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ANNOUNCEMENT OF INTERIM RESULTS FOR 2017

CHAIRMAN’S STATEMENT

I am pleased to announce that Chu Kong Shipping Enterprises (Group) Company Limited (the “Company”) and its subsidiaries (the “Group”) recorded a consolidated revenue of HK\$1,221,218,000 for the period ended 30 June 2017, representing an increase of 10.6% over the same period last year. Profit attributable to the equity holders of the Company amounted to HK\$144,935,000, representing an increase of 0.5% over the same period last year.

REVIEW

In the first half of 2017, the global economy began to recover from the recess and the Chinese economy was stable with positive signs. China’s total transportation demands stabilised as import and export transportation market showed positive momentum. The export and import of Guangdong Province’s foreign trade achieved a year-on-year increase with stable albeit slowing growth; the economy recovered to some extent. As to Hong Kong’s tourist market, the number of tourists visiting Hong Kong rallied in 2017 according to the latest statistics of Hong Kong Tourism Board. Although the economy was stable with positive signs, the Group was affected by such as increasingly intensified competition and rising oil price. Facing the complicated external environment, the Group adhered to the strategy of “Prudent Development”, committed to the direction of the board of the Company. On the one hand, we solidified and enhanced the operation level of our core business and controlled the management cost; on the other hand, we promoted the construction of logistics infrastructure and perfected the water-way passenger routes network in the Pearl River Delta.

The two major principal activities of the Group: the business volume of the terminal navigation logistics segment continued to have double-digital growth, but the business of some investee terminals witnessed a slip due to the impact of policies and supporting transport facilities, and competition in the large liners business further compressed the profitability of the segment. During the period, we continued to push forward the construction of terminal logistics infrastructure facilities, including those at Tuen Mun and Civet Port, and embraced the opportunities arising from the opening of the Hong Kong – Zhuhai – Macao Bridge. Regional management and resources integration were implemented at domestic cargo terminals, and domestic liner barge business with major terminals was developed. We also made advancements in setting up operations and expanding Southeast Asia navigation markets for overseas companies, and the preparation for establishing the branch company in Thailand was in full swing.

The passenger volume of the high-speed passenger ferry transportation segment increased due to the positive factor of a rise in the number of visitors coming to Hong Kong, but the escalating oil price affected the profit of investee companies. In the first half of the year, the passenger ferry transportation segment initiated brand-building for the “CKS” brand to enhance service quality and boost brand awareness. We also proactively developed new routes, accomplished full cooperation with Nansha Ferry Terminal and launched the Guangzhou Pazhou, Hong Kong and Macau passenger ferry transportation project. Introduction of energy-saving and eco-friendly carbon fiber high-speed passenger ferry by ship owners was achieved for improved passenger experience.

The Company paid close attention to the movements of interest rates and exchange rates in the financial market, strengthened the fund management, enhanced the utilisation efficiency and effectiveness of the capital, and consequently achieved a pleasant financial gain during the period. Meanwhile, the Company also continued to reduce financing costs by proactively securing credit facilities with lower costs from various financial institutions and replacing bank loans, resulting in lower overall finance costs.

OUTLOOK

China pushed for the deepening of the cooperation between the mainland, Hong Kong and Macau in March 2017, and the development of the “Guangdong-Hong Kong-Macau Bay Area” was upgraded as a national strategy, with a view to developing it into a world-class bay area in future and making it a key driver for regional economic development. The Group mainly conducts its businesses in the Guangdong, Hong Kong and Macau regions, and possesses abundant terminal and integrated logistics bases in the Pearl River Delta region, as well as a comprehensive network of waterway passenger ferry transportation routes. The Group will proactively address the challenges faced by the passenger transportation business resulting from the opening of the Hong Kong – Zhuhai – Macau Bridge, and embrace the golden development opportunities arising from the national strategy of developing the Guangdong-Hong Kong-Macau Bay Area.

APPRECIATION

The year 2017 marks the 20th public listing anniversary of the Company. On behalf of the board of directors of the Company (the “Board”), I would like to give my heartfelt thanks to all shareholders, business partners as well as all stakeholders for their continuous support to the Company’s development. Meanwhile, I would also like to express my sincere appreciation to all staff for their dedication. Taking the 20th anniversary as a new beginning point, the Group will continue to adhere to our initial objectives and move forward to create value for our shareholders, with an aim to contribute to the economic development of Guangdong, Hong Kong and Macau and serve the society.

Xiong Gebing
Chairman

Hong Kong, 24th August 2017

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2017

		Six months ended 30th June	
	<i>Note</i>	2017	2016
		HK\$'000	HK\$'000
Revenue	4	1,221,218	1,104,062
Cost of services rendered		(964,737)	(853,077)
Gross profit		256,481	250,985
Other income		26,154	25,604
Other gains – net	8	14,782	1,078
General and administrative expenses		(156,683)	(148,556)
Operating profit	7	140,734	129,111
Finance income		9,772	7,497
Finance cost		(5,830)	(4,489)
Share of profits less losses of:			
- Joint ventures		27,376	34,821
- Associates		7,186	10,254
Profit before income tax		179,238	177,194
Income tax expense	9	(30,758)	(28,697)
Profit for the period		148,480	148,497
Attributable to:			
Equity holders of the Company		144,935	144,197
Non-controlling interests		3,545	4,300
		148,480	148,497
Earnings per share (HK cents)	11		
Basic		13.42	13.35
Diluted		13.42	13.35

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30TH JUNE 2017**

	Six months ended 30th June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Profit for the period	148,480	148,497
Other comprehensive (loss)/income:		
<u>Items that may be reclassified to profit or loss</u>		
Currency translation differences		
- Subsidiaries	43,902	(33,788)
- Joint ventures and associates	15,235	(10,530)
Total comprehensive income for the period	207,617	104,179
Attributable to:		
Equity holders of the Company	199,535	102,276
Non-controlling interests	8,082	1,903
	207,617	104,179

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH JUNE 2017

	<i>Note</i>	As at 30th June 2017 HK\$'000	As at 31st December 2016 HK\$'000
ASSETS			
Non-current assets			
Property, plant and equipment		1,662,294	1,623,562
Investment properties		4,743	4,772
Land use rights		456,163	448,244
Intangible assets		45,284	44,702
Investments in joint ventures		422,674	398,530
Investments in associates		98,248	100,006
Deposit and prepayment		9,352	9,106
Deferred income tax assets		9,060	8,801
		2,707,818	2,637,723
Current assets			
Inventory		3,700	4,693
Trade and other receivables	5	630,396	547,425
Loans to joint ventures		10,706	16,675
Structured bank deposits		318,009	-
Cash and cash equivalents		692,921	817,669
		1,655,732	1,386,462
Total assets		4,363,550	4,024,185
EQUITY			
Share capital		1,333,171	1,333,171
Reserves		1,471,261	1,325,462
		2,804,432	2,658,633
Non-controlling interests		271,332	255,456
Total equity		3,075,764	2,914,089

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30TH JUNE 2017

	<i>Note</i>	As at 30th June 2017 HK\$'000	As at 31st December 2016 HK\$'000
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		85,500	83,084
Deferred income		3,829	5,105
Long term borrowings		257,110	65,694
		346,439	153,883
Current liabilities			
Trade and other payables	6	570,190	600,696
Dividend payable		64,800	-
Loans from associates		24,058	23,343
Amounts due to the non-controlling interests of subsidiaries		88,037	88,539
Amount due to a related party		-	13,444
Income tax payables		42,740	19,012
Short term borrowings		140,000	100,000
Current portion of long term borrowings		11,522	111,179
		941,347	956,213
Total liabilities			
		1,287,786	1,110,096
Total equity and liabilities			
		4,363,550	4,024,185

NOTES

1. Statement of compliance

The financial information relating to the year ended 31st December 2016 that is included in the unaudited condensed consolidated interim financial information for the six months ended 30th June 2017 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31st December 2016 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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

2. Basis of preparation

- (i) This unaudited condensed consolidated interim financial information for the six months ended 30th June 2017 has been prepared in accordance with Hong Kong Accounting Standard (“HKAS”) 34 “Interim Financial Reporting” issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2016, which have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the HKICPA.

Taxes on income in the interim periods are accrued using the tax rate that would be applicable to expected total annual earnings.

3. Principal accounting policies

The accounting policies applied are consistent with those of the annual financial statements for the year ended 31st December 2016, except the Group has adopted the following new and amended standards issued by the HKICPA which are mandatory for the financial period beginning on or after 1st January 2017.

Annual Improvements Project	Annual Improvements 2014 – 2016 Cycle
HKAS 7 (Amendment)	Statement of Cash Flows
HKFRS 12 (Amendment)	Disclosure of Interest in Other Entities

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

3. Principal accounting policies (Continued)

The HKICPA has issued the following new and amended standards which are not yet effective for the financial period beginning 1st January 2017:

		Effective for accounting periods beginning <u>on or after</u>
HKFRS 2 (Amendment)	Classification and Measurement of Share-based Payment Transactions	1st January 2018
HKFRS 4 (Amendment)	Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts	1st January 2018
HKFRS 9	Financial Instruments	1st January 2018
HKFRS 10 and HKAS 28 (Amendment)	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
HKFRS 15	Revenue from Contracts with Customers	1st January 2018
HKFRS 16	Leases	1st January 2019
HK (IFRIC) 22	Foreign Currency Transactions and Advance Consideration	1st January 2018

The Group has not early adopted these new and amended standards in the unaudited condensed consolidated interim financial information but has already commenced an assessment of the related impact to the Group. The Group is not yet in a position to state whether any substantial changes to the Group's significant accounting policies and presentation of its consolidated financial statements will be resulted.

4. 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 four 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 and container handling, cargo consolidation and godown storage
- (iii) Passenger transportation – Passenger transportation agency services, travel agency operation and passenger carrier service
- (iv) Fuel supply – Oil trading and marine bunkering service
- (v) Corporate and other businesses

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

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

4. Segment information (Continued)

	Cargo transportation <i>HK\$'000</i>	Cargo handling and storage <i>HK\$'000</i>	Passenger transportation <i>HK\$'000</i>	Fuel supply <i>HK\$'000</i>	Corporate and other businesses <i>HK\$'000</i>	Total <i>HK\$'000</i>
Six months ended 30th June 2017						
Total revenue	623,788	261,006	107,422	255,554	41,819	1,289,589
Inter-segment revenue	(3,203)	(31,567)	-	(18,633)	(14,968)	(68,371)
	<u>620,585</u>	<u>229,439</u>	<u>107,422</u>	<u>236,921</u>	<u>26,851</u>	<u>1,221,218</u>
Revenue (from external customers)	<u>620,585</u>	<u>229,439</u>	<u>107,422</u>	<u>236,921</u>	<u>26,851</u>	<u>1,221,218</u>
Segment profit before income tax expense	5,658	63,024	72,449	10,671	27,436	179,238
Income tax expense	(1,266)	(15,424)	(6,912)	(1,761)	(5,395)	(30,758)
	<u>4,392</u>	<u>47,600</u>	<u>65,537</u>	<u>8,910</u>	<u>22,041</u>	<u>148,480</u>
Segment profit after income tax expense	<u>4,392</u>	<u>47,600</u>	<u>65,537</u>	<u>8,910</u>	<u>22,041</u>	<u>148,480</u>
Segment profit before income tax expense includes:						
Finance income	144	775	162	9	8,682	9,772
Finance cost	-	(4,308)	(98)	-	(1,424)	(5,830)
Depreciation and amortisation	(4,562)	(42,157)	(58)	(791)	(1,843)	(49,411)
Share of profits less losses of:						
Joint ventures	352	8,701	18,235	-	88	27,376
Associates	-	1,730	5,456	-	-	7,186
	<u>352</u>	<u>8,701</u>	<u>18,235</u>	<u>-</u>	<u>88</u>	<u>27,376</u>
	<u>-</u>	<u>1,730</u>	<u>5,456</u>	<u>-</u>	<u>-</u>	<u>7,186</u>

4. Segment information (Continued)

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

4. Segment information (Continued)

	Cargo transportation <i>HK\$'000</i>	Cargo handling and storage <i>HK\$'000</i>	Passenger transportation <i>HK\$'000</i>	Fuel Supply <i>HK\$'000</i>	Corporate and other businesses <i>HK\$'000</i>	Inter- segment elimination <i>HK\$'000</i>	Total <i>HK\$'000</i>
As at 30th June 2017							
Total segment assets	<u>586,711</u>	<u>2,478,609</u>	<u>623,757</u>	<u>137,089</u>	<u>2,143,223</u>	<u>(1,605,839)</u>	<u>4,363,550</u>
Total segment assets include:							
Joint ventures	26,936	179,802	184,257	-	31,679	-	422,674
Associates	<u>-</u>	<u>49,981</u>	<u>48,267</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>98,248</u>
Total segment liabilities	<u>(493,502)</u>	<u>(826,584)</u>	<u>(196,093)</u>	<u>(46,566)</u>	<u>(1,330,880)</u>	<u>1,605,839</u>	<u>(1,287,786)</u>
As at 31st December 2016							
Total segment assets	<u>548,730</u>	<u>2,400,613</u>	<u>627,433</u>	<u>140,067</u>	<u>1,784,586</u>	<u>(1,477,244)</u>	<u>4,024,185</u>
Total segment assets include:							
Joint ventures	25,648	180,106	162,126	-	30,650	-	398,530
Associates	<u>-</u>	<u>46,786</u>	<u>53,220</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>100,006</u>
Total segment liabilities	<u>(449,080)</u>	<u>(771,764)</u>	<u>(152,779)</u>	<u>(48,892)</u>	<u>(1,164,825)</u>	<u>1,477,244</u>	<u>(1,110,096)</u>

5. Trade and other receivables

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 2017 <i>HK\$'000</i>	As at 31st December 2016 <i>HK\$'000</i>
Within 3 months	333,453	310,811
4 to 6 months	31,283	23,397
7 to 12 months	6,904	1,308
Over 12 months	6,393	4,974
	378,033	340,490
Less: Provision for impairment	(5,285)	(5,084)
	372,748	335,406

6. Trade and other payables

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

	As at 30th June 2017 <i>HK\$'000</i>	As at 31st December 2016 <i>HK\$'000</i>
Within 3 months	317,032	338,266
4 to 6 months	850	339
7 to 12 months	216	146
Over 12 months	1,473	1,684
	319,571	340,435

7. Operating profit

Operating profit is stated after charging the following:

	Six months ended 30th June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Amortisation of land use rights	5,958	5,986
Depreciation of property, plant and equipment	43,424	46,534
Depreciation of investment properties	29	29
Operating lease rental expenses		
- vessels and barges	63,506	52,444
- buildings	34,332	27,969
- property that general rental income	2,500	2,500
Staff costs (including directors' emoluments)	201,174	187,443
	<u> </u>	<u> </u>

8. Other gains – net

	Six months ended 30th June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Exchange gains/(losses), net	14,492	(1,049)
Gain on disposals of property, plant and equipment	483	886
(Provision)/Reversal for impairment of trade receivables	(193)	1,241
Other gains – net	<u>14,782</u>	<u>1,078</u>

9. Income tax expense

Hong Kong profits tax has been provided for at the rate of 16.5% (2016: 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% (2016: 25%).

Macau profits tax has been provided at the applicable tax rate (2016: applicable tax rate) on the estimated assessable profit for the period.

	Six months ended 30th June	
	2017	2016
	<i>HK\$'000</i>	<i>HK\$'000</i>
Current income tax		
- Hong Kong profits tax	10,704	10,421
- PRC corporate income tax	14,346	12,651
- Macau profits tax	2,176	2,355
Deferred income tax expense	3,532	3,270
	30,758	28,697

10. Dividends

On 24th August 2017, the board of the Company declared an interim dividend of HK3 cents per ordinary share (2016 interim dividend: HK3 cents) and an interim special dividend of HK1 cent per ordinary share (2016 interim special dividend: Nil) for the year ending 31st December 2017. These dividends declared are not reflected as a dividend payable in this unaudited condensed consolidated interim financial information, but will be reflected as an appropriation of the retained profits of the Company for the year ending 31st December 2017.

11. Earnings per share

Basic

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

	2017	2016
Profit attributable to equity holders of the Company (HK\$'000)	144,935	144,197
Weighted average number of ordinary shares in issue ('000)	1,080,000	1,080,000
Basic earnings per share (HK cents)	13.42	13.35

Diluted

The potential ordinary shares in respect of the Company's share options were anti-dilutive for the six months ended 30th June 2017. The basic earnings per share for the six months ended 30th June 2017 was equal to the diluted earnings per share.

Diluted earnings per share for the six months ended 30th June 2016 and 30th June 2017 were calculated by adjusting the profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares. The dilutive potential ordinary shares of the Company included share options. The number of shares that would have been issued assuming the exercise of the share options less the number of shares that could have been issued at fair value (determined as the average market price per share for the year) for the same total proceeds is the number of shares issued for no consideration. The resulting number of shares issued for no consideration is included in the weighted average number of ordinary shares as the denominator for calculating diluted earnings per share.

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

For the period ended 30th June 2017, the Group recorded a consolidated revenue of HK\$1,221,218,000, representing an increase of 10.6% over the same period last year. Profit attributable to the equity holders of the Company amounted to HK\$144,935,000, representing an increase of 0.5% over the same period last year.

Putting our heads together, the Group adhered to professionalised operation, seized the opportunities presented by the recovering economy to overcome a multitude of challenges, such as rising oil price, and accomplished the pre-determined objectives in a fairly satisfactory manner, with most of the business achieving growth.

Regarding freight business, the Group's terminal navigation logistics business continued the professionalised operation and utilised the advantage of "Consolidated CKTL" platform, maintaining a stable business volume. During the Period, the container transportation volume recorded 768,000 TEU, representing a year-on-year increase of 14.1%. Break bulk cargo transportation volume recorded 213,000 tons, representing a year-on-year increase of 36.0%. For cargo handling business, the container handling volume recorded 705,000 TEU, representing a year-on-year increase of 9.3%. Break bulk cargo handling volume recorded 813,000 tons, representing a year-on-year increase of 9.0%. The volume of container hauling and trucking recorded 146,000 TEU, representing a year-on-year increase of 15.5%.

Regarding the passenger transportation business, due to positive factors such as the recovery of Hong Kong's tourist market and stabilisation of its social environment, the passenger transportation recorded growth in certain indicators. During the period, the total number of passengers for agency services was 3,130,000, representing a year-on-year increase of 1.8%. The number of passengers for terminal services was 3,150,000, representing a year-on-year decrease of 4.2%.

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		
	2017	2016	Change
Container transportation volume (TEU)	768,214	673,284	14.1%
Break bulk cargoes transportation volume (revenue tons)	213,234	156,814	36.0%
Volume of container hauling and trucking on land (TEU)	145,988	126,358	15.5%

Subsidiaries

The Group continued to promote professionalised operation of “Consolidated CKTL” and the business of Chu Kong Transshipment & Logistics Company Limited (“CKTL”) achieved a breakthrough. The container transportation volume for the period recorded 768,000 TEU, representing a year-on-year increase of 14.1%, mainly contributed by the domestic liner business while the container transportation between Guangdong and Hong Kong remained basically flat with the same period last year. CKTL boosted the domestic liner business to a double digit growth by cooperating with major clients such as Chigo Air-Conditioning, DEA General Aviation, OTL Group, and BYD. For the break bulk cargo transportation, the break bulk cargo transportation volume for the period recorded 213,000 tons, representing a significant year-on-year increase of 36.0%.

Regarding the freight forwarding business, CKTL actively exploited overseas markets, achieving breakthroughs in overseas business. Chu Kong Logistics (Malaysia) Sdn Bhd. recorded a year-on-year increase of 185.1% in export goods during the period, contributed mainly by comprehensive logistics of woods export and overseas-agent nomination cargo business. Chu Kong Logistics (Singapore) Pte. Ltd. recorded a cumulative 6,000 TEU of transported goods, representing a year-on-year growth of 2.6%, of which export LCL business, import FCL business, and Cross Trade Business all recorded double digit growth.

Subsidiaries (Continued)

Regarding the air freight business, CKTL recorded a cumulative growth of 67.2% in air cargo transportation. The company stepped up its efforts in exploring new cargo sources and high value-added business; reviewed and updated the information of major clients for the routes, optimised the structure of existing routes, and improved quality of services; and extended services based on clients' needs to increase customer stickiness.

2. Cargo Handling and Storage Business

Business Operation Indicators

Performance statistics of our major business operations are as follows:

Indicators	For the six months ended 30th June		Change
	2017	2016	
Cargo handling volume			
Container handling volume (TEU)	704,856	644,670	9.3%
Volume of break bulk cargoes handled (revenue tons)	812,728	745,344	9.0%

Subsidiaries

The overall performance of the business of the terminals in Zhuhai region was basically the same as that of the same period last year. The total container handling volume of the two terminals in the region amounted to 136,000 TEU, representing a year-on-year increase of 1.2%. The total container handling volume of Civet Port during the period amounted to 107,000 TEU, representing a slight year-on-year decrease of 3.1%, mainly due to increasingly intensified competition from neighbouring ports and partial shift of business by major clients. To proactively tackle the challenges, Civet Port raised the fire protection grade for its warehouse, upgraded the ordinary warehouse to refrigerated warehouse, and developed supervised container yard, so as to meet future development needs. Doumen Port recorded a container handling volume of 30,000 TEU during the Period, representing a significant year-on-year increase of 20.5%.

Subsidiaries (Continued)

The performance of Zhaoqing region was outstanding during the period, recorded a container handling volume of 161,000 TEU, representing a significant year-on-year increase of 20.2%. Despite headwinds such as fierce competition from neighbouring terminals and maintenance of the Zhaoqing Bridge and Xijiang River Bridge, the terminals in this region implemented unified management and leveraged advantages of specialisation and conglomeration to achieve outstanding business growth. The container handling volume of Zhaoqing New Port recorded a year-on-year increase of 27.5%. Zhaoqing New Port actively explored the innovative “water-to-water” business mode; continuously advanced the construction of joint container yard, leveraging the geographic advantages of the terminal to achieve business transformation; intensified the innovative mentality and remodeled the existing terminal operation to effectively increase the efficiency of terminal operation. Subject to the prolonged impact from the traffic control over Xijiang River Bridge, Zhaoqing Kangzhou Port actively sought solutions by engaging in the “Gravel Shipment” business to secure new business growth points. Therefore, the container handling volume of the port recorded a year-on-year increase. The business of Zhaoqing Sihui Port grew by 9.8% year-over-year. During the period, Sihui Port strengthened the interconnection with major shipping companies and terminals to advance the joint container yard operation within Zhouqing region and the Water-Gate Operation business model. During the period, the business of Zhaoqing Gaoyao Port grew by 21.3% year-over-year. In this period, Gaoyao Port focused on developing a specialised terminal for stone material and formulated standardised processes to improve the handling efficiency; tightened cost control by refining and quantising each cost control indicator; actively upgraded the information system of the terminal to allow more intelligent operations in terminal management.

Gaoming Port of Foshan recorded a container handling volume of 198,000 TEU during the period, representing a significant year-on-year increase of 13.3%. Regarding the export business, Gaoming Port ramped up the marketing efforts and proactively coordinated the relations between relevant parties to shore up business growth. Regarding the import business, Gaoming Port strengthened communication and coordination with joint inspection regulators and consignors of renewable resources cargo, adjusted operation process and adopted proactive measures to achieve a remarkable growth of 19.8% year-on-year for the import business. In addition, Gaoming Port proactively advanced the construction of Smart Terminal to improve the efficiency of terminal operations.

Subsidiaries (Continued)

During the period, despite being affected by the closure of navigation due to maintenance of the ship lock of “Qingyuan Hydro-Junction”, Qingyuan Port recorded a container transportation volume of 14,000 TEU, representing a significant year-on-year increase of 19.9%. Faced with the challenges, Qingyuan Port took the initiative to solicit new clients, successfully supplementing the transportation volume of the terminal; ramped up the efforts in the marketing of factory trade cargo to reduce dependency on renewable resource cargo; established the marketing management system led by the terminal to ensure substantial growth of ceramics export, reversing the loss of local cargo source.

The overall performance of the Hong Kong region was slightly worse than that of last year. The Hong Kong region recorded a container handling volume of 193,000 TEU during the period, representing a year-on-year decrease of 3.9%. CKTL persistently promoted the upgrade of the comprehensive logistics business, extended the logistics service chain, and added such value-added services as truck scales for wharfs which were set to become the new growth point in future. In addition, the construction of the new Tuen Mun Godown Wharf was continuously advanced, with the first phase under steady progress and the warehouse design for the second phase completed.

In 2017, Zhongshan Huangpu Port officially went into operation, recording container handling volume of 3,000 TEU. Zhongshan Huangpu Port proactively explored foreign trade business, introduced major clients as well as large liners and freight forwarding companies, and strengthened communication with joint inspection regulators to create a favorable clearance environment.

Joint Ventures and Associates

The performance of the operating businesses of the joint ventures and associates of the Group were mixed. The major terminals in the Jiangmen region included Guangdong Sanbu Passenger and Freight Transportation Co., Ltd. and Heshan County Hekong Associated Forwarding Co., Ltd. During the period, the Jiangmen region recorded a total container handling volume of 119,000 TEU, representing a year-on-year decrease of 2.9%, of which Heshan Port recorded a total container handling volume of 47,000 TEU, representing a year-on-year decrease of 20.0%. In the second half of the year, Heshan Port will enter the peak export season. Heshan Port will research and formulate measures based on its actual condition to improve the processing capability and service quality during the peak season. Sanbu Port recorded a container handling volume of 72,000 TEU during the period, representing a year-on-year increase of 12.7%. Sanbu Port fine-tuned its market strategy, strengthened marketing management, and actively explored new markets and new cargo sources, successfully introducing such new clients as Lianyungang Yuantai International Trade Co., Ltd.; and explored new business model by combining barge services with trans-customs vehicles.

Joint Ventures and Associates (Continued)

During the period, the four terminals in the Foshan region, namely Foshan New Port Ltd., Foshan Nankong Terminal Co., Ltd., Chu Kong Cargo Terminals (Beicun) Co., Ltd. and Sanshui Sangang Containers Wharf Co., Ltd., achieved a total container handling volume of 236,000 TEU, almost the same as the corresponding period last year. Foshan Nankong Port recorded a container handling volume of 72,000 TEU during the period, representing a year-on-year increase of 44.4%; Beicun Port recorded a container handling volume of 11,000 TEU during the period, representing a year-on-year increase of 94.8%; Sanshui Sangang Port recorded a container handling volume of 18,000 TEU during the period, representing a year-on-year decrease of 65.0%.

Regarding the terminal navigation logistics business, the profit increment was narrowed as a result of the rise of oil price and the decrease of profit attributed by certain joint ventures and associates. Therefore, the profit contributed to the Group amounted to HK\$51,992,000, representing an increase of 6.5% as compared with the corresponding period last year.

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)		
	2017	2016	Change
Total number of passengers for agency services	3,130	3,075	1.8%
Total number of passengers for terminal services	3,150	3,289	-4.2%

Subsidiaries

The passenger transportation business of the Group gradually recovered. During the period, the total number of passengers for agency services of Chu Kong Passenger Transport Company Limited (“CKPT”) was 3,130,000, representing a year-on-year increase of 1.8%; the number of passengers for terminal services was 3,150,000, representing a year-on-year decrease of 4.2%.

Regarding urban routes. In the first half of 2017, Hong Kong’s tourist market recovered and its social environment stabilised, resulting in a surge of interest in visiting Hong Kong. In addition, the weather condition in the first half of the year was generally fine and the instances of flight cancellation due to strong wind or poor weather condition were significantly reduced, effectively preventing losses of passenger source and increasing the number of passengers during the traditional peak season. The Lianhuashan route launched the intermediate ports at Nansha Ferry Terminal on 1st March this year. The business significantly increased the number of passengers for the urban route of CKPT. Regarding urban routes, the number of passengers for agency service recorded 2,049,000 during the period, representing a year-on-year increase of 4.3%.

Subsidiaries (Continued)

Regarding airport routes. With the launches of multiple international routes in Shenzhen and Guangzhou Airports, a portion of the passenger flow was diverted from Hong Kong International Airport. In addition, due to the slackening macro-economic development of China, interests in cross-border travel to Taiwan, South Korea, and other neighbouring regions considerably cooled off. Affected by the aforesaid adverse factors, the number of passengers for airport routes recorded a year-on-year decline. Regarding airport routes, the number of passengers for agency service recorded 1,081,000 during the period, representing a year-on-year decrease of 2.7%. However, CKPT actively ramped up its efforts in market exploration and cultivation by adding flights, adjusting passenger source and the structure of flights, and improving air-sea union transportation, thereby achieving sizable growth in the number of passengers for certain routes: the number of passengers for Lianhuashan airport routes increased by 18.7% year-on-year, and the number of passengers for Macau airport route increased by 26.2% year-on-year.

Leveraging on the local ferry business platform, CKPT focused on promoting the middle to high-end tourism project “Victoria Harbour Tour”, so as to speed up the localisation and diversity of its business. In addition, aligned with the “One Belt, One Road” strategic deployment and taking the opportunities presented by elimination and disposal of old ship, CKPT pushed forward implementation of overseas projects to tap into new markets by actively advancing passenger routes in Thailand, Cambodia, and Saipan, in an attempt to drive new developments with new projects. Moreover, full coverage of cross-border waterway passenger routes between Guangdong and Hong Kong was achieved, including the cooperation with Nansha Ferry Terminal, the Shekou route of Shenzhen Pengxing Shipping, and the route from Pazhou, Guangzhou to Hong Kong. CKPT also proactively engaged in brand-building to become an influential international brand.

Joint Ventures and Associates

During the period, the number of passengers served by SkyPier (operated by Hong Kong International Airport Ferry Terminal Services Limited) decreased, generating attributable profit of HK\$5,031,000, represent a year-on-year decrease of 8.8%. The total number of passengers of Zhongshan – Hong Kong Passenger Shipping Co-op Co. Ltd. (“ZHPS”) increased, whereas the number of passengers for urban routes and airport routes increased by 2.2% and 5.5% year-on-year, respectively. The total number of passengers of Foshan Shunde Shungang Passenger Transportation Co-op Co., Ltd. (“SGPT”) recorded a decrease of 0.7% year-on-year. Due to the rise of oil price, ZHPS contributed a profit of HK\$13,204,000 to the Group during the period, representing a year-on-year decrease of 32.1%. Due to the rise of oil price and a decline in the number of passengers, SGPT contributed a profit of HK\$5,456,000 to the Group during the period, representing a year-on-year decrease of 29.8%.

Regarding the passenger transportation business, the profits of joint ventures and associates were decreased due to the rise of oil price. Therefore, the overall profit contributed to the Group amounted to HK\$65,537,000, representing a decrease of 5.7% as compared with the corresponding period last year.

III. FUEL SUPPLY BUSINESS

As to the fuel supply business, Sun Kong Petroleum Company Limited (“Sun Kong Petroleum”) recorded a sales volume of 69,000 tons for diesel, representing an increase of 4.5% as compared to the corresponding period last year, which was mainly attributable to the newly added routes by the Group and other client companies that boosted the diesel sale of Sun Kong Petroleum. The sales volume of engine oil was 178,000 litres, declining by 39.5% over the corresponding period last year, mainly due to a reduced cargo transportation of ocean-going cargo ship. Sun Kong Petroleum contributed a profit of HK\$8,910,000 to the Group for the period.

IV. CORPORATE AND OTHER BUSINESSES

As to the corporate and other businesses, Cotai Chu Kong Shipping Management Services (Macau) Company Limited (“Macau Cotai”) strove to improve the efficiency of operations, focused on increasing the core competitiveness of the company, and pushed the implementation of the Group’s Macau strategy. During the period, Macau Cotai made breakthroughs in its business when it won the contracts for cleaning project and facility maintenance project of Marine And Water Bureau and successively commenced the cooperation projects with Nam Kwong Group. In addition to solidifying its existing businesses, the company expanded the business scope by adding such businesses as shipbuilding and vessel repair and maintenance services.

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

The Group keeps close track of its working capital and financial resources to maintain a solid financial position. As at 30th June 2017, the Group secured a total credit limit of HK\$950,000,000 and RMB260,000,000 (equivalent to approximately HK\$299,574,000) (31st December 2016: HK\$1,225,000,000 and RMB100,000,000 (equivalent to approximately HK\$111,794,000)) granted by bona fide banks.

As at 30th June 2017, the current ratio of the Group, represented by current assets divided by current liabilities, was 1.8 (31st December 2016: 1.4).

As at 30th June 2017, the Group's cash and cash equivalents amounted to HK\$692,921,000 (31st December 2016: HK\$817,669,000), which represented 15.9% (31st December 2016: 20.3%) of the total assets.

As at 30th June 2017, the gearing ratio of the Group, represented by bank borrowings divided by total equity and bank borrowings, was 11.7% (31st December 2016: 8.7%) and the debt ratio, representing total liabilities divided by total assets, was 29.5% (31st December 2016: 27.6%).

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

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

BANK LOANS AND PLEDGE OF ASSETS

Bank Loans	As at 30th June 2017	As at 31st December 2016
Banks located in Hong Kong (Note 1)		
- Hong Kong Dollar	240,000,000	200,000,000
Bank located in China (Note 2)		
- Renminbi	146,356,000 (equivalent to approximately HK\$168,632,000)	68,763,000 (equivalent to approximately HK\$76,873,000)

Note:

1. The bank loan in Hong Kong as at 30th June 2017 was bearing floating interest rate and unsecured. The relevant terms of which are identical with those set out in 2016 Annual Report.
2. The loans from banks located in China on 30th June 2017 borne floating interest rate and was secured by the land use right of Zhongshan Huangpu Port and certain properties and the land use right of Civet Port. Save as the new bank loan of Civet Port, the relevant terms of the bank loan of Zhongshan Huangpu Port are identical with those set out in 2016 Annual Report.

CURRENCY STRUCTURE

As at 30th June 2017, the Group deposited its cash and cash equivalents with several reputable banks, of which the majority were denominated in Hong Kong dollar and Renminbi, with a few denominated in United States dollar, Macau pataca and Euro.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

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 2017.

SIGNIFICANT INVESTMENT

Save as disclosed in this interim report, the Group had no other no significant investment for the six months ended 30th June 2017.

CONTINGENT LIABILITIES

As at 30th June 2017, the Group had no material contingent liabilities.

EXCHANGE RISK

Currently, the ordinary operations, investments business and borrowings of the Group are concentrated in Guangdong Province and Hong Kong, with operating revenue and expenditure mainly denominated in HKD, as well as in RMB and USD. RMB revenue from Mainland China may be used for payment of expenses incurred in Mainland China and repayments of the loans denominated in RMB. HKD or USD revenue received in Mainland China may be remitted to the Group's bank accounts in Hong Kong through proper procedures as planned. So long as the linked exchange rate system in Hong Kong with USD is maintained, it is expected that the Group will not be subject to any significant exchange risk.

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 year.

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 of the Company (the "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.

PUBLICATION OF INTERIM REPORT

The interim report of the Company for the six months ended 30th June 2017 containing all the information required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "SEHK") (the "Listing Rules") will be published on the websites of the SEHK (www.hkexnews.hk) and the Company (www.cksd.com) in due course.

INTERIM DIVIDEND

On 24th August 2017, the Board declared an interim dividend of HK3 cents per ordinary share (2016 interim dividend: HK3 cents) and an interim special dividend of HK1 cent per ordinary share so as to celebrate the 20th public listing anniversary of the Company (2016 interim special dividend: Nil) for the year ending 31st December 2017.

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 27th September 2017 (Wednesday) to 29th September 2017 (Friday), both dates inclusive, during which no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Share Registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 26th September 2017 (Tuesday) for registration. Interim dividend will be payable on or before 31st October 2017.

REVIEW BY AUDIT COMMITTEE

The Company's Audit Committee and the Company's independent auditor have reviewed the Group's unaudited condensed consolidated interim financial information for the six months ended 30th June 2017.

This condensed consolidated interim financial information of the Group for the six months ended 30th June 2017 has not been audited but prepared in accordance with HKAS 34 "Interim Financial Reporting" and reviewed by the independent external auditors, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

CORPORATE GOVERNANCE

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

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

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

According to the Code Provisions A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. The roles of chairman and managing director were acted by Mr. Liu Weiqing and Mr. Xiong Gebing respectively. After the resignation of Mr. Liu Weiqing on 3rd May 2015, as more time is needed to arrange the appointment of a suitable candidate as the chairman of the Board or managing director, the Board has unanimously resolved to appoint Mr. Xiong Gebing, the managing director of the Company, as the chairman of the Board (and the chairman of the Executive Committee and the Nomination Committee) temporarily with effect from 3rd May 2015. Announcement in respect of the related appointment of the chairman of the Board or managing director will be made by the Company when such appointment is confirmed.

DIRECTORS

Mr. Chan Kay-cheung resigned from the position of senior advisor of The Bank of East Asia on 1st June 2017 due to retirement, and resigned from the position of chairman of Shaanxi Fuping BEA Rural Bank Corporation on 31st May 2017 due to business disposal of the said company.

Save as disclosed above, the Company is not aware of any change in the information of Directors required to be disclosed pursuant to Rule 13.51B of the Listing Rules during the period since 31st December 2016.

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

By Order of the Board
Xiong Gebing
Managing Director

Hong Kong, 24th August 2017