Nansha Port in developing the “Water Bus” business, the import volume of wooden containers increased, resulting in substantial growth in the domestic trade container throughput of Heshan Port in the first half of the year; the throughput of foreign trade break bulk cargo business has also recorded a contrarian growth, thanks to the growth of electronic parts and steel pipes.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

I. TERMINAL NAVIGATION LOGISTICS BUSINESS *(Continued)*

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

Joint Ventures and Associates *(Continued)*

The two terminals in the Foshan region, namely Foshan Nankong Terminal Co., Ltd., and Chu Kong Cargo Terminals (Beicun) Co., Ltd. recorded a total container handling volume of 63,000 TEU, representing a year-on-year increase of 2.6%. During the period, Foshan Nankong Port recorded a container handling volume of 48,000 TEU, representing a year-on-year increase of 11.4%. As the designated operating period of Nankong Port will be expired on 19th August 2021, and all the shareholders agreed not to renew the business license, Nankong Port will go into the liquidation stage. During the period, container handling volume at Foshan Beicun Port recorded 15,000 TEU, representing a year-on-year decrease of 18.0%. Foshan Beicun Port is committed to building a professional grain terminal by entering into the rice supply chain, and at the same time explored and expanded into the break bulk cargo business. Due to the expropriations of the lands for wharves and buildings erected on the land at Foshan New Port, its operation was suspended with no operating activity during the period. As the business operations of Sanshui Sangang Containers Wharf Co., Ltd. continued to be suspended under the environmental protection policies, so it has officially entered into the liquidation stage.

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)		
	2021	2020	Change
Total number of passengers for agency services	31	408	-92.4%
Total number of passengers for terminal services	31	366	-91.5%
The number of passengers for local ferry transportation (<i>Note</i>)	6,265	5,592	12.0%

Note: The number of passengers for local ferry transportation was the passenger volume of Sun Ferry. Although the acquisition of Sun Ferry was completed in May 2020, for easy comparison, the calculation of passenger volume in 2020 also started from January.

Subsidiaries

The passenger transportation business of the Group was continuously affected by the global COVID-19 epidemic in the first half of the year. During the period, the total number of passengers for agency services of CKPT was 31,000, representing a year-on-year decrease of 92.4%; the number of passengers for terminal services was 31,000, representing a year-on-year decrease of 91.5%.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

REVIEW OF OPERATIONS (Continued)

II. PASSENGER TRANSPORTATION BUSINESS (Continued)

Subsidiaries (Continued)

Regarding urban routes, in response to the Hong Kong government's requirements for epidemic control during the period, the China Ferry Terminal and the Hong Kong Macau Ferry Terminal were closed at the end of January and early February last year respectively. The urban routes have been suspended since then. The cross-border passenger transportation business operations are facing severe challenges.

Regarding airport routes, in response to the government's requirements for epidemic control during the period, except for the services from Shekou to the Hong Kong International Airport, which maintains two one-way sea-to-air sailings per day, other cross-border waterway passenger services involving airport routes remain suspended. During the period, the number of passengers served amounted to 31,000, representing a year-on-year decrease of 88.0%. Although airport routes have been severely impacted by the epidemic, the Group still actively prepared for the openings of new routes between the Hong Kong International Airport and Shenzhen Airport. The Group also collaborated with airlines to develop sea-air one-ticket services to improve the service chain of sea-to-air intermodal.

Regarding local ferry services, Sun Ferry continued its core business by successfully tendering for the new service licenses for operating three inner harbour ferry sailings from the Transport Department of the Hong Kong Special Administrative Region. Under adverse conditions imposed by the epidemic, a new historical record of passenger volume during the Spring Festival and Qingming holidays was set. During the period, the local ferry business recorded a total number of passengers of 6,265,000, representing a year-on-year increase of 12.0%.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

II. PASSENGER TRANSPORTATION BUSINESS *(Continued)*

Joint Ventures and Associates

During the period, all joint ventures and associates were affected by the epidemic, and cross-border waterway passenger routes were basically suspended. During the period, the number of passengers at SkyPier (operated by Hong Kong International Airport Ferry Terminal Services Limited) amounted to 31,000 only, representing a year-on-year decrease of 88.4%. Zhongshan – Hong Kong Passenger Shipping Co-op Co., Ltd. and Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd. were completely suspended.

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 60,000 during the period, representing a significant year-on-year decrease of 94.9%.

III. FUEL SUPPLY BUSINESS

As to the fuel supply business, being an auxiliary business to passenger and freight transportation businesses, the epidemic caused a decline in the number of passenger and cargo vessel voyages, subsequently reducing the sales volume of diesel and engine oil of Sun Kong Petroleum Company Limited (“Sun Kong Petroleum”). During the period, Sun Kong Petroleum recorded a sales volume of 12,000 tons for diesel, representing a year-on-year decrease of 33.3%, and a sales volume of 205,000 litres for engine oil, representing a year-on-year decrease of 46.2%. Under the extremely unfavourable market environment, Sun Kong Petroleum, on the one hand actively expanded internal and external customers by signing fuel supply contracts with Cotai Ferry and Sun Ferry during the period; on the other hand, focused on improving the layout of refuelling outlets by acquiring buoys to establish offshore refuelling bases.

MANAGEMENT DISCUSSION AND ANALYSIS *(Continued)*

REVIEW OF OPERATIONS *(Continued)*

IV. CORPORATE AND OTHER BUSINESSES

As to the corporate and other businesses, Chu Ou Engineering and Technologies Company Limited (“Chu Ou Engineering”), as the Group’s Macao-based company for the maintenance and repair of property facilities, recorded a revenue growth during the period. This was mainly attributed to the obtaining of projects, such as the Outer Harbour Boarding Bridge Project of the Maritime and Water Affairs Bureau, etc. While maintaining the existing business, Chu Ou Engineering leveraged the technical advantages of the team, improved the quality of maintenance services, actively paid attention to bidding projects, and strived to achieve business breakthroughs.

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 2021, the Group secured total credit facilities of HK\$1,085,000,000 and RMB116,800,000 (equivalent to approximately HK\$140,368,000) (31st December 2020: HK\$1,285,000,000 and RMB117,250,000 (equivalent to approximately HK\$139,318,000) granted by bona fide banks.

As at 30th June 2021, the current ratio of the Group, representing current assets divided by current liabilities, was 1.9 (31st December 2020: 2.0).

As at 30th June 2021, the Group's cash and cash equivalents amounted to HK\$894,599,000 (31st December 2020: HK\$726,056,000), which represented 19.2% (31st December 2020: 15.9%) of the total assets.

As at 30th June 2021, the gearing ratio of the Group, representing bank borrowings divided by total equity and bank borrowings, was 6.2% (31st December 2020: 6.2%) and the debt ratio, representing total liabilities divided by total assets, was 21.9% (31st December 2020: 20.6%).

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 from January to March 2021, the Group did not use any other financial instruments for hedging purpose.

BANK LOANS AND PLEDGE OF ASSETS

Bank Loans	As at 30th June 2021	As at 31st December 2020
Banks located in Hong Kong (<i>Note 1</i>) – Hong Kong Dollar	100,000,000	100,000,000
Banks located in China (<i>Note 2</i>) – Renminbi	116,800,000 (equivalent to approximately HK\$140,368,000)	117,250,000 (equivalent to approximately HK\$139,318,000)

Note:

1. The loans from banks located in Hong Kong as at 30th June 2021 was bearing floating interest rate and unsecured. The relevant terms of which are identical to those set out in the 2020 Annual Report.
2. The loans from banks located in China as at 30th June 2021 were bearing floating interest rates 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 to those set out in the 2020 Annual Report.
3. Detailed analysis on bank loans is set out in note 11 to the financial statements.

CURRENCY STRUCTURE

As at 30th June 2021, 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

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 2021.

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 2021.

CONTINGENT LIABILITIES

As at 30th June 2021, the Group had no material contingent liabilities.

EMPLOYEES AND REMUNERATION

As at 30th June 2021, the Group employed 2,148 employees (30th June 2020: 2,298) 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 2021 amounted to HK\$276,049,000 (30th June 2020: HK\$203,712,000), 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 training 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.

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 2021, 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.

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.

EQUITY-LINKED AGREEMENT *(Continued)*

Share Option Scheme *(Continued)*

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

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

The remaining total number of shares which may be issued under the Share Option Scheme amounts to 98,608,000 shares, representing approximately 8.8% of the issued shares of the Company as at the date of this interim report.

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

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

So far as was known to the Directors and chief executives, on 30th June 2021, 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 Provincial Port and Shipping Group Company Limited ("GDPS") (formerly known as "Guangdong Province Navigation Group Company Limited") <i>(Note 3)</i>	Interest of controlled corporation	784,817,520 (L)	70.0%

Notes:

1. The letter "L" denotes a 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 2021.
3. CKSE is wholly owned by GDPS, GDPS 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 2021, 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 2021 (2020 interim dividend: Nil). 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 2021.

Interim financial results of the Group for the six months ended 30th June 2021 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 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 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 a 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

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 2020.

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 2021



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 67 which comprises the consolidated statement of financial position of Chu Kong Shipping Enterprises (Group) Company Limited (the “Company”) as of 30th June 2021 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 2021 is not prepared, in all material respects, in accordance with Hong Kong Accounting Standard 34, *Interim financial reporting*.

KPMG

Certified Public Accountants

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

26th August 2021

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30th June 2021 – unaudited

(Expressed in Hong Kong dollars)

	Note	As at 30th June 2021 HK\$'000	As at 31st December 2020 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment	7	2,126,359	2,013,501
Investment properties		51,682	51,734
Land use rights	7	375,354	378,265
Intangible assets		239,445	237,809
Investments in joint ventures		366,200	377,532
Investments in associates		116,730	121,679
Other financial asset		1,743	1,743
Deferred income tax assets		491	1,178
		3,278,004	3,183,441
Current assets			
Inventories and spare parts		28,050	32,356
Trade and other receivables	8	463,270	385,183
Loan to a joint venture		2,403	2,376
Tax recoverable		–	6,252
Structured bank deposits	9	1,486	238,050
Cash and cash equivalents		894,599	726,056
		1,389,808	1,390,273
Total assets		4,667,812	4,573,714
EQUITY			
Share capital	10	1,415,118	1,415,118
Reserves		1,881,092	1,866,484
		3,296,210	3,281,602
Non-controlling interests		348,709	349,919
Total equity		3,644,919	3,631,521

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (Continued)

At 30th June 2021 – unaudited

(Expressed in Hong Kong dollars)

	Note	As at 30th June 2021 HK\$'000	As at 31st December 2020 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		100,199	99,681
Deferred income		4,636	5,471
Lease liabilities		45,222	19,187
Long term borrowings	11	124,595	126,842
		274,652	251,181
Current liabilities			
Trade payables, accruals and other payables	12	521,826	479,135
Amounts due to the non-controlling interests	13	50,575	78,550
Derivative financial liabilities		–	3,006
Income tax payables		6,259	–
Lease liabilities		53,808	17,845
Short-term borrowings	11	100,000	100,000
Current portion of long term borrowings	11	15,773	12,476
		748,241	691,012
Total liabilities		1,022,893	942,193
Total equity and liabilities		4,667,812	4,573,714
Net current assets		641,567	699,261
Total assets less current liabilities		3,919,571	3,882,702

The notes on pages 41 to 67 form part of this interim financial report.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the six months ended 30th June 2021 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30th June 2021 HK\$'000	Six months ended 30th June 2020 HK\$'000
Revenue	6	1,142,692	872,690
Cost of sales/services rendered		(1,024,274)	(796,379)
Gross profit		118,418	76,311
Other income	14	92,876	77,137
Other gains/(losses) – net	14	3,435	(6,138)
General and administrative expenses		(148,369)	(119,568)
Operating profit		66,360	27,742
Finance income		10,075	13,322
Finance cost		(3,740)	(5,849)
Share of profits less losses of:			
– Joint ventures	16	(13,663)	(5,242)
– Associates	16	(6,043)	(2,995)
Profit before income tax		52,989	26,978
Income tax expense	17	(13,293)	(6,804)
Profit for the period		39,696	20,174
Attributable to:			
Equity holders of the Company		26,095	17,780
Non-controlling interests		13,601	2,394
Profit for the period		39,696	20,174
Earnings per share (HK cents)			
Basic	19	2.33	1.59
Diluted	19	2.33	1.59

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30th June 2021 – unaudited

(Expressed in Hong Kong dollars)

	Six months ended 30th June 2021 HK\$'000	Six months ended 30th June 2020 HK\$'000
Profit for the period	39,696	20,174
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	18,733	(28,573)
– Joint ventures and associates	4,678	(7,461)
Cash flow hedges:		
Net movement in hedging reserve, net with HK\$496,000 tax effect	(18,127)	8,940
Other comprehensive income for the period, net of tax effect	5,284	(27,159)
Total comprehensive income for the period	44,980	(6,985)
Attributable to:		
Equity holders of the Company	37,031	(10,378)
Non-controlling interests	7,949	3,393
Total comprehensive income for the period	44,980	(6,985)

The notes on pages 41 to 67 form part of this interim financial report.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the six months ended 30th June 2021 – unaudited

(Expressed in Hong Kong dollars)

	Attributable to owners of the Company							Non-controlling interests	Total equity			
	State 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		
At 1st January 2020	1,415,118	(47,801)	23,009	167,717	-	105,213	-	(871,425)	2,358,209	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												
– Subsidiaries	-	(26,474)	-	-	-	-	-	-	-	(26,474)	(2,099)	(28,573)
– Joint ventures and associates	-	(6,983)	-	-	-	-	-	-	-	(6,983)	(478)	(7,461)
Fair value change on financial asset	-	-	-	-	(65)	-	-	-	-	(65)	-	(65)
Cash flow hedge: net movement in hedging reserve	-	-	-	-	-	-	5,364	-	-	5,364	3,576	8,940
Transfer of reserves	-	-	-	-	-	490	-	-	(490)	-	-	-
Total comprehensive income for the period	-	(33,457)	-	-	(65)	490	5,364	-	17,290	(10,378)	3,393	(6,985)
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30th June 2021 – unaudited

(Expressed in Hong Kong dollars)

	Attributable to owners of the Company											
	Share capital HK\$'000	Exchange reserve HK\$'000	Revaluation reserve HK\$'000	Capital reserve HK\$'000	Fair value reserve (non-recycling) HK\$'000	Statutory reserves HK\$'000	Hedging reserve HK\$'000	Merger reserves HK\$'000	Retained profits HK\$'000	Total equity HK\$'000	Non-controlling interests HK\$'000	Total equity HK\$'000
At 1st July 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
Profit for the period	-	-	-	-	-	-	-	-	32,041	32,041	13,083	45,124
Other comprehensive income:												
Currency translation differences												
– Subsidiaries	-	107,443	-	-	-	-	-	-	-	107,443	8,778	116,221
– Joint ventures and associates	-	30,579	-	-	-	-	-	-	-	30,579	2,134	32,713
Cash flow hedge: net movement in												
hedging reserve	-	-	-	-	-	-	5,512	-	-	5,512	3,675	9,187
Transfer of reserves	-	-	-	-	-	3,482	-	-	(3,482)	-	-	-
Total comprehensive income for the period	-	138,022	-	-	-	3,482	5,512	-	28,559	175,575	27,670	203,245
Acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	(11,552)	(11,552)
Disposal of a subsidiary	-	-	-	-	-	-	-	-	-	-	(4,589)	(4,589)
At 31st December 2020	1,415,118	56,764	23,009	167,717	(65)	109,185	10,876	(871,425)	2,370,423	3,281,602	349,919	3,631,521

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

For the six months ended 30th June 2021 – unaudited

(Expressed in Hong Kong dollars)

	Attributable to owners of the Company								Non-controlling interests HK\$'000	Total equity HK\$'000		
	Share capital HK\$'000	Exchange reserve HK\$'000	Revaluation reserve HK\$'000	Capital reserve HK\$'000	Fair value reserve (non-recycling) HK\$'000	Statutory reserves HK\$'000	Hedging reserve HK\$'000	Merger reserves HK\$'000			Retained profits HK\$'000	Total HK\$'000
At 1st January 2021	1,415,118	56,764	23,009	167,717	(65)	109,185	10,876	(871,425)	2,370,423	3,281,602	349,919	3,631,521
Profit for the period	-	-	-	-	-	-	-	-	26,095	26,095	13,601	39,696
Other comprehensive income:												
Currency translation differences	-	17,442	-	-	-	-	-	-	-	17,442	1,291	18,733
- Subsidiaries	-	4,370	-	-	-	-	-	-	-	4,370	308	4,678
- Joint ventures and associates	-	-	-	-	-	-	-	-	-	-	-	-
Cash flow hedge: net movement in hedging reserve	-	-	-	-	-	-	(10,876)	-	-	(10,876)	(7,251)	(18,127)
Transfer of reserves	-	-	-	-	-	66	-	-	(66)	-	-	-
Total comprehensive income for the period	-	21,812	-	-	-	66	(10,876)	-	26,029	37,031	7,949	44,980
Dividend paid to non-controlling interests 2020 final dividend (note 18)	-	-	-	-	-	-	-	-	-	-	(9,159)	(9,159)
	-	-	-	-	-	-	-	-	(22,423)	(22,423)	-	(22,423)
At 30th June 2021	1,415,118	78,576	23,009	167,717	(65)	109,251	-	(871,425)	2,371,029	3,296,210	348,709	3,644,919

The notes on pages 41 to 67 form part of this interim financial report.

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

For the six months ended 30th June 2021 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30th June 2021 HK\$'000	Six months ended 30th June 2020 HK\$'000
Cash flows from operating activities			
Profit before income tax		52,989	26,978
Adjustments for:			
(Gain)/loss on disposals on property, plant and equipment	14	(3,134)	1,528
Share of profits less losses of joint ventures and associates	16	19,706	8,237
Other operating activities		54,766	64,310
Changes in working capital:			
Decrease in inventories		4,306	–
Increase in trade and other receivables		(78,087)	(19,268)
Increase/(decrease) in trade payables, accruals and other payables		42,691	(48,003)
Cash generated from operations		93,237	33,782
Income tax refund/(paid)		390	(10,901)
Net cash generated from operating activities		93,627	22,881
Cash flows from investing activities			
Purchase of property, plant and equipment		(98,842)	(109,327)
Proceeds from sales of property, plant and equipment		3,813	–
Acquisition of subsidiary, net of cash acquired		–	(163,681)
Decrease in structured bank deposits		236,564	142
Other investing activities		10,075	13,157
Net cash generated from/(used in) investing activities		151,610	(259,709)

CONDENSED CONSOLIDATED CASH FLOW STATEMENT (Continued)

For the six months ended 30th June 2021 – unaudited

(Expressed in Hong Kong dollars)

	Note	Six months ended 30th June 2021 HK\$'000	Six months ended 30th June 2020 HK\$'000
Cash flows from financing activities			
Dividends paid to ordinary shares	18	(22,423)	(33,635)
Dividends paid to non-controlling interests		(9,159)	–
Repayment of bank loans		(100,538)	(2,371)
Drawdown of bank loans		100,000	162,952
Repayment of amounts due to the non-controlling interests		(28,090)	(18,000)
Other financing activities		(16,512)	(17,072)
Net cash (used in)/generated from financing activities		(76,722)	91,874
Net increase/(decrease) in cash and cash equivalents		168,515	(144,954)
Cash and cash equivalents at the beginning of the period		726,056	869,271
Effect of exchange rate changes		28	(2,491)
Cash and cash equivalents at the end of the period		894,599	721,826

The notes on pages 41 to 67 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; provision of diesel and lubricants for passenger ferries and cargo vessels in Hong Kong; provision of operation and management of facilities maintenance services for properties and so forth in Macao; and provision of ferry services and charter hire of vessels services in Hong Kong.

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 2021.

The interim financial report has been prepared in accordance with the same accounting policies adopted in the 2020 annual financial statements, except for the accounting policy changes that are expected to be reflected in the 2021 annual financial statements. Details of any changes in accounting policies are set out in note 3.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

(Expressed in Hong Kong dollars unless otherwise indicated)

2 BASIS OF PREPARATION *(Continued)*

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.

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 2020 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 HKFRSSs.

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 2020 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 2020 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Companies Ordinance.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

(Expressed in Hong Kong dollars unless otherwise indicated)

2 BASIS OF PREPARATION *(Continued)*

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

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, market risk (including currency risk and interest rate risk), credit risk and liquidity risk.

The unaudited condensed consolidated interim financial information does not include all financial risk management information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements for the year ended 31st December 2020.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

(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 (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

4 FINANCIAL RISK MANAGEMENT (Continued)

(b) Fair value estimation (Continued)

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:

	Fair value measurements as at 30th June 2021 categorised into			
	Level 1 HK\$'000	Level 2 HK\$'000	Level 3 HK\$'000	Total HK\$'000
Assets				
Financial asset at FVOCI	-	-	1,743	1,743

	Fair value measurements as at 31st December 2020 categorised into			
	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	-	(3,006)	-	(3,006)
	-	(3,006)	1,743	(1,263)

During the six months ended 30th June 2021, there were no transfers between the levels (2020: nil).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

(Expressed in Hong Kong dollars unless otherwise indicated)

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 2020.

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

(Expressed in Hong Kong dollars unless otherwise indicated)

6 SEGMENT INFORMATION *(Continued)*

- (iii) Passenger transportation – Passenger transportation agency services, travel agency operation and passenger carrier service and provision of ferry services and charter hire of vessels services
- (iv) Fuel supply – Oil trading and marine bunkering service
- (v) Corporate and other businesses – Investment holding, ferry terminal management services 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.

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.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(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 2021						
Total revenue	853,608	248,345	127,321	46,470	16,357	1,292,101
Inter-segment revenue	(45,627)	(72,275)	-	(21,479)	(10,028)	(149,409)
Revenue (from external customers)	807,981	176,070	127,321	24,991	6,329	1,142,692
Segment profit before income tax expense	22,734	31,064	(10,875)	(3,228)	13,294	52,989
Income tax expense	(2,647)	(6,875)	(1,458)	-	(2,313)	(13,293)
Segment profit after income tax expense	20,087	24,189	(12,333)	(3,228)	10,981	39,696
Segment profit before income tax expense includes:						
Finance income	230	248	26	-	9,571	10,075
Finance cost	(655)	(1,648)	(763)	(13)	(661)	(3,740)
Depreciation and amortisation	(8,497)	(53,805)	(12,492)	(1,518)	(3,922)	(80,234)
Share of profits less losses of:						
Joint ventures	1,542	3,366	(18,571)	-	-	(13,663)
Associates	-	2,606	(8,649)	-	-	(6,043)
Government grants and subsidies	10,761	137	37,584	-	7	48,489

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(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 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 *(Continued)*

(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 2021, 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\$79,524,000 (six months ended 30th June 2020: HK\$5,361,000).

During the six months ended 30th June 2020, the acquisition of Sun Ferry Services Company Limited (formerly known as 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 2021, the Group acquired property, plant and equipment with a cost of HK\$98,842,000 (six months ended 30th June 2020: HK\$109,327,000).

Items with aggregated net book value of HK\$679,000 were disposed of during the six months ended 30th June 2021 (six months ended 30th June 2020: HK\$3,927,000), resulting in a gain on disposal of HK\$3,134,000 (six months ended 30th June 2020: loss of HK\$1,528,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

8 TRADE AND OTHER RECEIVABLES

	As at 30th June 2021 HK\$'000	As at 31st December 2020 HK\$'000
Trade receivables:		
– third parties	292,176	212,164
– fellow subsidiaries	31,948	28,073
– other related companies	10,395	9,948
Trade receivables, net (note (a)):	334,519	250,185
Other receivables:		
– third parties	78,417	91,040
– immediate holding company (note (b))	13,185	9,662
– fellow subsidiaries (note (b))	10,216	9,087
– joint ventures and associates (note (b))	26,933	25,209
	128,751	134,998
Total trade and other receivables	463,270	385,183

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(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 2021 HK\$'000	As at 31st December 2020 HK\$'000
Within 3 months	238,803	154,874
4 to 6 months	20,831	45,863
7 to 12 months	40,036	27,945
Over 12 months	36,582	25,660
	336,252	254,342
Less: loss allowance	(1,733)	(4,157)
	334,519	250,185

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 2021 and 31st December 2020, all of the Group's structured bank deposits were principal-protected and placed with the People Republic of China ("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 (Continued)

(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 2021 and 31st December 2020	1,121,167	1,415,118

11 BORROWINGS

	As at 30th June 2021 HK\$'000	As at 31st December 2020 HK\$'000
Unsecured, short term bank loans	100,000	100,000
Long term bank loans – secured	140,368	139,318
	240,368	239,318
Less: current portion	(115,773)	(112,476)
	124,595	126,842

The secured bank loans at 30th June 2021 were secured by certain land use rights, investment properties and property, plant and equipment of the Group with net book value amounting to HK\$134,387,000, HK\$38,689,000 and HK\$155,870,000 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 0.75% to 1.15% per annum over HIBOR (31st December 2020: 1.0% per annum over HIBOR).

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

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

12 TRADE PAYABLES, ACCRUALS AND OTHER PAYABLES

	As at 30th June 2021 HK\$'000	As at 31st December 2020 HK\$'000
Trade payables (note (a) and (b)):		
– third parties	235,902	178,994
– immediate holding company	6,195	4,161
– fellow subsidiaries	6,761	6,964
– joint ventures and associates	23,988	23,077
– other related companies	2,337	3,098
	275,183	216,294
Accruals and other payables:		
– third parties	191,968	201,814
– immediate holding company (note (b))	24,576	20,811
– fellow subsidiaries (note (b))	1,431	10,314
– joint ventures and associates (note (b))	7,425	9,395
Contract liabilities	21,243	20,507
	246,643	262,841
	521,826	479,135

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(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 2021 HK\$'000	As at 31st December 2020 HK\$'000
Within 3 months	232,404	203,469
4 to 6 months	20,557	7,037
7 to 12 months	13,022	1,691
Over 12 months	9,200	4,097
	275,183	216,294

- (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.

13 AMOUNTS DUE TO THE NON-CONTROLLING INTERESTS

	As at 30th June 2021 HK\$'000	As at 31st December 2020 HK\$'000
Unsecured loans		
– interest-free (note (a))	40,360	68,450
– at floating rates (note (b))	10,215	10,100
	50,575	78,550

Notes:

- (a) The amounts of HK\$40,360,000 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 (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

14 OTHER INCOME

	Six months ended 30th June 2021 HK\$'000	Six months ended 30th June 2020 HK\$'000
Management fee income from Chu Kong Shipping Enterprises (Holdings) Company Limited ("CKSE")	20,000	20,000
Property rental income	11,438	2,792
Government grants and subsidies	48,489	51,778
Insurance compensation	3,585	–
Others	9,364	2,567
	92,876	77,137

Other gains/(losses) – net

	Six months ended 30th June 2021 HK\$'000	Six months ended 30th June 2020 HK\$'000
Exchange gains/(losses), net	301	(4,655)
Gain/(loss) on disposals of property, plant and equipment (note 7(b))	3,134	(1,528)
Reversal of loss allowance of trade receivables	–	45
	3,435	(6,138)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

15 OPERATING PROFIT

Operating profit is stated after charging the following:

	Six months ended 30th June 2021 HK\$'000	Six months ended 30th June 2020 HK\$'000
Amortisation of land use rights	5,877	5,622
Depreciation of property, plant and equipment	56,596	54,715
Depreciation of investment properties	642	347
Depreciation of right-of-use assets	17,119	12,252
Lease payments for short-term leases		
– vessels and barges	66,635	72,947
– buildings	3,043	4,012
– property that generated rental income	–	245
Staff costs (including directors' emoluments)	276,049	203,712

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

16 SHARE OF PROFITS LESS LOSSES OF JOINT VENTURES AND ASSOCIATES

	Six months ended 30th June 2021 HK\$'000	Six months ended 30th June 2020 HK\$'000
Share of profits less losses before income tax of		
– joint ventures	(12,887)	(7,517)
– associates	(5,155)	(3,661)
	(18,042)	(11,178)
Share of income tax of		
– joint ventures	(776)	2,275
– associates	(888)	666
	(1,664)	2,941
	(19,706)	(8,237)

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

17 INCOME TAX EXPENSE

	Six months ended 30th June 2021 HK\$'000	Six months ended 30th June 2020 HK\$'000
Current income tax		
– Hong Kong profits tax	7,515	2,937
– PRC corporate income tax	5,781	4,447
– Macao profits tax	–	8
Deferred income tax expense	(3)	(588)
	13,293	6,804

Hong Kong profits tax has been provided for at the rate of 16.5% (2020: 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% (2020: 25%). Macao profits tax has been provided at 12% (2020: 12%) on the estimated assessable profit for the period.

18 DIVIDENDS

Dividends payable to equity shareholders attributable to the previous financial year, approved during the interim period

	Six months ended 30th June 2021 HK\$'000	Six months ended 30th June 2020 HK\$'000
Final dividend paid/payable for 2020 of HK2 cents (2020: HK3 cents for 2019) per ordinary share	22,423	33,635

At the board meeting held on 25th March 2021, the directors proposed a final dividend of HK2 cents per ordinary share for the year ended 31st December 2020. Such proposal was subsequently approved by shareholders on 13th May 2021. The aggregate amount of the dividend is estimated to be HK\$22,423,000 (2020: HK\$33,635,000).

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(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 2021	Six months ended 30th June 2020
Profit attributable to equity holders of the Company (HK\$'000)	26,095	17,780
Weighted average number of ordinary shares in issue ('000)	1,121,167	1,121,167
Basic earnings per share (HK cents)	2.33	1.59

The amount of dilutive earnings per share is the same as basic earnings per share for the six months ended 30th June 2021 and 2020 as there were no dilutive potential ordinary shares in issue.

20 COMMITMENTS

Capital commitments outstanding at 30th June 2021 not provided for in the interim financial report

	As at 30th June 2021 HK\$'000	As at 31st December 2020 HK\$'000
Property, plant and equipment: Contracted but not provided for	99,050	123,965
Authorised but not contracted for	3,750	–
	102,800	123,965

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT *(Continued)*

(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 2020: 70%) of the Company's ordinary shares at 30th June 2021. The parent company of the Group is Guangdong Provincial Port and Shipping Group Company Limited ("GDPS"), a state-owned enterprise established in the PRC. GDPS itself is controlled by the PRC government, which also owns a significant portion of the productive assets in the PRC.

Related parties include GDPS 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 GDPS as well as their close family members.

For the six months ended 30th June 2021 and 2020, 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 2021 and 2020.

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

21 RELATED PARTY TRANSACTIONS (Continued)

(a) Transactions with related parties

	Note	Six months ended 30th June 2021 HK\$'000	Six months ended 30th June 2020 HK\$'000
Revenues:			
Shipping agency, river trade cargo direct shipment and transshipment income	(i)		
– joint ventures and an associate		3,055	2,336
– other related companies		247	33
Passenger transportation agency fees	(i)		
– fellow subsidiaries		–	270
– joint ventures and an associate		–	830
– other related companies		–	156
Ferry terminal operation service fees	(i)		
– fellow subsidiaries		–	177
– joint ventures and an associate		–	1,368
– other related companies		–	33
Sub-baggage handling services fees	(i)		
– a related company		19	247
Management service fees			
– immediate holding company	(ii)	20,000	20,000
Staff management service fees			
– joint ventures	(iii)	5,638	5,133
– a related company	(iii)	132	132

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(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 2021 HK\$'000	Six months ended 30th June 2020 HK\$'000
Revenues: (Continued)			
Vessel rental income	(i)		
– a joint venture		970	489
– a related company		1,656	1,219
Interest income	(iv)		
– a joint venture		52	96
Fuel supply income	(i)		
– fellow subsidiaries		3,980	7,762
– joint ventures and associates		–	4,470
– other related companies		–	8,689
Marine bunkering service fees	(i)		
– fellow subsidiaries		74	335
– a joint venture and an associate		–	14
– other related companies		90	310
Consulting and software service	(iii)		
– a fellow subsidiary		508	–
– joint ventures and associates		433	105
– other related companies		10	–
Agency fee income			
– fellow subsidiaries		76	236
– a joint venture		76	151
– other related companies		143	127

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(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 2021 HK\$'000	Six months ended 30th June 2020 HK\$'000
Expenses:			
Shipping agency, river trade cargo direct shipment and transhipment expenses	(i)		
– a joint venture and an associate		2,092	2,577
Wharf cargo handling, cargo transportation and godown storage expenses	(i)		
– a fellow subsidiary		381	1,870
– joint ventures and an associate		24,235	23,085
– a related company		3,953	2,685
Agency fee expenses	(i)		
– fellow subsidiaries		–	3
– a joint venture and an associate		–	89
Ferry terminal operation services fee	(i)		
– a fellow subsidiary		–	325
Luggage handling fee	(v)		
– a related company		–	303

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(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 2021 HK\$'000	Six months ended 30th June 2020 HK\$'000
Expenses: (Continued)			
Vessel rental expenses	(i)		
– a joint venture		18,449	17,519
– a fellow subsidiary		3,052	835
Warehouse rental expenses	(vi)		
– immediate holding company		2,500	2,500
Office rental expenses	(i)		
– immediate holding company		3,708	4,450
– fellow subsidiaries		863	649
Staff quarter rental expenses	(i)		
– immediate holding company		1,430	1,373
Loan interest expenses			
– non-controlling interests	(vii)	221	204
Property management fee expense	(iii)		
– a fellow subsidiary		344	417
IT management fee expense			
– immediate holding company	(viii)	1,474	1,474
Repair and maintenance expenses	(i)		
– a fellow subsidiary		5,650	–

NOTES TO THE UNAUDITED INTERIM FINANCIAL REPORT (Continued)

(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 (2020: base lending rate announced by the PBOC or fixed rate of 3% per annum) pursuant to the agreements entered into between the Group and the joint venture and fellow subsidiaries.
- (v) No luggage handling fee was charged during the period (2020: 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 (2020: base lending rate announced by the PBOC).
- (viii) IT management fee expense was charged at HK\$245,628 per month (2020: 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 (Continued)

(Expressed in Hong Kong dollars unless otherwise indicated)

21 RELATED PARTY TRANSACTIONS (Continued)

(b) Key management compensation

	Six months ended 30th June 2021 HK\$'000	Six months ended 30th June 2020 HK\$'000
Salaries and allowances	3,095	3,684
Directors' fees	360	360
Retirement benefit scheme contributions	45	59
	3,500	4,103

(c) Loan to joint venture

	Six months ended 30th June 2021 HK\$'000	Six months ended 30th June 2020 HK\$'000
As at 1st January	2,376	4,465
Exchange differences	27	(86)
As at 30th June	2,403	4,379

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

PRINCIPAL BANKS

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

REGISTRAR

Tricor Tengis Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

REGISTERED OFFICE

22nd Floor, Chu Kong Shipping Tower
143 Connaught Road Central
Hong Kong

BUSINESS HEADQUARTER

24th Floor, Chu Kong Shipping Tower
143 Connaught Road Central
Hong Kong
Tel: (852) 2581 3799
Fax: (852) 2851 0389
Website: www.cksd.com



CHU KONG SHIPPING ENTERPRISES (GROUP) COMPANY LIMITED

24th Floor, Chu Kong Shipping Tower
143 Connaught Road Central
Hong Kong

Tel: (852) 2581 3799

Fax: (852) 2851 0389

www.cksd.com

