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CONTINUING CONNECTED TRANSACTION

MANAGEMENT AGREEMENT

SUMMARY

Reference is made to the announcement of the Company dated 20 June 2011. As the 2011 Management Agreement will be expired on 30 June 2014, the Company and CKSE entered into the Management Agreement on 25 June 2014 to govern the Continuing Connected Transaction between the Company and CKSE for the period from 1 July 2014 to 31 July 2017 and ensure the continual normal operations of the custodial assets.

As CKSE holds approximately 72.02% of the total issued shares of the Company as at the date of this announcement, CKSE is a connected person of the Company and the transaction contemplating under the Management Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (other than the profits ratio) for the Management Agreement, on an annual basis, are higher than 0.1% but less than 5%, the transaction contemplated under the Management Agreement is only subject to the reporting and announcement requirements as set out in Rule 14A.34 of the Listing Rules and is exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 20 June 2011. As the 2011 Management Agreement will be expired on 30 June 2014, the Company and CKSE entered into the Management Agreement on 25 June 2014 to govern the Continuing Connected Transaction between the Company and CKSE for the period from 1 July 2014 to 31 July 2017 and ensure the continual normal operations of the custodial assets.

THE MANAGEMENT AGREEMENT

The principle terms of the Management Agreement are set out below:

Date

25 June 2014

Period

The period of the Management Agreement is 3 years; the 2015 Management Services Period is from 1 July 2014 to 30 June 2015, the 2016 Management Services Period is from 1 July 2015 to 30 June 2016, and the 2017 Management Services Period is from 1 July 2016 to 30 June 2017. The period could be extended upon expiry of the Management Agreement through negotiation by both parties.

Parties

- (i) CKSE; and
- (ii) the Company

Rights and Obligations

During the term of the Management Agreement, CKSE (among others), shall:

- i) be entitled to all benefits and rights, responsible for all debts and liabilities arising from the Assets. All the gains and losses occurred in the course of the management services provided by the Company shall vest in CKSE;

- ii) have the right to assess the performance of the Assets;
- iii) have the right to allocate the Assets, including but not limited to the leasing, mortgaging, merging, disposing, auctioning or transferring, as well as entitled to retain and utilise the associated benefit arising from the aforesaid activities;
- iv) have the right to appoint senior managements of the Assets that are suggested or nominated by the Company, including but not limited to directors, supervisors, general managers, deputy general managers, chief financial officer and other senior managements;
- v) have the right to supervise the management services carried out by the Company, and to prohibit any management services provided by the Company if such services would adversely affect the image or operations of CKSE, or would damage the legitimate rights and interests of CKSE;
- vi) have the right to exercise it's shareholder's right on any other issues;
- vii) have the obligation to pay the Company the Management Fees during the term of the Management Agreement; and
- viii) inject the Assets to the Company when appropriate.

During the term of the Management Agreement, the Company (among others), shall:

- i) have the right to receive the Management Fees during the term of the Management Agreement;
- ii) have the right to set the business strategies and the operation activities of the Assets, including but not limited to developing and implementing operation benchmark, daily operation managements, marketing strategies, safety operation managements and implementing strict control in cost minimization of all kind of expenses;
- iii) have the right to select and nominate the senior managements and appoint non-senior managements of the Assets;
- iv) have the right to assess the actual operating benchmarks of the Assets;
- v) have the priority to acquire the Assets;
- vi) act in good faith and with due diligence to perform its management duties in accordance with the laws, and do not engage in any activities that will adversely affect the interest of CKSE and Assets;

- vii) seek the approval from CKSE for material issues that will affect matters relating to CKSE's right as a shareholder of the Assets, including but not limited to allocation of assets, changes of equity capital structure and amendments of the articles of association of the Assets;
- viii) not mortgage, transfer, pledge or sell the Assets;
- ix) be responsible to CKSE for any losses and claims arising from the default of the Company in the provision of the management services under the Management Agreement;
- x) report to CKSE the progresses and results in the provision of the managing services; and
- xi) be responsible to procure confidential to the sensitive information in relation to the Assets.

Management Fees

Pursuant to the Management Agreement, CKSE shall pay to the Company the Management Fees. Each of the 2105 Management Fee, 2016 Management Fee and the 2017 Management Fee is calculated on annual basis at (i) HK\$20 million per annum; or (ii) by reference to 3.25% of the 2015 Total Assets Value, the 2016 Total Assets Value and the 2017 Total Assets Value, respectively, whichever is the higher, but in any event shall not exceed HK\$30 million. The Management Fees will be paid in cash by CKSE by installments to the Company as follows: (i) a fee of HK\$10 million payable in each July and HK\$10 million payable in each of the following January in each of the Management Services Periods; (ii) if each of the Management Fees determined is over HK\$20 million after determination of each of the 2015 Total Assets Value, the 2016 Total Assets Value and the 2017 Total Assets Value, the balance is payable by CKSE to the Company within 2 months of the ending of each of the Management Services Periods. The Management Fees were determined after arm's length negotiation between CKSE and the Company with reference to the cost incurred in the provision of the management services by the Company as well as the Company's experience in operation and management of the assets similar to the Assets.

The Management Fees will be adjusted in the event that the component of the Assets decreased during the term of the Management Agreement due to the injection of the Assets to the Group. The Management Fees will then be negotiated between the Company and CKSE but in any event the Management Fees, on an annual basis, will not exceed HK\$30 million.

INFORMATION OF THE ASSETS UNDER THE MANAGEMENT AGREEMENT

Yuet Hing Marine Supplies Co., Ltd. (粵興船舶用品有限公司)

Yuet Hing Marine Supplies Co., Ltd. is a wholly-owned subsidiary of CKSE. Yuet Hing Marine Supplies Co., Ltd. and its subsidiaries are principally engaged in building and repairing of ships and vessels in Hong Kong.

Sun Kong Petroleum Co. Ltd. (新港石油有限公司)

Sun Kong Petroleum Co. Ltd. is a wholly-owned subsidiary of CKSE and it is principally engaged in provision of diesel and oil for ships and vessels in the Hong Kong water district.

China Hong Kong Macau Duty Free Goods Ltd. (中港澳免稅用品有限公司)

China Hong Kong Macau Duty Free Goods Ltd is a wholly-owned subsidiary of CKSE and is principally engaged in the provision of branded duty free goods for jet foil and duty free shops of ferry terminal in the Hong Kong and Macau.

Chu Kong Maritime Consultant Co., Ltd. (珠江海事顧問有限公司)

Chu Kong Maritime Consultant Co., Ltd. is a wholly-owned subsidiary of CKSE and is principally engaged in provision of legal advisory services to CKSE and its associates which includes legal consulting services to vessel owners, insurance agency services and insurance claims services as well as vessel trading agency services.

Yuet Tung Shipping Co., Ltd. (粵通船務有限公司)

Yuet Tung Shipping Co., Ltd. is a wholly-owned subsidiary of CKSE and is principally engaged in (i) the provision of agency services of water transportation, loading and unloading of cargos and port warehouse services; and (ii) the provision of agency services of passenger water transportation business between the ports in the Guangdong Province and Macau.

Shunde Container Terminal Co., Ltd. (順德貨櫃碼頭有限公司)

Shunde Container Terminal Co., Ltd. is held as to 8.3%, 16.5%, 16.5%, 28.5% and 30.2% by 中國外運廣東有限公司 (Sinotrans Guangdong Co., Ltd.), CKSE, 廣順運輸有限公司 (Guang Shun Transportation Co., Ltd.), 廣東省公路機械材料公司 (Guangdong Provincial Highway Machinery Materials Company) and 佛山市順德區容勝口岸服務有限公司 (Foshan Shunde Rongsheng Coastal Service Co., Ltd.), respectively. Shunde Container Terminal Co., Ltd. is principally engaged in port and ferry terminal operation management services, cargo loading and storage, rental services, operation and maintenance of port machineries, equipment and facilities.

Pan Kong Cargo Transportation Co-operation Co., Ltd. (香港貨運聯營有限公司)

Pan Kong Cargo Transportation Co-operation Co., Ltd., is held as to 60%, 25% and 15% by 番禺口岸實業公司 (Panyu Port Industrial Company), CKSE and 廣東省珠江航運有限公司 (Guangdong Province Pearl Navigation Co., Ltd.), respectively. Pan Kong Cargo Transportation Co-operation Co., Ltd. is principally engaged in the provision of port operation management services including cargo storage, loading and unloading services and land transportation.

Gugangzhou Nansha International Logistics Park Development Co., Ltd. (廣州南沙國際物流園開發有限公司)

Gugangzhou Nansha International Logistics Park Development Co., Ltd is held as to 50% and 50% by CKSE and 廣州南沙國際物流有限公司 (Gugangzhou Nansha International Logistics Co., Ltd.), respectively. Gugangzhou Nansha International Logistics Park Development Co., Ltd is principally engaged in development, construction and operation management of 南沙國際物流園 (Nansha International Logistics Park).

HISTORICAL TRANSACTION AMOUNTS

The following table summarizes the historical transaction amounts of the continuing connected transaction for the six months ended 31 June 2011 and two financial years ended 31 December 2013:

	For the six months ended 30 June 2011 HK\$'000	For the financial year ended 31 December	
		2012 HK\$'000	2013 HK\$'000
2011 Management Agreement	10,000	27,024	26,733

BACKGROUND OF AND REASONS FOR THE MANAGEMENT AGREEMENT

As stated in the annual report of the Company for the year ended 31 December 2013, the Company will strive to grasp the opportunities generated from the reform of stated-own enterprises with assets restructuring in Mainland to speed up the development pace of the Company in merger and acquisition, one of the important measures is to continue study on acquisition of quality assets of the parent company. The entering of the Management Agreement between CKSE and the Company will enable the Group to leverage on its experience and expertise in operating and management of the businesses of the Assets such as water transportation and logistic services and cargo handling, etc, so that the Group will generate income through the provision of the management services and at the same time the Assets will be operated and managed in an efficient and well-organised manner so as to facilitate the accomplishment of the injection of the Assets to the Group.

GENERAL INFORMATION

The Group is mainly engaged in provision of management and other related services to high-speed waterway passenger transportation in Guangzhou, Hong Kong and Macau; the operation and management of river trade cargo terminals in the Mainland China and Hong Kong; and cargo transportation, warehousing and storage business.

CKSE is principally engaged in provision of navigation logistics, high-speed waterway passenger transportation between Hong Kong and the Pearl River Delta and in coastal areas and passenger ferry repair and maintenance; fuel and duty-free trading and supply, investment and management of highway and development of property business.

LISTING RULES IMPLICATIONS

As CKSE holds approximately 72.02% of the total issued share of the Company as at the date of this announcement, CKSE is a connected person of the Company and the transaction contemplating under the Management Agreement constitutes a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. As the applicable percentage ratios (other than the profits ratio) for the Management Agreement, on an annual basis, are higher than 0.1% but less than 5%, the transaction contemplated under the Management Agreement is only subject to the reporting and announcement requirements as set out in Rule 14A.34 of the Listing Rules and is exempt from independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Each of Mr. Liu Weiqing, Mr. Xiong Gebing, Mr. Hu Jiahong and Mr. Zhang Lei is being regarded as having a material interest in the transaction contemplated under the Management Agreement and have abstained from voting on the board resolution approving the Management Agreement.

DEFINITIONS

In this announcement, unless the context otherwise requires, the following expressions have the following meanings:

“associate(s)”	has the meaning ascribed thereto under the Listing Rules
“Assets”	includes 100% equity interest in 粵興船舶用品有限公司 (Yuet Hing Marine Supplies Co., Ltd.), 100% equity interest in 新港石油有限公司 (Sun Kong Petroleum Co. Ltd.), 100% equity interest in 中港澳免稅用品有限公司 (China Hong Kong Macau Duty Free Goods LTD.), 100% equity interest in 珠江海事顧問有限公司 (Chu Kong Maritime Consultant Co., Ltd.), 100% equity interest in 粵通船務有限公司 (Yuet Tung Shipping Co., Ltd), 16.5% equity interest in 順德貨櫃碼頭有限公司 (Shunde Container Terminal Co., Ltd.), 25% equity interest in 香港貨運聯營有限公司 (Pan Kong Cargo Transportation Co-operation Co., Ltd.), and 50% equity interest in 廣州南沙國際物流園開發有限公司 (Gugangzhou Nansha International Logistics Park Development Co., Ltd.)
“Board”	the board of Directors
“CKSE”	Chu Kong Shipping Enterprises (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability, the controlling Shareholder holding approximately 72.02% of the total issued shares of the Company

“Company”	Chu Kong Shipping Enterprises (Group) Company Limited, a company incorporated in Hong Kong with limited liability and the shares of which are listed on the main board of the Stock Exchange (Stock Code: 00560)
“connected person (s)”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Management Agreement”	the agreement dated 25 June 2014 entered into between the Company and CKSE in relation to the management of the Assets by the Company
“Management Fees”	the 2015 Management Fee, 2016 Management Fee and 2017 Management Fee
“Management Services Periods”	the 2015 Management Services Period, 2016 Management Services Period and 2017 Management Services Period
“Pearl River Delta”	in broad terms, includes the Pearl River, its tributaries and other navigable inland waterways on the west bank of the West River in Guangdong Province which are accessible from Hong Kong territorial waters
“PRC”	the People’s Republic of China
“Share(s)”	issued share(s) of the Company

“Shareholder(s)”	holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“2011 Management Agreement”	the agreement dated 20 June 2011 entered into between the Company and CKSE in relation to the management of the Assets by the Company
“2015 Management Fee”	the management fee payable by CKSE to the Company pursuant to the Management Agreement, and is calculated on an annual basis at HK\$20 million or 3.25% of the 2015 Total Assets Value, whichever is the higher, but in any event shall not exceed HK\$30 million
“2015 Management Services Period”	from 1 July 2014 to 30 June 2015
“2015 Total Assets Value”	the total amount of (i) total asset value of 粵興船舶用品有限公司 (Yuet Hing Marine Supplies Co., Ltd.); (ii) total asset value of 新港石油有限公司 (Sun Kong Petroleum Co. Ltd.); (iii) total asset value of 中港澳免稅用品有限公司 (China Hong Kong Macau Duty Free Goods LTD.); (iv) total asset value of 珠江海事顧問有限公司 (Chu Kong Maritime Consultant Co., Ltd.); (v) total asset value of 粵通船務有限公司 (Yuet Tung Shipping Co., Ltd.); (vi) 16.5% of the total asset value of 順德貨櫃碼頭有限公司 (Shunde Container Terminal Co., Ltd.); (vii) 25% of the total asset value of 香港貨運聯營有限公司 (Pan Kong Cargo Transportation Co-operation Co., Ltd.); and 50% of the total asset value of 廣州南沙國際物流園開發有限公司 (Gugangzhou Nansha International Logistics Park Development Co., Ltd.) as at 30 June 2015 as shown in their respective management account agreed by both CKSE and the Company
“2016 Management Fee”	the management fee payable by CKSE to the Company pursuant to the Management Agreement, and is calculated on an annual basis at HK\$20 million or 3.25% of the 2016 Total Assets Value, whichever is the higher, but in any event shall not exceed HK\$30 million

“2016 Management Services Period”

from 1 July 2015 to 30 June 2016

“2016 Total Assets Value”

the total amount of (i) total asset value of 粵興船舶用品有限公司 (Yuet Hing Marine Supplies Co., Ltd.); (ii) total asset value of 新港石油有限公司 (Sun Kong Petroleum Co. Ltd.); (iii) total asset value of 中港澳免稅用品有限公司 (China Hong Kong Macau Duty Free Goods LTD.); (iv) total asset value of 珠江海事顧問有限公司 (Chu Kong Maritime Consultant Co., Ltd.); (v) total asset value of 粵通船務有限公司 (Yuet Tung Shipping Co., Ltd.); (vi) 16.5% of the total asset value of 順德貨櫃碼頭有限公司 (Shunde Container Terminal Co., Ltd.); (vii) 25% of the total asset value of 香港貨運聯營有限公司 (Pan Kong Cargo Transportation Co-operation Co., Ltd.); and 50% of the total asset value of 廣州南沙國際物流園開發有限公司 (Gugangzhou Nansha International Logistics Park Development Co., Ltd.) as at 30 June 2016 as shown in their respective management account agreed by both CKSE and the Company

“2017 Management Fee”

the management fee payable by CKSE to the Company pursuant to the Management Agreement, and is calculated on an annual basis at HK\$20 million or 3.25% of the 2017 Total Assets Value, whichever is the higher, but in any event shall not exceed HK\$30 million

“2017 Management Services Period”

from 1 July 2016 to 30 June 2017

“2017 Total Assets Value”

the total amount of (i) total asset value of 粵興船舶用品有限公司 (Yuet Hing Marine Supplies Co., Ltd.); (ii) total asset value of 新港石油有限公司 (Sun Kong Petroleum Co. Ltd.); (iii) total asset value of 中港澳免稅用品有限公司 (China Hong Kong Macau Duty Free Goods LTD.); (iv) total asset value of 珠江海事顧問有限公司 (Chu Kong Maritime Consultant Co., Ltd.); (v) total asset value of 粵通船務有限公司 (Yuet Tung Shipping Co., Ltd.); (vi) 16.5% of the total asset value of 順德貨櫃碼頭有限公司 (Shunde Container Terminal Co., Ltd.); (vii) 25% of the total asset value of 香港貨運聯營有限公司 (Pan Kong Cargo Transportation Co-operation Co., Ltd.); and 50% of the total asset value of 廣州南沙國際物流園開發有限公司 (Gugangzhou Nansha International Logistics Park Development Co., Ltd.) as at 30 June 2017 as shown in their respective management account agreed by both CKSE and the Company

“%”

per cent.

By Order of the Board
Chu Kong Shipping Enterprises (Group) Company Limited
Cheng Jie
Executive Director

Hong Kong, 25 June 2014

In this announcement, the English names of the PRC government authorities or entities are translations of their Chinese names and included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

As at the date of this announcement, the executive Directors include Mr. Xiong Gebing, Mr. Zeng He and Mr. Cheng Jie; the non-executive Directors include Mr. Liu Weiqing, Mr. Hu Jiahong and Mr. Zhang Lei and independent non-executive Directors include Mr. Chan Kay-cheung, Ms. Yau Lai Man and Mr. Chow Bing Sing.