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CONTINUING CONNECTED TRANSACTIONS AND REVISION OF ANNUAL CAP

SUMMARY

References are made to the announcements of the Company dated 23 November 2015 and 30 June 2016 and the circular of the Company dated 11 December 2015. The Group has been carrying on certain continuing connected transactions from time to time pursuant to the existing master agreements entered into between the Company and GNG dated 23 November 2015 and 30 June 2016, which will expire on 31 December 2018. It is expected that the Group will continue to enter into transactions of a similar nature to those existing master agreements.

On 12 October 2018, the Company and GNG entered into the New Master Agreements to govern the Continuing Connected Transactions between the Group and the GNG Group for the period from 1 January 2019 to 31 December 2021.

Reference is made to the announcement of the Company dated 21 December 2017 in respect of the revision of annual cap under the Existing Master Fuel Supply Agreement. As the Board estimates that the original annual cap under the Existing Master Fuel Supply Agreement for the financial year ending 31 December 2018 will not be sufficient to meet the Group's needs as the selling price of diesel had increased higher than expected, the Board proposes to revise the annual cap for the year ending 31 December 2018.

LISTING RULES IMPLICATIONS

As GNG indirectly holds approximately 70.0% of the total issued share capital of the Company as at the date of this announcement, GNG is a connected person of the Company under the Listing Rules and the transactions contemplated under the New Master Agreements and the Existing Master Fuel Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As each of the Percentage Ratios relating to the proposed annual caps for the transactions contemplated under the Exempt Continuing Connected Transactions is expected to be more than 0.1% but less than 5% on an annual basis, the Exempt Continuing Connected Transactions are subject to reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the relevant Percentage Ratios relating to the proposed annual caps for the transactions contemplated under the Non-exempt Continuing Connected Transactions and the respective annual caps are higher than 5% and over HK\$10,000,000 on an annual basis, the Non-exempt Continuing Connected Transactions and the transactions contemplated thereunder are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the relevant Percentage Ratios relating to the proposed revised annual cap for the financial year ending 31 December 2018 under the Existing Master Fuel Supply Agreement are expected to be higher than 5% and over HK\$10,000,000 on an annual basis, the revision of the annual cap for the transactions under the Existing Master Fuel Supply Agreement must re-comply with the announcement and independent shareholders' approval requirements under Rule 14A.54 of the Listing Rules.

An Independent Board Committee will be established to advise the Independent Shareholders as to whether the Non-exempt Continuing Connected Transactions, the proposed annual caps thereunder, and the 2018 Revised Annual Cap are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

An independent financial adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Non-exempt Continuing Connected Transactions, the proposed annual caps thereunder and the 2018 Revised Annual Cap. A circular containing, among others, (i) further information on the Non-exempt Continuing Connected Transactions; (ii) further information on the 2018 Revised Annual Cap; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; (v) the notice for convening the general meeting, to approve the Non-exempt Continuing Connected Transactions and the 2018 Revised Annual Cap will be sent to the Shareholders as soon as practicable on or before 5 November 2018.

I. BACKGROUND

References are made to the announcements of the Company dated 23 November 2015 and 30 June 2016 and the circular of the Company dated 11 December 2015. The Group has been carrying on certain continuing connected transactions from time to time pursuant to the existing master agreements entered into between the Company and GNG dated 23 November 2015 and 30 June 2016, which will expire on 31 December 2018. It is expected that the Group will continue to enter into transactions of a similar nature to those existing master agreements.

On 12 October 2018, the Company and GNG entered into the New Master Agreements to govern the Continuing Connected Transactions between the Group and the GNG Group for the period from 1 January 2019 to 31 December 2021.

II. CONTINUING CONNECTED TRANSACTIONS

A. Exempt Continuing Connected Transactions

Set out below are the details of the Exempt Continuing Connected Transactions:

1. Master Passenger Transportation Agency Services Agreement

Date	:	12 October 2018
Period	:	From 1 January 2019 to 31 December 2021
Parties	:	(i) GNG (ii) the Company
Nature of transaction	:	Pursuant to the Master Passenger Transportation Agency Services Agreement, any member of the Group agrees to accept the appointment of any member of the GNG Group (in the capacity as operators and owners of the passenger ferries and/or in the capacity as agent of the passenger ferries operated and owned by any Independent Third Parties), as their exclusive agent/sub-agent, in connection with their waterway passenger transport business in Hong Kong (for routes between Hong Kong and Pearl River Delta Region).

In this respect, any member of the Group agrees to, at the request of such member of the GNG Group, provide the Passenger Transportation Agency Services to (a) the relevant ferries operated and owned by such member of the GNG Group; and/or (b) the relevant ferries operated and owned by any Independent Third Parties in which any member of the GNG Group is acting as agent, from time to time in accordance with the terms and conditions of the relevant passenger transportation agency services agreement to be entered into between any member of the Group and any member of the GNG Group.

- Payment term** : The GNG Group shall pay in cash within 15 days after each month end upon confirming the payment amounts with the Group.
- Pricing basis** : The service fee for the provision of the Passenger Transportation Agency Services shall be agreed from time to time after arm's length negotiation between the parties involved by taking reference to the prevailing market rate of the Passenger Transportation Agency Services provided by other suppliers (with scale similar to the Group) to other customers (with scale similar to the GNG Group) at the relevant time. Such terms shall not be more favourable than those terms offered by the Group to the Independent Third Parties.

2. Master Ferry Technical Support Agency Services Agreement

- Date** : 12 October 2018
- Period** : From 1 January 2019 to 31 December 2021
- Parties** : (i) GNG
(ii) the Company
- Nature of transaction** : To facilitate any member of the Group in providing the Passenger Transportation Agency Services (as one-stop full agency services, which include services for arranging ferries for regular maintenance and repairment, and emergency ad hoc repairment in Hong Kong) to those ferries which appoint any member of the Group as agent and/or sub-agent for the provision of the Passenger Transportation Agency Services (the "Relevant Ferries"), such member of the Group would acquire from any member of the GNG Group the Ferry Technical Support Agency Services under the Master Ferry Technical Support Agency Services Agreement.

Pursuant to which, any member of the GNG Group shall, at the request of and under the direction of any member of the Group, provide the Ferry Technical Support Agency Services to the Relevant Ferries from time to time in accordance with the terms and conditions of the relevant ferry terminal support agency agreement to be entered into between any member of the Group and any member of the GNG Group.

Payment term : The Group shall pay in cash within 15 days after each month end upon confirming the payment amounts with the GNG Group.

Pricing basis : The service fee for the provision of the Ferry Technical Support Agency Services shall be agreed from time to time after arm's length negotiation between the parties involved by taking reference to the prevailing market rate of the Ferry Technical Support Agency Services provided by other suppliers (with scale similar to the GNG Group) to other customers (with scale similar to the Group) at the relevant time. Such terms shall be on terms no less favorable to the Group than the terms available from the Independent Third Parties.

3. Master Ferry Terminal Luggage Facilities and Handling Services Agreement

Date : 12 October 2018

Period : From 1 January 2019 to 31 December 2021

Parties : (i) GNG
(ii) the Company

Nature of transaction : Pursuant to the Master Ferry Terminal Luggage Facilities and Handling Services Agreement, any member of the GNG Group shall provide ferry terminal luggage facilities and handling services to any member of the Group (who stop their ferries at the Relevant Terminal for passengers departing from and arriving in Hong Kong) at the request of any member of the Group from time to time in accordance with the terms and conditions of the relevant ferry terminal luggage facilities and handling services agreement to be entered into between any member of the Group and any member of the GNG Group.

The provision of the ferry terminal luggage facilities includes, among others, the provision of such facilities at the Relevant Terminal, which allows the passengers departing from and arriving in Hong Kong at the Relevant Terminal to check in and/or claim their luggage at the Relevant Terminal.

The provision of luggage handling services include among others operation maintenance and repairing of the luggage handling system and equipment situated at the Relevant Terminal, and the provision of luggage handling services and berthing services to all passenger ferries using the Relevant Terminal.

Payment term : The Group shall pay in cash within 15 days after each month end upon confirming the payment amounts with the GNG Group.

Pricing basis : The service fee for the provision of the ferry terminal luggage facilities and handling services shall comprise (i) the passenger levy (which is based on the number of passengers departing from and arriving in the Relevant Terminal); and (ii) luggage handling charges (which is based on the number of luggages handled at the Relevant Terminal).

The passenger levy and the luggage handling charges shall be agreed from time to time after arm's length negotiation between the parties involved by taking reference to the prevailing rate chargeable against other ferry service carriers (other than the Group) for other routes at the same Relevant Terminal at the relevant time. Such terms shall be on terms no less favorable to the Group than those terms in which the GNG Group provides similar services to the Independent Third Parties at the Relevant Terminal in the ordinary course of business of the GNG Group.

4. Master Sub-baggage Handling Services Agreement

Date : 12 October 2018

Period : From 1 January 2019 to 31 December 2021

Parties : (i) GNG
(ii) the Company

Nature of transaction : Pursuant to the Master Sub-baggage Handling Services Agreement, any member of the Group agrees to accept the appointment of any member of the GNG Group (who is appointed and authorised by the relevant government authorities to provide ferry terminal luggage facilities and handling services at the Relevant Terminal) as its sub-contractor for the provision of the baggage handling services at the Relevant Terminal, and with this respect, any member of the Group agrees to provide the baggage handling services direct to all ferry service carriers who stop their ferries at the Relevant Terminal for passengers departing from and arriving in Hong Kong (including but not limited to the Group itself) at the Relevant Terminal at the request of any member of the GNG Group from time to time in accordance with the terms and conditions of the relevant sub-baggage handling services agreement to be entered into between any member of the Group and any member of the GNG Group.

The provision of baggage handling services include, among others, the operation, maintenance and repairing of the baggage handling system and equipment situated at the Relevant Terminal, and the provision of baggage handling services and berthing services to all passenger ferries using the Relevant Terminal.

Payment term : The GNG Group shall pay in cash within 15 days after each month end upon confirming the payment amounts with the Group.

Pricing basis : The service fee for the provision of the baggage handling services (i.e. baggage handling charges) shall be agreed from time to time after arm's length negotiation between the parties involved by taking reference to the amount of the handling charges received by the relevant member of the GNG Group from all ferry service carriers based on the number of luggages handled at the Relevant Terminal.

As at the date of this announcement, the service fee for the provision of the baggage handling services by the Group under the Master Sub-baggage Handling Services Agreement is the same as the amount of the handling charges received by the relevant member of the GNG Group from all ferry service carriers. Such terms shall not be more favourable than those terms offered by the Group to the Independent Third Parties.

5. Master Rental Agreement

- Date** : 12 October 2018
- Period** : From 1 January 2019 to 31 December 2021
- Parties** : (i) GNG
(ii) the Company
- Nature of transaction** : Pursuant to the Master Rental Agreement, any member of GNG Group agrees at the request of any member of the Group to lease the premises owned by any member of the GNG Group, including but limited to warehouses, offices, car parks and staff quarters to any member of the Group from time to time in accordance with the terms and conditions of the relevant rental agreement to be entered into between any member of the Group and any member of the GNG Group.
- Payment term** : The Group shall settle the monthly rental payments in cash to the GNG Group.
- Pricing basis** : The rental in respect of the leasing of the premises will be based on arm's length negotiation between the parties involved with reference to the prevailing market rental and on terms no less favorable to the Group than the terms available from the Independent Third Parties.

6. Master Vessels Rental Agreement

- Date** : 12 October 2018
- Period** : From 1 January 2019 to 31 December 2021
- Parties** : (i) GNG
(ii) the Company

- Nature of transaction** : Pursuant to the Master Vessels Rental Agreement, the GNG Group agrees to (i) lease its cargo vessels (inclusive of related expenses for operating the cargo vessels but other than fuel charge) to the Group; and (ii) provide non-scheduled vessel space or charter vessels for transportation of cargo vessels between the PRC and Hong Kong to the Group at the request of any member of the Group from time to time in accordance with its terms and the terms and conditions of the relevant vessels rental agreements to be entered into between members of the Group and members of the GNG Group.
- Payment term** : The Group shall pay in cash within 15 days after each month end upon confirming the payment amounts with the GNG Group.
- Pricing basis** : The rental in respect of the leasing of cargo vessels will be determined with reference to the prevailing market rental of cargo vessels and the cost of related expenses for operating the cargo vessels but other than fuel charge, while the services fee in respect of the provision of nonscheduled vessel space or charter vessels will be based on the cargo space and the destination of transportation. The rental and services fee will be based on arm's length negotiation between the parties involved and on terms no less favorable to the Group than the terms available from the Independent Third Parties.

7. Master Ferries Rental Agreement

- Date** : 12 October 2018
- Period** : From 1 January 2019 to 31 December 2021
- Parties** : (i) GNG
(ii) the Company
- Nature of transaction** : Pursuant to the Master Ferries Rental Agreement, the GNG Group agrees to lease its ferries to the Group at the request of any member of the Group from time to time in accordance with its terms and the terms and conditions of the relevant ferry rental agreements to be entered into between members of the Group and members of the GNG Group.

Payment term : The Group shall pay in cash within 15 days after each month end upon confirming the payment amounts with the GNG Group.

Pricing basis : The rental in respect of the leasing of ferries will be determined with reference to the number of chartered trips and the prevailing market rental of ferries. The rental and services fee will be based on arm's length negotiation between the parties involved and on terms no less favorable to the Group than the terms available from the Independent Third Parties.

8. *Master Transportation Agreement*

Date : 12 October 2018

Period : From 1 January 2019 to 31 December 2021

Parties : (i) GNG
(ii) the Company

Nature of transaction : Pursuant to the Master Transportation Agreement, the GNG Group agrees to provide (i) shipping transportation services; (ii) hauling and trucking services; (iii) wharf cargo handling services; and (iv) cargo agency services between Hong Kong and the PRC to the Group at the request of any member of the Group from time to time in accordance with its terms and the terms and conditions of the relevant transportation agreements to be entered into between members of the Group and members of the GNG Group.

Payment term : The Group shall pay in cash within 15 days after each month end upon confirming the payment amounts with the GNG Group.

Pricing basis : The services fee will be based on the destination of transportation, size of the cargo, weight of the cargo and the number of cargo. The services fee will be based on arm's length negotiation between the parties involved and on terms no less favorable offered by the GNG Group to the Group than the terms available from the Independent Third Parties.

B. Non-exempt Continuing Connected Transactions

Set out below are the details of the Non-exempt Continuing Connected Transactions:

Master Fuel Supply Agreement

- Date** : 12 October 2018
- Period** : From 1 January 2019 to 31 December 2021
- Parties** : (i) the Company
(ii) GNG
- Nature of transaction** : Pursuant to the Master Fuel Supply Agreement, the Group agrees to supply diesel and lubricants to the passenger ferries and cargo vessels owned, chartered, operated or acted as agent by GNG Group at the request of any member of GNG Group from time to time in accordance with its terms and the terms and conditions of the relevant fuel supply agreements to be entered into between members of the Group and members of GNG Group.
- Payment term** : GNG Group shall settle the purchase price of diesel and lubricants in arrears on a monthly basis in cash to the Group within 30 days after the balance has been confirmed between both parties.
- Pricing basis** : As regards the provision of diesel, depending on the term of supply and the size of customers, the pricing policy of the Group is briefly described as follows:
- (a) (i) the aggregate sum of the monthly average spot price for diesel as quoted in the Singaporean market and (ii) the warehouse and transportation fees charged by the diesel supplier(s) plus an operational handling fees; or
 - (b) based on the spot settlement price for diesel as quoted in the Singaporean market on the date preceding the supply of diesel, and with reference to the trends of the change in the Brent Crude Oil price and the selling price of diesel as quoted by one of the largest diesel suppliers in Hong Kong.

As regards the provision of lubricants, the Group will charge on the basis of cost plus a prevailing market rate.

The price of the diesel and lubricants offered by the Group to GNG Group will be on terms no more favorable than the terms available to the independent third parties. Both diesel and lubricants are supplied by the Group to GNG Group on substantially the same terms as they are supplied to other independent customers of the Group.

III. HISTORICAL ANNUAL CAPS AND TRANSACTION AMOUNTS

The following table summarizes (i) the historical annual caps of the previous continuing connected transactions under the existing master agreements for each of the three years ended or ending 31 December 2016, 2017 and 2018; and (ii) the historical transaction amounts for each of the two financial years ended 31 December 2016 and 2017 and for the nine months ended 30 September 2018:

	For the years ended 31 December				For the year	For the nine
	2016		2017		ended	months ended
	Historical annual cap	Historical transaction amount	Historical annual cap	Historical transaction amount	31 December 2018	30 September 2018
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	(unaudited) Historical transaction amount
<i>Exempt Continuing Connected Transactions</i>						
Master Passenger Transportation Agency Services Agreement	12,000	8,077	13,000	10,544	14,000	8,206
Master Ferry Technical Support Agency Services Agreement	9,000	7,138	9,500	7,015	10,000	6,074
Master Ferry Terminal Luggage Facilities and Handling Services Agreement	7,800	5,644	8,200	5,373	8,700	4,427
Master Sub-baggage Handling Services Agreement	10,000	7,103	10,500	7,175	11,000	5,712
Master Rental Agreement	21,600	13,559	21,600	17,992	21,600	12,362
Master Vessels Rental Agreement	38,000	31,455	42,000	34,026	46,000	22,288
Master Ferries Rental Agreement	6,400	2,950	6,800	3,497	7,200	1,840
Master Transportation Agreement	89,000	67,690	98,000	57,490	110,000	38,978
<i>Non-exempt Continuing Connected Transactions</i>						
Existing Master Fuel Supply Agreement	65,000	46,772	100,000	94,193	100,000	90,358

IV. PROPOSED ANNUAL CAPS

The following table summarizes the annual caps of the Continuing Connected Transactions for each of the three financial years ending 31 December 2019, 2020 and 2021:

	For the years ending 31 December		
	2019	2020	2021
	HK\$'000	HK\$'000	HK\$'000
<i>Exempt Continuing Connected Transactions</i>			
Master Passenger Transportation Agency Services Agreement	15,000	16,000	17,000
Master Ferry Technical Support Agency Services Agreement	10,000	11,000	12,000
Master Ferry Terminal Luggage Facilities and Handling Services Agreement	6,000	6,500	7,000
Master Sub-baggage Handling Services Agreement	8,000	8,500	9,000
Master Rental Agreement	22,000	22,000	22,000
Master Vessels Rental Agreement	35,000	37,000	39,000
Master Ferries Rental Agreement	3,500	3,800	4,100
Master Transportation Agreement	63,000	66,000	70,000
<i>Non-exempt Continuing Connected Transactions</i>			
Master Fuel Supply Agreement	145,000	166,000	182,000

V. ORIGINAL ANNUAL CAP UNDER THE EXISTING MASTER FUEL SUPPLY AGREEMENT AND THE 2018 REVISED ANNUAL CAP

As the Board estimates that the original annual cap under the Existing Master Fuel Supply Agreement for the financial year ending 31 December 2018 will not be sufficient to meet the Group's needs as the selling price of diesel had increased higher than expected, the Board proposes to revise the annual cap for the year ending 31 December 2018 as follows:-

	Annual cap for the financial year ending 31 December 2018	
	Original (HK\$'000)	Revised (HK\$'000)
Existing Master Fuel Supply Agreement	100,000	128,000

Save as the annual cap for the financial year ending 31 December 2018, other terms (including payment terms) and conditions of the Existing Master Fuel Supply Agreement will remain unchanged.

VI. REASONS FOR AND BENEFITS OF THE NEW MASTER AGREEMENTS

The Group is 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 Mainland China and Hong Kong; cargo transportation, warehousing and storage business; 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.

The GNG Group is principally engaged in (i) the tourist and tourist related industries; (ii) the transportation of passengers and cargo in the Pearl River Delta Region; and (iii) leasing of properties.

In view of (i) past cooperation between the Group and the GNG Group; (ii) the Master Ferry Technical Support Agency Services Agreement, the Master Ferry Terminal Luggage Facilities and Handling Services Agreement, the Master Rental Agreement, the Master Vessels Rental Agreement, Master Ferries Rental Agreement and Master Transportation Agreement will facilitate the operations of the Group; and (iii) the Master Passenger Transportation Agency Services Agreement, the Master Sub-baggage Handling Services Agreement and Master Fuel Supply Agreement will bring stable income to the Group, the Directors (excluding the independent non-executive Directors who will express their view after receiving the advice from the Independent Financial Adviser in respect of the Master Fuel Supply Agreement) consider that each of the Continuing Connected Transactions has been entered into in the ordinary course of business of the Company and on normal commercial terms and is fair and reasonable so far as the Independent Shareholders are concerned and are in the interests of the Company and the Shareholders as a whole.

VII. BASIS OF DETERMINATION OF THE PROPOSED ANNUAL CAPS

In determining the proposed annual caps of the Continuing Connected Transactions for each of the three years ending 31 December 2019, 2020 and 2021, the Board has (i) reviewed the historical performance of the Group; and (ii) discussed with the management of GNG Group in relation to their future expansion plan.

The Board has taken into consideration the following factors in determining the proposed annual caps of the Continuing Connected Transactions for each of the three years ending 31 December 2019, 2020 and 2021:

- (i) the historical transactions of the Continuing Connected Transactions for each of the two years ended 31 December 2016 and 2017 and for the nine months ended 30 September 2018;
- (ii) the recent performance and business plan of the Group;
- (iii) the expected number of visitors travelling between Hong Kong and the PRC in respect of the Master Passenger Transportation Agency Services Agreement, the Master Ferry Technical Support Agency Service Agreement, the Master Ferry Terminal Luggage Facilities and Handling Services Agreement and the Master Sub-baggage Handling Services Agreement;
- (iv) the expected growth in the river trade transportation volume in the Pearl River Delta Region in respect of the Master Vessels Rental Agreement and the Master Transportation Agreement;
- (v) the historical and expected rentals paid by the Group to the GNG Group for the leased properties and expected requirement of the Group to lease properties from the GNG Group in respect of the Master Rental Agreement;
- (vi) the expected increase in rental cost and the number of vessels provided by the GNG Group in respect of the Master Vessels Rental Agreement and the Master Ferries Rental Agreement;
- (vii) the trend of the change in the selling price of diesel in respect of the Master Fuel Supply Agreement;
- (viii) the expected growth of Hong Kong and the PRC economy and business outlook of freight and passenger transportation businesses; and
- (ix) the expected inflation rates in Hong Kong and the PRC.

VIII. BASIS AND BENEFITS OF THE 2018 REVISED ANNUAL CAP

The Board has taken into consideration the following factors in determining the 2018 Revised Annual Cap: (i) the historical transactions under the Existing Master Fuel Supply Agreement for the financial years ended 31 December 2016, 2017 and the nine months ended 30 September 2018; (ii) the historical performance and business plan of the Group; (iii) the expected business expansion of GNG Group through discussion with the management of GNG Group; (iv) the expected growth of Hong Kong and the PRC economy and business outlook of freight and passenger transportation businesses; (v) the expected inflation rates in Hong Kong and the PRC; and (vi) the trend of the change in the selling price of diesel.

Taking into account the basis of the 2018 Revised Annual Cap as detailed above, the Directors (excluding the independent non-executive Directors who will express their view after receiving the advice from the Independent Financial Adviser in respect of 2018 Revised Annual Cap) consider that the proposed revision of the annual cap will bring increased income and profit to the Group and the continuing connected transactions under the Existing Master Fuel Supply Agreement are: (1) in the ordinary and usual course of business of the Group; (2) on normal commercial terms or better; and (3) fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IX. INTERNAL CONTROL PROCEDURES ON THE PRICING BASIS OF THE CONTINUING CONNECTED TRANSACTIONS AND THE EXISTING MASTER FUEL SUPPLY AGREEMENT

In order to ensure that (i) the terms offered in the Continuing Connected Transactions and the Existing Master Fuel Supply Agreement are not more favourable than those terms offered to Independent Third Parties or not less favourable to the Group than those offered by Independent Third Parties; and (ii) the annual caps of the transactions contemplated under the New Master Agreements and the Existing Master Fuel Supply Agreement are not exceeded, the Company implemented the following procedures supervising the Continuing Connected Transactions and the Existing Master Fuel Supply Agreement into the internal control system:-

- (i) policies relating to Measures for Management of Connected Transactions (including continuing connected transactions) has been issued to ensure the proper control and management of connected transactions in the Group;
- (ii) the Company will supervise the Continuing Connected Transactions and the Existing Master Fuel Supply Agreement pursuant to its internal control manual and procedures;
- (iii) the internal audit department of the Company will periodically review and inspect the process of the Continuing Connected Transactions under the New Master Agreements and the Existing Master Fuel Supply Agreement ;

- (iv) the finance department of the Company will collect statistics and report to management regularly of the Continuing Connected Transactions under the New Master Agreements and the Existing Master Fuel Supply Agreement to ensure the respective annual caps approved by the Board or the Independent Shareholders are not exceeded;
- (v) external professional adviser had been engaged in 2017 to review and provide advice on the internal control procedures for connected transactions (including continuing connected transactions) and to review continuing connected transactions of the Group;
- (vi) the auditor of the Company reviews the statistics of the Continuing Connected Transactions and the Existing Master Fuel Supply Agreement on an annual basis in compliance with the annual reporting and review requirements under the Listing Rules; and
- (vii) the independent non-executive Directors will perform an annual review on the Continuing Connected Transactions and the Existing Master Fuel Supply Agreement pursuant to Rule 14A.55 of the Listing Rules.

The Directors consider that the Company has established sufficient internal control measures to ensure the transactions under the New Master Agreements and the Existing Master Fuel Supply Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

X. LISTING RULES IMPLICATIONS

As GNG indirectly holds approximately 70.0% of the total issued share capital of the Company as at the date of this announcement, GNG is a connected person of the Company. The transactions contemplating under the New Master Agreements and the Existing Master Fuel Supply Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. As each of the Percentage Ratios relating to the proposed annual caps for the transactions contemplated under the Exempt Continuing Connected Transactions is expected to be more than 0.1% but less than 5% on an annual basis, the Exempt Continuing Connected Transactions are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As the relevant Percentage Ratios relating to the proposed annual caps for the transactions contemplated under the Non-exempt Continuing Connected Transactions on an annual basis are higher than 5% and over HK\$10,000,000, the Non-exempt Continuing Connected Transactions are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the relevant Percentage Ratios relating to the proposed revised annual cap for the financial year ending 31 December 2018 under the Existing Master Fuel Supply Agreement are expected to be higher than 5% and over HK\$10,000,000 on an annual basis, the revision of the annual cap for the transactions under the Existing Master Fuel Supply Agreement must re-comply with the announcement and independent shareholders' approval requirement under Rule 14A.54 of the Listing Rules.

Mr. Huang Liezhang, Mr. Wu Qiang, being the executive Directors and Ms. Ye Meihua, being the non-executive Director, as at the date of this announcement, are also the directors of Chu Kong Shipping Enterprises (Holdings) Company Limited, 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. Mr. Leng Buli, 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. Wu Qiang, Mr. Chen Jie, Mr. Leng Buli, Mr. Liu Wuwei and Ms. Ye Meihua, is being regarded as having a material interest in the transactions contemplated under the New Master Agreements and the 2018 Revised Annual Cap and have abstained from voting on the board resolution approving the New Master Agreements and the 2018 Revised Annual Cap.

An Independent Board Committee will be established to advise the Independent Shareholders as to whether the Non-exempt Continuing Connected Transactions, the respective annual caps and the 2018 Revised Annual Cap are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. An Independent Financial Adviser will be appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Non-exempt Continuing Connected Transactions, the related proposed annual caps and the 2018 Revised Annual Cap. A circular containing, among others, (i) further information on the Non-exempt Continuing Connected Transactions; (ii) further information on the 2018 Revised Annual Cap; (iii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iv) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (v) the notice for convening the general meeting, to approve the Non-exempt Continuing Connected Transactions and the 2018 Revised Annual Cap will be sent to the Shareholders as soon as practicable on or before 5 November 2018.

DEFINITIONS

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

“2018 Revised Annual Cap”	the proposed revised annual cap for the financial year ending 31 December 2018 under the Existing Master Fuel Supply Agreement
“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“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
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the Exempt Continuing Connected Transactions and the Non-exempt Continuing Connected Transactions
“controlling shareholder(s)”	has the meanings ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Exempt Continuing Connected Transactions”	the continuing connected transactions entered into between the Company and GNG pursuant to Master Passenger Transportation Agency Services Agreement, the Master Ferry Technical Support Agency Services Agreement, the Master Ferry Terminal Luggage Facilities and Handling Services Agreement, the Master Sub-baggage Handling Services Agreement, the Master Rental Agreement, the Master Vessels Rental Agreement, Master Ferries Rental Agreement and the Master Transportation Agreement, which are subject to reporting, annual review and announcement requirements and exempt from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules
“Existing Master Fuel Supply Agreement”	the agreement dated 30 June 2016 entered into between the Company and GNG in respect of the provision of diesel and lubricants by the Group to the passenger ferries and cargo vessels owned, chartered, operated or acted as agent by GNG Group which will be expired in 31 December 2018

“Ferry Technical Support Agency Services”	the ferry technical support agency services provided by any member of the GNG Group which include, among others, (a) ferry technical support services; (b) ferries maintenance and repairs; and (c) emergency control
“GNG”	廣東省航運集團有限公司 (Guangdong Province Navigation Group Company Limited*), 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
“GNG Group”	GNG and its subsidiaries and associates (other than the Group)
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent board committee, which comprises all the independent non-executive Directors of the Company, namely Mr. Chan Kay-cheung, Ms. Yau Lai Man and Mr. Chow Bing Sing, established for the purpose of considering the terms of the Non-exempt Continuing Connected Transactions, the respective proposed annual caps and the 2018 Revised Annual Cap
“Independent Financial Adviser”	the independent financial adviser to the Independent Board Committee and the Independent Shareholders with regard to the terms of the Master Fuel Supply Agreement, the transactions contemplated thereunder and the respective proposed annual caps and the 2018 Revised Annual Cap
“Independent Shareholders”	any Shareholders, other than those Shareholders, if any, with a material interest in the Continuing Connected Transactions and the 2018 Revised Annual Cap
“Independent Third Party(ies)”	independent third party(ies) who is/are not connected person(s) (as defined in the Listing Rules) of the Company and is/are independent of the Company and the connected person(s) of the Company (as defined under the Listing Rules)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC

“Master Ferries Rental Agreement”	the agreement dated 12 October 2018 entered into between the Company and GNG regarding the leasing of ferries by the GNG Group to the Group
“Master Ferry Technical Support Agency Services Agreement”	the agreement dated 12 October 2018 entered into between the Company and GNG regarding the provision of Ferry Technical Support Agency Services by the GNG Group to the Group
“Master Ferry Terminal Luggage Facilities and Handling Services Agreement	the agreement dated 12 October 2018 entered into between the Company and GNG regarding the provision of ferry terminal luggage facilities and handling services at the Relevant Terminal by the GNG Group to the Group
“Master Fuel Supply Agreement”	the agreement dated 12 October 2018 entered into between the Company and GNG pursuant to which the Group agrees to supply diesel and lubricants to the passenger ferries and cargo vessels owned, chartered, operated or acted as agent by GNG Group in Hong Kong at the request of any member of GNG Group from time to time in accordance with its terms and the terms and conditions of the relevant fuel supply agreements to be entered into between members of the Group and members of GNG Group
“Master Passenger Transportation Agency Services Agreement”	the agreement dated 12 October 2018 entered into between the Company and GNG regarding the provision of Passenger Transportation Agency Services by the Group to the GNG Group by acting as agent for GNG Group
“Master Rental Agreement”	the agreement dated 12 October 2018 entered into between the Company and GNG regarding the leasing of premises by the Group from the GNG Group
“Master Sub-baggage Handling Services Agreement”	the agreement dated 12 October 2018 entered into between the Company and GNG regarding the provision of baggage handling services at the Relevant Terminal by the Group to the GNG Group
“Master Transportation Agreement	the agreement dated 12 October 2018 entered into between the Company and GNG regarding the provision of (i) shipping transportation services; (ii) hauling and trucking services; (iii) wharf cargo handling services; and (iv) cargo agency services between Hong Kong and the PRC by the GNG Group to the Group

“Master Vessels Rental Agreement”	the agreement dated 12 October 2018 entered between the Company and GNG regarding the leasing of cargo vessels (inclusive of related expenses for operating the cargo vessels but other than fuel charge) and the provision of non-schedule vessel space or charter vessels for transportation of cargo between the PRC and Hong Kong by the GNG Group to the Group
“New Master Agreements”	including the Master Passenger Transportation Agency Services Agreement, the Master Ferry Technical Support Agency Services Agreement, the Master Ferry Terminal Luggage Facilities and Handling Services Agreement, the Master Sub-baggage Handling Services Agreement, the Master Rental Agreement, the Master Vessels Rental Agreement, the Master Ferries Rental Agreement, the Master Transportation Agreement and the Master Fuel Supply Agreement
“Non-exempt Continuing Connected Transactions”	the continuing connected transactions contemplated under the Master Fuel Supply Agreement
“Pearl River Delta Region”	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
“Percentage Ratios”	the percentage ratios, other than the profits ratio and the equity capital ratio, under Rule 14.07 of the Listing Rules as calculated on an annual basis
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Relevant Terminal”	the ferry terminal located in Hong Kong which any member of the GNG Group is appointed and authorised by the relevant government authorities to provide the ferry terminal luggage facilities and handling services
“Share(s)”	the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holders of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“HK\$” Hong Kong dollars, the lawful currency of Hong Kong

“%” per cent.

By Order of the Board
Chu Kong Shipping Enterprises (Group) Co., Ltd.
Wu Qiang
Managing Director

Hong Kong, 12 October 2018

As at the date of this announcement, the Company’s executive directors are Mr. Huang Liezhang, Mr. Wu Qiang, 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.

* *For identification purposes only*