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CKS 珠江船務企業(股份)有限公司
Chu Kong Shipping Enterprises (Group) Co., Ltd.

(Incorporated in Hong Kong with limited liability)

(Stock Code : 00560)

ANNOUNCEMENT OF INTERIM RESULTS FOR 2018

CHAIRMAN'S STATEMENT

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

REVIEW

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

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

OUTLOOK

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

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

APPRECIATION

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

Huang Liezhang
Chairman

Hong Kong, 23rd August 2018

UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30TH JUNE 2018

	Note	Six months ended 30th June **2018** **HK$'000**	2017 *HK$'000*
Revenue	*4*	**1,225,388**	1,221,218
Cost of services rendered		**(1,015,561)**	(964,737)
Gross profit		**209,827**	256,481
Other income		**26,326**	26,154
Other gains – net	*8*	**58,318**	14,782
General and administrative expenses		**(150,285)**	(156,683)
Operating profit	*7*	**144,186**	140,734
Finance income		**9,260**	9,772
Finance cost		**(4,460)**	(5,830)
Share of profits less losses of:			
- Joint ventures		**23,996**	27,376
- Associates		**7,658**	7,186
Profit before income tax		**180,640**	179,238
Income tax expense	*9*	**(19,413)**	(30,758)
Profit for the period		**161,227**	148,480
Attributable to:			
Equity holders of the Company		**161,955**	144,935
Non-controlling interests		**(728)**	3,545
		161,227	148,480
Earnings per share (HK cents)	*11*		
Basic		**14.70**	13.42
Diluted		**14.70**	13.42

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30TH JUNE 2018

	Six months ended 30th June	
	2018	2017
	HK$'000	*HK$'000*
Profit for the period	**161,227**	148,480
Other comprehensive (loss)/income:		
Items that have been reclassified or may be reclassified subsequently to profit or loss		
Release of currency translation differences upon disposal of subsidiaries	**(10,269)**	-
Currency translation differences		
- Subsidiaries	**(10,737)**	43,902
- Joint ventures and associates	**(4,601)**	15,235
Total comprehensive income for the period	**135,620**	207,617
Attributable to:		
Equity holders of the Company	**137,647**	199,535
Non-controlling interests	**(2,027)**	8,082
	135,620	207,617

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30TH JUNE 2018

	Note	As at 30th June 2018 HK$'000	As at 31st December 2017 HK$'000
ASSETS			
Non-current assets			
Property, plant and equipment		**1,620,873**	1,631,142
Investment properties		**4,686**	4,715
Land use rights		**430,848**	440,255
Intangible assets		**46,358**	46,619
Investments in joint ventures		**455,095**	469,024
Investments in associates		**114,501**	107,795
Deposit and prepayment		**4,321**	-
Deferred income tax assets		**7,616**	7,746
		2,684,298	2,707,296
Current assets			
Inventories		**3,323**	2,627
Trade and other receivables	*5*	**672,938**	546,201
Loans to joint ventures and fellow subsidiaries		**114,448**	13,509
Structured bank deposits		**217,056**	291,781
Cash and cash equivalents		**838,986**	769,152
		1,846,751	1,623,270
Assets of a disposal group classified as held for sale		-	134,192
		1,846,751	1,757,462
Total assets		**4,531,049**	4,464,758
EQUITY			
Share capital		**1,376,295**	1,376,295
Reserves		**1,709,388**	1,628,394
		3,085,683	3,004,689
Non-controlling interests		**296,571**	298,598
Total equity		**3,382,254**	3,303,287

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET (CONTINUED)
AS AT 30TH JUNE 2018

	Note	**As at 30th June 2018** ***HK$'000***	As at 31st December 2017 *HK$'000*
LIABILITIES			
Non-current liabilities			
Deferred income tax liabilities		**85,754**	90,451
Deferred income		**8,645**	3,188
Long term borrowings		**267,323**	270,851
		361,722	364,490
Current liabilities			
Trade and other payables	*6*	**576,265**	605,449
Dividend payable		**55,094**	-
Loans from associates		**1,044**	1,053
Amounts due to the non-controlling interests of subsidiaries		**82,683**	82,806
Income tax payables		**27,848**	12,564
Short term borrowings		**40,000**	90,000
Current portion of long term borrowings		**4,139**	4,175
		787,073	796,047
Liabilities of a disposal group classified as held for sale		**-**	934
		787,073	796,981
Total liabilities		**1,148,795**	1,161,471
Total equity and liabilities		**4,531,049**	4,464,758

NOTES

1. Statement of compliance

The financial information relating to the year ended 31st December 2017 that is included in the unaudited condensed consolidated interim financial information for the six months ended 30th June 2018 as comparative information does not constitute the Company's statutory annual consolidated financial statements for that year but is derived from those financial statements. Further information relating to these statutory financial statements required to be disclosed in accordance with section 436 of the Hong Kong Companies Ordinance (Cap. 622) is as follows:

The Company has delivered the financial statements for the year ended 31st December 2017 to the Registrar of Companies as required by section 662(3) of, and Part 3 of Schedule 6 to, the Hong Kong Companies Ordinance (Cap. 622).

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

2. Basis of preparation

This unaudited condensed consolidated interim financial information for the six months ended 30th June 2018 has been prepared in accordance with Hong Kong Accounting Standard ("HKAS") 34 "Interim Financial Reporting" issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and the disclosure requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

This unaudited condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31st December 2017, which have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the HKICPA.

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

3. Accounting policies

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

(a) New and amended standards adopted by the Group

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

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

(i) HKFRS 9 Financial Instruments – Impact of adoption

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

Impairment of financial assets

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

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

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

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

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

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

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

(i) HKFRS 16 Leases

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

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

(i) HKFRS 16 Leases (Continued)

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

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

4. 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 – Investment holding and ferry terminal management service

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

4. Segment information (Continued)

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

	Cargo transportation	Cargo handling and storage	Passenger transportation	Fuel supply	Corporate and other businesses	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
Six months ended 30th June 2018						
Total revenue	**719,036**	**247,751**	**106,265**	**328,568**	**11,797**	**1,413,417**
Inter-segment revenue	**(57,201)**	**(99,156)**	**-**	**(27,022)**	**(4,650)**	**(188,029)**
Revenue (from external customers)	**661,835**	**148,595**	**106,265**	**301,546**	**7,147**	**1,225,388**
Segment profit before income tax expense	**43,186**	**39,575**	**78,783**	**8,484**	**10,612**	**180,640**
Income tax expense	**(2,858)**	**(8,335)**	**(7,847)**	**(1,400)**	**1,027**	**(19,413)**
Segment profit after income tax expense	**40,328**	**31,240**	**70,936**	**7,084**	**11,639**	**161,227**
Segment profit before income tax expense includes:						
Finance income	**41**	**133**	**718**	**85**	**8,283**	**9,260**
Finance cost	**-**	**(4,460)**	**-**	**-**	**-**	**(4,460)**
Depreciation and amortisation	**(3,338)**	**(44,186)**	**(57)**	**(1,038)**	**(2,396)**	**(51,015)**
Share of profits less losses of:						
Joint ventures	**1,456**	**(399)**	**22,380**	**-**	**559**	**23,996**
Associates	**-**	**1,845**	**5,813**	**-**	**-**	**7,658**
Gain on disposal of subsidiaries	**39,117**	**14,917**	**-**	**-**	**-**	**54,034**

4. Segment information (Continued)

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

4. Segment information (Continued)

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

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

6. Trade and other payables

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

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

7. Operating profit

Operating profit is stated after charging the following:

	Six months ended 30th June	
	2018	2017
	HK$'000	*HK$'000*
Amortisation of land use rights	**5,936**	5,958
Depreciation of property, plant and equipment	**45,050**	43,424
Depreciation of investment properties	**29**	29
Operating lease rental expenses		
- vessels and barges	**87,568**	63,506
- buildings	**27,738**	34,332
- property that general rental income	**2,500**	2,500
Staff costs (including directors' emoluments)	**186,146**	201,174

8. Other gains – net

	Six months ended 30th June	
	2018	2017
	HK$'000	*HK$'000*
Exchange gains	**4,150**	14,492
Gain on disposal of subsidiaries (note)	**54,034**	-
Gain on disposals of property, plant and equipment	**247**	483
Provision for impairment of trade receivables	**(113)**	(193)
Other gains – net	**58,318**	14,782

Note:

The gain on disposal for six months ended 30th June 2018 mainly represented disposal gain of the disposed of the Group's entire equity interests in two of its subsidiaries, Zhaoqing Chu Kong Cargo Terminals (Dawang) Co., Ltd. and Zhaoqing Chu Kong Logistics (Dawang) Co., Ltd..

9. Income tax expense

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

PRC corporate income tax has been calculated on the estimated assessable profit for the period at the income tax rate of the PRC entities of 25% (2017: 25%).

Macau profits tax has been provided at 12% (2017: 12%) on the estimated assessable profit for the period.

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

10. Dividends

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

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.

	2018	2017
Profit attributable to equity holders of the Company (HK$'000)	**161,955**	144,935
Weighted average number of ordinary shares in issue ('000)	**1,101,890**	1,080,000
Basic earnings per share (HK cents)	**14.70**	13.72

Diluted

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

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

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF OPERATIONS

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

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

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

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

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

Subsidiaries

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

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

2. Cargo Handling and Storage Business

Business Operation Indicators

Performance statistics of our major business operations are as follows:

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

Subsidiaries

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

Subsidiaries (Continued)

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

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

Joint Ventures and Associates

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

Joint Ventures and Associates (Continued)

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

II PASSENGER TRANSPORTATION BUSINESS

Business Operation Indicators

Performance statistics of the major business operations are as follows:

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

Subsidiaries

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

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

Subsidiaries (Continued)

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

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

Joint Ventures and Associates

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

III. FUEL SUPPLY BUSINESS

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

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

IV. CORPORATE AND OTHER BUSINESSES

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

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

LIQUIDITY, FINANCIAL RESOURCES AND CAPITAL STRUCTURE

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

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

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

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

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

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

Note:

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

CURRENCY STRUCTURE

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

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES

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

Save as disclosed in this interim report, the Group had no other material acquisition or disposal of any subsidiaries, joint ventures and associates for the six months ended 30th June 2018.

SIGNIFICANT INVESTMENT

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

CONTINGENT LIABILITIES

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

EXCHANGE RISK

Currently, the ordinary operations and investments of the Group are concentrated in Guangdong Province and Hong Kong, with operating revenue and expenditure mainly denominated in HKD, as well as in RMB and USD. RMB revenue received in Mainland China may be used for payment of expenses and loan repayments 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.

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.

PUBLICATION OF INTERIM REPORT

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

INTERIM DIVIDEND

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

CLOSURE OF REGISTER OF MEMBERS

The register of members will be closed from 19th September 2018 (Wednesday) to 21st September 2018 (Friday), both dates inclusive, during which no transfer of shares will be effected. In order to qualify for the interim dividend, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Share Registrar, Tricor Tengis Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on 28th September 2018 (Tuesday) for registration. Interim dividend will be payable on or before 15th October 2018.

REVIEW BY AUDIT COMMITTEE

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

This condensed consolidated interim financial information of the Group for the six months ended 30th June 2018 has not been audited but prepared in accordance with HKAS 34 "Interim Financial Reporting" and reviewed by the independent external auditors, PricewaterhouseCoopers, in accordance with Hong Kong Standard on Review Engagements 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity".

CORPORATE GOVERNANCE

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

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

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 nonexecutive Directors for over nine years. During their years of service with the Company, Mr. Chan and Ms. Yau have contributed by providing an independent viewpoint and advice to the Company in relation to its businesses, operations, future development and strategy. The Board considers that Mr. Chan and Ms. Yau have the character, integrity, ability and experience as required to continue to fulfill his/her role effectively. The Company believes that Mr. Chan and Ms. Yau can independently express opinions on matters of the Company and there is no evidence that his/her over nine years of service with the Company would have any impact on his/her independence and therefore his/her independence is confirmed. According to the Code Provisions A.4.3, if an independent non-executive director serves more than nine years, his/her further appointment should be subject to a separate resolution to be approved by shareholders. Mr. Chan and Ms. Yau retired on rotation at the annual general meeting (the “AGM”) held on 15th May 2018 and 21st May 2015 respectively, and being eligible, offered themselves for re-election at the AGM. Mr. Chan and Ms. Yau had already been re-appointed by separate resolutions of the shareholders at the said meetings.

According to the Code Provisions A.2.1, the roles of chairman and chief executive should be separate and should not be performed by the same individual. Mr. Xiong Gebing, the general manager of the Company, resigned from his position on 11th June 2018 due to his other business commitment. As more time is needed to arrange the suitable appointment of the general manager, the Board has unanimously resolved to appoint Mr. Huang Liezhang, the chairman of the Board, as the general manager of the Company temporarily with effect from 11th June 2018. Further announcement in respect of the related appointment of the general manager will be made by the Company when it is confirmed.

DIRECTORS

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

Save as disclosed above, the Company is not aware of any change in the information of directors of the Company required to be disclosed pursuant to Rule 13.51B of the Listing Rules during the period since 31st December 2017.

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

By Order of the Board
Huang Liezhang
Managing Director

Hong Kong, 23rd August 2018