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 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)

CONNECTED TRANSACTION

**TRANSFER OF THE TOTAL EQUITY INTEREST IN DAWANG CARGO TERMINALS
AND DAWANG LOGISTICS**

EQUITY TRANSFER AGREEMENTS

On 16 April 2018, the Company entered into the Dawang Cargo Terminals Agreement and the Dawang Logistics Agreement with CKSE, pursuant to which, the Company agreed to transfer the Dawang Cargo Terminals Interest for a consideration of RMB 26,293,000 (equivalent to approximately HK\$32,866,000) and the Dawang Logistics Interest for a consideration of RMB 46,206,000 (equivalent to approximately HK\$57,758,000), respectively, to CKSE, in total amounted to RMB72,499,000 (equivalent to approximately HK\$90,624,000). Upon Completion, Dawang Cargo Terminals and Dawang Logistics shall cease to be subsidiaries of the Company. Therefore, the financial results of Dawang Cargo Terminals and Dawang Logistics will no longer be consolidated in the financial statements of the Group upon Completion.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CKSE is the controlling shareholder of the Company, holding approximately 68.0% of the total issued share capital of the Company, it is therefore a connected person of the Company. As such, the Equity Transfer constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Equity Transfer are less than 5%, the Equity Transfer is subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirements under the Listing Rules.

BACKGROUND

On 16 April 2018, the Company entered into the Dawang Cargo Terminals Agreement and the Dawang Logistics Agreement with CKSE, pursuant to which, the Company agreed to transfer and CKSE agree to purchase the Dawang Cargo Terminals Interest for a consideration of RMB 26,293,000 (equivalent to approximately HK\$32,866,000) and the Dawang Logistics Interest for a consideration of RMB46,206,000 (equivalent to approximately HK\$57,758,000), respectively, to CKSE, in total amounted to RMB72,499,000 (equivalent to approximately HK\$90,624,000). Upon Completion, Dawang Cargo Terminals and Dawang Logistics shall cease to be subsidiaries of the Company. Therefore, the financial results of Dawang Cargo Terminals and Dawang Logistics will no longer be consolidated in the financial statements of the Group upon Completion.

EQUITY TRANSFER AGREEMENTS

(1) The Dawang Cargo Terminals Agreement

Date: 16 April 2018

Parties: (1) The Company as transferor; and
(2) CKSE, as transferee

As at the date of this announcement, CKSE is the controlling shareholder (as defined in the Listing Rules) of the Company, holding approximately 68.0% of the total issued share capital of the Company, it is therefore a connected person of the Company under the Listing Rules.

Assets to be Transferred: Pursuant to the Dawang Cargo Terminals Agreement, the Company conditionally agreed to transfer, and CKSE conditionally agreed to purchase the Dawang Cargo Terminals Interest, which represents the total issued share capital of Dawang Cargo Terminals.

Consideration: The consideration payable by CKSE for the Dawang Cargo Terminals Interest is RMB26,293,000 (or HK\$ converted at the exchange rate agreed by both parties), which shall be payable in cash in the following manner:

- (a) RMB7,887,900 (or HK\$ converted at the exchange rate agreed by both parties), being 30% of the total consideration under the Dawang Cargo Terminals Agreement, shall be payable by CKSE to the Company in cash within three business days from the date of the Dawang Cargo Terminals Agreement; and
- (b) RMB 18,405,100 (or HK\$ converted at the exchange rate agreed by both parties), being 70% of the total consideration under the Dawang Cargo Terminals Agreement, shall be payable by CKSE to the Company in cash within three business days from the Completion Date of the Dawang Cargo Terminals Agreement.

The consideration has been arrived at after arm's length negotiations between the Company and CKSE with reference to the appraised fair values of the net asset values of Dawang Cargo Terminals as at 30 September 2017 of approximately RMB26,293,000 as set out in the business valuation report by an independent professional valuer, Vigers using the asset based approach; and taking into account the unallocated assets (if any) of Chu Kong Logistics (Zhaoqing) Declaration Co., Ltd., a de-registered wholly owned subsidiary of Dawang Cargo Terminals.

The Directors (including independent non-executive Directors) consider that the terms of the Dawang Cargo Terminals Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions precedent for the Dawang Cargo Terminals Agreement

Completion of the Dawang Cargo Terminals Agreement is subject to and conditional upon the fulfillment and the satisfaction of, among other things, the following conditions precedent:

- (a) each of the parties to the Dawang Cargo Terminals Agreement has registered or filed the foreign invested enterprise changes;
- (b) each of the parties to the Dawang Cargo Terminals Agreement has filed the business registration at respective Administration for Industry and Commerce; and
- (c) the conditions precedent to the Dawang Logistics Agreement (save for the condition precedent requiring Dawang Cargo Terminals Agreement to become inter-conditional upon the Dawang Logistics Agreement) have been fully fulfilled (or waived).

(2) The Dawang Logistics Agreement

Date: 16 April 2018

Parties: (1) The Company as transferor; and
(2) CKSE, as transferee

As at the date of this announcement, CKSE is the controlling shareholder of the Company, holding approximately 68.0% of the total issued share capital of the Company, it is therefore a connected person of the Company under the Listing Rules.

Assets to be Transferred: Pursuant to the Dawang Logistics Agreement, the Company conditionally agreed to transfer, and CKSE conditionally agreed to purchase the Dawang Logistics Interest, which represents the total issued share capital of Dawang Logistics.

Consideration: The consideration payable by CKSE for the Dawang Logistics Interest is RMB42,206,000 (or HK\$ converted at the exchange rate agreed by both parties), which shall be payable in cash in the following manner:

- (a) RMB13,861,800 (or HK\$ converted at the exchange rate agreed by both parties), being 30% of the total consideration under the Dawang Logistics Agreement, shall be payable by CKSE to the Company in cash within three business days from the date of the Dawang Logistics Agreement; and
- (b) RMB 32,344,200 (or HK\$ converted at the exchange rate agreed by both parties), being 70% of the total consideration under the Dawang Logistics Agreement, shall be payable by CKSE to the Company in cash within three business days from the Completion Date of the Dawang Logistics Agreement.

The consideration has been arrived at after arm's length negotiations between the Company and CKSE with reference to the appraised fair values of the net asset values of Dawang Logistics as at 30 September 2017 of approximately RMB46,206,000 as set out in the business valuation report by an independent professional valuer, Vigers, using the asset based approach; and taking into account all the assets of the subsidiaries of Dawang Logistics, including Zhaoqing Chu Kong Transportation (Dawang) Co., Ltd., a wholly owned subsidiary of Dawang Logistics.

The Directors (including independent non-executive Directors) consider that the terms of the Dawang Logistics Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

Conditions precedent for the Dawang Logistics Agreement

Completion of the Dawang Logistics Agreement is subject to and conditional upon the fulfillment and the satisfaction of, among other things, the following conditions precedent:

- (a) each of the parties to the Dawang Logistics Agreement has registered or filed the foreign invested enterprise changes;
- (b) each of the parties to the Dawang Logistics Agreement has filed the business registration at respective Administration for Industry and Commerce; and
- (c) the conditions precedent to the Dawang Cargo Terminals Agreement (save for the condition precedent requiring Dawang Logistics Agreement to become inter-conditional upon the Dawang Cargo Terminals Agreement) have been fully fulfilled (or waived).

FINANCIAL IMPACT AND USE OF PROCEEDS FROM THE EQUITY TRANSFER

The aggregate net sale proceeds (after deducting the estimated transaction expenses and taxation) of the Equity Transfer is approximately RMB70,549,000, which is receivable in cash on settlement. The consideration for the Equity Transfer represented the market price of the Dawang Cargo Terminals Interest and the Dawang Logistics Interest at the time of the Equity Transfer. The Company intends to apply the sale proceed for general corporate purposes.

For illustrative purpose, based on the Company's carrying value of the Dawang Cargo Terminal Interest and Dawang Logistics Interest as at 30 September 2017 of approximately RMB37,815,000 and the Consideration, it is estimated that the Group will record a gain on the Equity Transfer of approximately RMB32,734,000, net of estimated transaction expenses and taxation.

It should be noted the actual gain or loss on the Equity Transfer to be recorded by the Group will depend on the carrying value of Dawang Cargo Terminal and Dawang Logistics recorded on the Group's financial statements at the Completion and therefore may be different from the amount mentioned above.

SHAREHOLDER'S LOANS

As at the date of this announcement, a shareholder's loan of RMB4,600,000 and US\$6,750,000 was lent by the Company to Dawang Cargo Terminals expiring on 31 December 2018 and a shareholder's loan of RMB36,210,000 was lent by the Group to Dawang Logistics expiring on 31 December 2018. The above-mentioned shareholder's loans are not the subject of the Equity Transfer and shall constitute a continuing connected transaction immediately upon the Completion of the Equity Transfer. The Company shall make necessary disclosure in respect of the shareholder loans in due course.

INFORMATION ON THE COMPANY

The Company and its subsidiaries are mainly engaged in provision of management and other related services to high-speed waterway passenger transportation in Guangdong, Hong Kong and Macau; the operation and management of river trade cargo terminals in the PRC and Hong Kong; and cargo transportation, warehousing and storage businesses; provision of diesel and lubricants for passenger ferries and cargo vessels in Hong Kong; and provision of operation and management of facilities maintenance services for properties and so forth in Macau.

INFORMATION ON CKSE AND GNG

CKSE operates a wide variety of businesses including (1) acting as an agent of ferry tickets for passenger transportation between Hong Kong and various ports in the Pearl River Delta Region, (2) passenger ferry operation between Hong Kong, Macau and the Pearl River Delta Region; river trade transportation of cargoes between Guangdong Province, Hong Kong, and Macau, (3) ship repair and maintenance services, (4) duty free goods and shops operations and oil supply services, (5) tourism business, (6) highway infrastructure investment and (7) property development.

CKSE is wholly-owned by GNG, which is a state-owned enterprise controlled by the Guangdong Province Government. The main businesses of GNG include passenger ferry services, cargo terminals operation and warehousing, ship building and repairing and other related businesses in Guangdong Province, Hong Kong and Macau.

INFORMATION ON DAWANG CARGO TERMINALS AND DAWANG LOGISTICS

(1) DAWANG CARGO TERMINALS

Dawang Cargo Terminals is a limited company established under the laws of the PRC on 23 May 2006. Its business scope includes cargo terminal operation, cargo handling, transportation and storage and other related business.

The audited financial data of Dawang Cargo Terminals for the two financial years ended 31 December 2017, which was prepared in accordance with the China Accounting Standards for Business Enterprises, is set out below:

	For the year ended 31 December 2017 (RMB'000)	For the year ended 31 December 2016 (RMB'000)
Profit/(loss) before and after tax	426	(4,958)
Net asset value	19,197	18,771

(2) DAWANG LOGISTICS

Dawang Logistics is a limited company established under the laws of the PRC on 23 May 2006. Its business scope includes provision of cargo agency, logistics services, cargo transshipment, storage, container trucking and other related business.

The audited financial data of Dawang Logistics for the two financial years ended 31 December 2017, which was prepared in accordance with the China Accounting Standards for Business Enterprises, is set out below:

	For the year ended 31 December 2017 (RMB'000)	For the year ended 31 December 2016 (RMB'000)
Profit before tax	1,645	995
Profit after tax	1,506	758
Net asset value	20,958	19,452

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER

Dawang Cargo Terminals purchased a parcel of land from Zhaoqing Municipal Land Bureau in 2006 but part of the land is currently at flaw as delivery formalities of the land have not yet been completed by Zhaoqing Municipal Land Bureau. Therefore the development of Dawang Cargo Terminals is seriously affected. In addition, the original planned business of Dawang Logistics is highly related to that of Dawang Cargo Terminals so the company is suffering operating deficit without the support from Dawang Cargo Terminals. As a result, all Dawang Cargo Terminals and Dawang Logistics contributes a continuous loss to the Company. Hence the disposal of both Dawang Cargo Terminals and Dawang Logistics shall benefit the Company's financial performance.

After taking into account the aforesaid reasons for and benefits of the Equity Transfer, the directors (including all the independent non-executive directors) consider that the Equity Transfer Agreements was arrived after arm's length negotiation and made on normal commercial terms, which are fair and reasonable and in the interests of the Company and the shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CKSE is the controlling shareholder of the Company, holding approximately 68.0% of the total issued Shares of the Company, it is therefore a connected person of the Company. As such, the Equity Transfer constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Since the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Equity Transfer are less than 5%, the Equity Transfer is subject to the reporting and announcement requirements but is exempted from the independent shareholders' approval requirements under the Listing Rules.

As the Directors Mr. Huang Liezhang, Mr. Fan Linchun, Mr. Zeng He and Mr. Cheng Jie have a material interest in the transactions contemplated under the Equity Transfer Agreements, they have abstained from voting on the board resolution in respect of approving the Equity Transfer Agreements. Save for the Directors mentioned above, none of the other directors have a material interest in the Equity Transfer Agreements and are required to abstain from voting on the board resolution in respect of approving entering the Equity Transfer Agreements.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms shall have the meanings set out below:

“Board”	the board of Directors;
“CKSE”	Chu Kong Shipping Enterprises (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance, the controlling Shareholder that held approximately 68.0% of the total issued share capital of the Company as at the date of this announcement and a wholly-owned subsidiary of GNG;
“Company”	Chu Kong Shipping Enterprises (Group) Company Limited (stock code: 00560), a company incorporated in Hong Kong with limited liability under the Companies Ordinance and the shares of which are listed on the main board of the Stock Exchange;
“Completion”	the completion of the Equity Transfer in accordance with the Equity Transfer Agreements;
“Completion Date”	the date of the Completion;
“Dawang Cargo Terminals”	Zhaoqing Chu Kong Cargo Terminals (Dawang) Co., Ltd.* (肇慶大旺珠船貨運碼頭有限公司), a limited company incorporated in the PRC;
“Dawang Cargo Terminals Agreement”	the equity transfer agreement entered into between the Company and CKSE in relations to the Dawang Cargo Terminals Interest dated 16 April 2018;
“Dawang Cargo Terminals Interest”	the entire equity interest in Dawang Cargo Terminals held by the Company;
“Dawang Logistics”	Zhaoqing Chu Kong Logisitcs (Dawang) Co., Ltd.* (肇慶大旺珠江物流有限公司), a limited company incorporated in the PRC;

“Dawang Logistics Agreement”	the equity transfer agreement entered into between the Company and CKSE in relations to the Dawang Logistics Interest dated 16 April 2018;
“Dawang Logistics Interest”	the entire equity interest in Dawang Logistics held by the Company;
“Director(s)”	the director(s) of the Company;
“Equity Transfer”	the equity transfer of Dawang Cargo Terminals Interest and Dawang Logistics Interest by the Company to CKSE pursuant to the terms and conditions under the Equity Transfer Agreements;
“Equity Transfer Agreements”	the Dawang Cargo Terminals Agreement and the Dawang Logistics Agreement;
“GNG”	廣東省航運集團有限公司 (Guangdong Province Navigation Holdings Company Limited*), a company established under the laws of the PRC and indirectly holds approximately 68.0% of the total issued share capital of the Company as at the date of this announcement;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Macau”	the Macau Special Administrative Region of the PRC;
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan);

“RMB”	Renminbi, the lawful currency of PRC;
“Share(s)”	share(s) of the Company;
“Shareholder(s)”	holder(s) of the Shares of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Vigers”	Vigers Appraisal and Consulting Limited, an independent professional valuer; and
“%”	per cent.

For the purpose of illustration only, amounts denominated in RMB in this announcement are translated into HK\$ at the rate of HK\$1=RMB0.8. This should not be construed as a representation that the amounts in question have been, could have been or could be converted at any particular rate at all.

By order of the Board
Chu Kong Shipping Enterprises (Group) Co., Ltd.
Huang Liezhang
Chairman

Hong Kong, 16 April 2018

As at the date of this announcement, the Company’s executive directors are Mr. Huang Liezhang, Mr. Zeng He and Mr. Cheng Jie; non-executive director is Mr. Fan Linchun; and independent non-executive directors are Mr. Chan Kay-cheung, Ms. Yau Lai Man and Mr. Chow Bing Sing.