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CONNECTED TRANSACTION
TRANSFER OF THE EQUITY INTEREST IN GUANGDONG ZHU CHUAN

EQUITY TRANSFER AGREEMENT

On 12 September 2018, Chu Kong Transportation entered into the Equity Transfer Agreement with Guangdong Chu Kong, pursuant to which, Chu Kong Transportation agreed to transfer 49% of the equity interest in Guangdong Zhu Chuan for a consideration of RMB28,763,723.24 (equivalent to approximately HK\$33,062,000) to Guangdong Chu Kong. Upon Completion, Chu Kong Transportation shall cease to hold any equity interest in Guangdong Zhu Chuan.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CKSE is the controlling shareholder of the Company, holding approximately 70.0% of the total issued share capital of the Company, it is therefore a connected person of the Company. Both of CKSE and Guangdong Chu Kong are subsidiaries of GNG. According to rules 14A.13 and 14A.07(4) of the Listing Rules, Guangdong Chu Kong is an associate of CKSE and accordingly 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.

As one or more of the applicable Percentage Ratios of the transaction under the Equity Transfer Agreement exceeds 0.1% but is lower than 5%, such a transaction is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

BACKGROUND

On 12 September 2018, Chu Kong Transportation entered into the Equity Transfer Agreement with Guangdong Chu Kong, pursuant to which, Chu Kong Transportation agreed to transfer 49% of the equity interest in Guangdong Zhu Chuan for a consideration of RMB28,763,723.24 (equivalent to approximately HK\$33,062,000) to Guangdong Chu Kong. Upon Completion, Chu Kong Transportation shall cease to hold any equity interest in Guangdong Zhu Chuan.

EQUITY TRANSFER AGREEMENT

Date: 12 September 2018

Parties: (1) Chu Kong Transportation, a subsidiary of the Company, as transferor;
and
(2) Guangdong Chu Kong, an associate of 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 70.0% of the total issued share capital of the Company, it is therefore a connected person of the Company under the Listing Rules. Both of CKSE and Guangdong Chu Kong are subsidiaries of GNG. According to rules 14A.13 and 14A.07(4) of the Listing Rules, Guangdong Chu Kong is an associate of CKSE and accordingly a connected person of the Company.

Asset to be Transferred: Pursuant to the Equity Transfer Agreement, Chu Kong Transportation conditionally agreed to transfer, and Guangdong Chu Kong conditionally agreed to purchase 49% of the equity interest in Guangdong Zhu Chuan.

Consideration: The consideration payable by Guangdong Chu Kong to Chu Kong Transportation for the Equity Transfer is RMB28,763,723.24 (also payable in Hong Kong dollars at an exchange rate agreed by both parties), which shall be payable in the following manner:

- (a) RMB8,629,117 (also payable in Hong Kong dollars at an exchange rate agreed by both parties), being 30% of the total consideration under the Equity Transfer Agreement, shall be paid within 3 business days from the date of the Equity Transfer Agreement; and;
- (b) RMB20,134,606.24 (also payable in Hong Kong dollars at an exchange rate agreed by both parties), being 70% of the total consideration under the Equity Transfer Agreement, shall be paid within 7 business days from the Completion Date.

The consideration has been arrived at after arm's length negotiations between Chu Kong Transportation and Guangdong Chu Kong with reference to the appraised net asset value of Guangdong Zhu Chuan as at 31 December 2017 of RMB58,701,476 as set out in the valuation report by RHL, an independent professional valuer, adopting the asset approach by measuring the net asset value of the company with an adjustment of the fair value of the property owned by the company. And, the audited net asset value of Guangdong Zhu Chuan as at 31 December 2017 was approximately RMB56,567,000 (equivalent to approximately to HK\$65,020,000).

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

COMPLETION

The Equity Transfer shall be deemed to be completed after Guangdong Chu Kong obtains relevant title documents of the assets, business documents, financial information, ownership registration documents of vessels, proof of previous capital payments by Chu Kong Transportation and the register of shareholders of the company as well as the final approval of the Administration of Industry and Commerce.

FINANCIAL IMPACT AND USE OF PROCEEDS FROM THE EQUITY TRANSFER

The net sale proceeds (after deducting the estimated transaction expenses and taxation) of the Equity Transfer is approximately RMB28,483,000, which is receivable in cash on settlement. The consideration for the Equity Transfer represented the market price of Guangdong Zhu Chuan as at 31 December 2017. Chu Kong Transportation intends to apply the sale proceeds for general corporate purposes.

For illustrative purpose, based on Chu Kong Transportation's record of the carrying value of Guangdong Zhu Chuan as at 31 December 2017 of approximately RMB27,945,000 and the Consideration, it is estimated that the Group will record a gain from the Equity Transfer of approximately RMB538,000, net of estimated transaction expenses and taxation.

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 CHU KONG TRANSPORTATION AND GUANGDONG CHU KONG

Chu Kong Transportation is a subsidiary of the Company. Its main business is to rent out the licensed berths in the public cargo working areas.

Guangdong Chu Kong is wholly-owned by GNG. The main businesses of Guangdong Chu Kong include: (1) the management of waterway passenger and cargo transportation; (2) agency of waterway cargo transportation; (3) lease of machinery and equipment; (4) lease and management of authorized properties; and (5) sales of parts and components of ships, hardware, transportation and household electric appliances, petroleum products (excluding refined oil), electrical machinery and equipment, electronic products and communications equipment (excluding satellite television broadcasting ground launching and receiving facilities), labor protection articles and general merchandise.

INFORMATION ON GUANGDONG ZHU CHUAN

Guangdong Zhu Chuan is a limited company established under the laws of the PRC. Its business scope includes provision of waterway cargo transportation among Guangdong province, Hong Kong and Macau.

The audited financial data of Guangdong Zhu Chuan for the two financial years ended 31 December 2017 and 31 December 2016 respectively, 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)
Net profits before / after taxation	632	38
Net asset value	56,567	55,934

REASONS FOR AND BENEFITS OF ENTERING INTO THE EQUITY TRANSFER

Guangdong Zhu Chuan is mainly providing vessels rental services in cross-border routes among the terminals located in Guangdong province, Hong Kong and Macau. It had tried to apply the domestic waterway transportation permit from the related government authority in the PRC in order to operate the domestic routes after the *Order No. 79 (2016) of the Ministry of Transportation of the PRC** (中華人民共和國交通運輸部令 2016 年第 79 號) was issued. However, Guangdong Zhu Chuan has been confirmed that the relevant domestic waterway transportation permit would not be granted to it because of its identity as a foreign invested enterprise.

From the point of the view of the management of Guangdong Zhu Chuan, the cargo transportation business of the routes among Guangdong province, Hong Kong and Macau will decrease year by year. And, currently the operating profit of Guangdong Zhu Chuan is very low. It is expected that Guangdong Zhu Chuan will suffer a loss finally if its business continues to drop. In contrast, the domestic throughput volume of the terminals in the PRC has been increasing over the past years. In particular, the feeder transportation volume and the domestic goods transportation volume from the terminals in Shenzhen and Nansha to the terminals in the west coast of the Pearl River Delta region have grown rapidly. Therefore, it is expected that the domestic routes can help revive Guangdong Zhu Chuan, as long as the Equity Transfer would take place and Guangdong Zhu Chuan could obtain the domestic waterway transportation permit afterwards.

In view of the above reasons, Chu Kong Transportation decides to sell its entire shareholding (i.e. 49%) in Guangdong Zhu Chuan in order to revive the later.

LISTING RULES IMPLICATIONS

As at the date of this announcement, CKSE is the controlling shareholder of the Company, holding approximately 70.0% of the total issued share capital of the Company, it is therefore a connected person of the Company. Both of CKSE and Guangdong Chu Kong are subsidiaries of GNG. According to rules 14A.13 and 14A.07(4) of the Listing Rules, Guangdong Chu Kong is an associate of CKSE and accordingly 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.

As one or more of the applicable Percentage Ratios of the transaction under the Equity Transfer Agreement exceeds 0.1% but is lower than 5%, such transaction is subject to the reporting and announcement requirements, but is exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

CONFIRMATION OF THE BOARD

The Board considered that the terms of the Equity Transfer Agreement were fair and reasonable. And, the Equity Transfer was on normal commercial terms and in the ordinary and usual course of business of the Group, which is in the interests of the Company and the Shareholders as a whole.

Mr. Huang Liezhang, Mr. Leng Buli and Ms. Ye Meihua, being the executive Directors and the non-executive Director respectively, as at the date of this announcement, are also the directors of CKSE. Mr. Chen Jie, and Mr. Liu Wuwei, being the executive Directors as at the date of this announcement, are also the directors of subsidiaries of GNG. Each of Mr. Huang Liezhang, Mr. Chen Jie, Mr. Leng Buli, Mr. Liu Wuwei and Ms. Ye Meihua, was being regarded as having a material interest in the Equity Transfer and they had abstained from voting on the board resolutions approving the Equity Transfer Agreement.

DEFINITIONS

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

“associate”	has the meaning ascribed to it under Chapter 14A of the Listing Rules;
“Board”	the board of Directors;
“Chu Kong Transportation”	Chu Kong Transportation (H.K.) Limited, a subsidiary of the Company incorporated in Hong Kong with limited liability;
“CKSE”	Chu Kong Shipping Enterprises (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability, the controlling Shareholder that held approximately 70.0% 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 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 Agreement;
“Completion Date”	the date of the Completion;
“Director(s)”	the director(s) of the Company;
“Equity Transfer”	the transfer of 49% of the equity interest in Guangdong Zhu Chuan by Chu Kong Transportation to Guangdong Chu Kong pursuant to the terms and conditions of the Equity Transfer Agreement;

“Equity Transfer Agreement”	The agreement entered into between Chu Kong Transportation and Guangdong Chu Kong on 12 September 2018 for the Equity Transfer;
“GNG”	Guangdong Province Navigation Group Company Limited* (廣東省航運集團有限公司), a company established under the laws of the PRC and indirectly holds approximately 70.0% of the total issued share capital of the Company as at the date of this announcement;
“Group”	the Company and its subsidiaries;
“Guangdong Chu Kong”	Guangdong Chu Kong Shipping Co., Ltd.* (廣東珠江船務有限公司), a wholly-owned subsidiary of GNG incorporated in the PRC;
“Guangdong Zhu Chuan”	Guangdong Zhu Chuan Navigation Co., Ltd.* (廣東珠船航運有限公司), a company incorporate in the PRC which was held as to 49% by Chu Kong Transportation and 51% by Guangdong Chu Kong prior to the Equity Transfer;
“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;
“Percentage Ratio(s)”	the percentage ratio(s) under Rule 14.07 of the Listing Rules

“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau and Taiwan);
“RHL”	RHL Appraisal Limited, an independent professional valuer;
“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;
“%”	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=RMB0.87. 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, 12 September 2018

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 nonexecutive Directors are Mr. Chan Kay-cheung, Ms. Yau Lai Man and Mr. Chow Bing Sing.

* *Translation for identification purpose only*