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珠江船務發展有限公司

Chu Kong Shipping Development Company Limited

(Incorporated in Hong Kong with limited liability under the Companies Ordinance)
(Stock code: 560)

CONTINUING CONNECTED TRANSACTIONS

Financial Adviser



SUMMARY

The Company has entered and will enter into the Exempt Continuing Connected Transactions and the Non-exempt Continuing Connected Transactions as set out in the paragraphs headed "Exempt Continuing Connected Transactions" and "Non-exempt Continuing Connected Transactions" below respectively.

As set out in the paragraph headed "Requirements of the Listing Rules" below, the Exempt Continuing Connected Transactions for the Relevant Period are only subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirement while the Non-exempt Continuing Connected Transactions for the Relevant Period are subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

An independent board committee comprising independent non-executive Directors will be appointed to consider the terms of the Non-exempt Continuing Connected Transactions and the respective caps and to advise the independent Shareholders as to whether each of the Non-exempt Continuing Connected Transactions and the respective caps amount 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 of the Company and the independent Shareholders on the fairness and reasonableness of the terms of the Non-exempt Continuing Connected Transactions and the respective caps. A circular containing, among others, (i) further details of the Non-exempt Continuing Connected Transactions; (ii) a letter from the independent board committee to the independent Shareholders; (iii) a letter of advice from the independent financial adviser to the independent board committee and the independent Shareholders; and (iv) a notice for convening the extraordinary general meeting, in which the parties having material interests in the Non-exempt Continuing Connected Transactions (i.e. CKSE and its associates) will have to abstain from voting, to approve the Agency Agreement, the Sun Kong Agreement, the Guangdong Zhu Chuan Agreement, the Leasing Agreement, the Dou Men Services Agreement and the GSPFT Agreement and the respective caps will be sent to the Shareholders as soon as practicable.

BACKGROUND OF AND REASONS FOR THE CONTINUING CONNECTED TRANSACTIONS

The Group is principally engaged in the provision of shipping and cargo handling services between Hong Kong and the Pearl River Delta. The Group's services include shipping agency, river trade cargo direct shipment and transshipment, wharf cargo handling, cargo consolidation, godown storage, container hauling and trucking.

As (i) the 2004 Agreements will be expired on or about 31 December 2006; and (ii) the caps amount of the 2005 Agreements for the year ending 31 December 2007 are not sufficient as the Directors anticipate the river trade transportation volume in the port of Dou Men will continue to grow in the future, agreements in relation to the Continuing Connected Transactions were entered into on 30 November 2006 with a view to renewing the existing agreements and obtaining new caps amount for the Relevant Period to ensure the continual normal operations of the Group. The caps amounts for the Hong Kong Services Agreement, the Leasing Agreement and the Dou Men Services Agreement for the year ending 31 December 2007 are purposed to increase from HK\$250,000, HK\$4,500,000 and HK\$45,000,000 respectively as stated in the previous announcement of the Company to HK\$1,300,000, HK\$11,900,000 and HK\$41,200,000 respectively as stated in the paragraph headed "Basis of relevant caps amount" below.

In view of (i) the past cooperation between the parties involved in the Continuing Connected Transactions; (ii) the CKSE Agreement, the Agency Agreement, the Sun Kong Agreement, the Guangdong Zhu Chuan Agreement, the Dou Men Services Agreement and the GSPFT Agreement will facilitate the operations of the Group; and (iii) the CKPT Agreement, the Hong Kong Services Agreement and the Leasing Agreement will bring in income to the Group, the Directors consider that each of the Continuing Connected Transactions has been or will be entered into in the ordinary course of business of the Group and on normal commercial terms or on terms that are fair and reasonable so far as the Shareholders taken as a whole are concerned and are in the interests of the Group and the Shareholders taken as a whole.

EXEMPT CONTINUING CONNECTED TRANSACTIONS

(1) CKSE Agreement

Date

30 November 2006

Period

From 1 January 2007 to 31 December 2009

Parties

- (i) CKSE as lessor. CKSE is principally engaged in the provision of river passenger transportation and river trade transportation services and cargo transportation services; and
- (ii) CKGWT as lessee. CKGWT is principally engaged in godown and wharf operations.

Subject matter

Pursuant to the CKSE Agreement, CKSE has agreed to lease premises situated at Tuen Mun Town Lot No. 316 (No. 96 Ho Yeung Street, Tuen Mun, the New Territories, Hong Kong). The premises are currently occupied by the Group for warehouse purpose.

Price

An annual consideration of HK\$5,000,000 which is based on arm-length negotiations between the parties involved with reference to the current market rental rate of similar premises in Tuen Mun and on terms no less favorable to the Group than the terms available from the Independent Third Parties. The rental will be payable by CKGWT in cash on a quarterly basis at a rate of HK\$1,250,000.

Relationships between parties

As at the date of this announcement, CKSE is the controlling Shareholder holding 75% of the total issued share capital of the Company and CKGWT is a wholly-owned subsidiary of the Company. CKSE is, therefore, a connected person of the Company under the Listing Rules and the transactions under the CKSE Agreement constitute continuing connected transactions for the Company under the Listing Rules.

(2) CKPT Agreement

Date

30 November 2006

Period

From 1 January 2007 to 31 December 2009

Parties

- (i) CKA as provider of services. CKA is principally engaged in the provision of shipping and freight forwarding agency service; and
- (ii) CKPT as recipient of services. CKPT is principally engaged in operating passenger ferry services in Pearl River Delta and Hong Kong.

Subject matter

Pursuant to the CKPT Agreement, CKA has agreed to provide (a) custom duty declaration and clearance services for passenger ships of CKPT in Pearl River Delta and Hong Kong; and (b) berthing and dispatching services for passenger ships of CKPT in Hong Kong.

Price

An annual consideration of HK\$2,400,000 which is based on historical transactions amounts of HK\$2,400,000 per annum and arm-length negotiations between the parties involved with reference to the cost of the above services and on terms no less favorable to the Group than terms available to the Independent Third Parties. The fee will be payable by CKPT in cash on a monthly basis at a rate of HK\$200,000. CKA has not provided and CKPT has not received the above services to/from the Independent Third Parties.

Relationships between parties

As at the date of this announcement, CKA is a wholly-owned subsidiary of the Company and CKPT is a wholly-owned subsidiary of CKSE, the controlling Shareholder holding 75% of the total issued share capital of the Company. CKPT is, therefore, a connected person of the Company under the Listing Rules and the transactions under the CKPT Agreement constitute continuing connected transactions for the Company under the Listing Rules.

(3) Hong Kong Services Agreement

Date

30 November 2006

Period

From 1 January 2007 to 31 December 2009

Parties

- (i) the Company, on behalf of the Group, as provider of services; and
- (ii) Dou Men Cargo Shipping as recipient of services. Dou Men Cargo Shipping is principally engaged in the provision of shipping and cargo handling services between Hong Kong and Dou Men.

Subject matter

Pursuant to the Hong Kong Services Agreement, the Group has agreed to provide container hauling and trucking in Hong Kong and wharf cargo handling services at the Marine Cargo Terminal to Dou Men Cargo Shipping.

Price

The fee for the provision of the container hauling and trucking will be based on the size and the distance of the transportation of each cargo and the number of cargoes while the fee of the wharf cargo handling will be based on the size and/or weight and/or volume of each cargo and the number of cargoes plus a fixed amount for the documentation fee for each invoice. All the above services fees will be determined on arm-length negotiations between the parties involved on each occasion with reference to the prevailing market rate and on terms no less favorable to the Group than terms available to the Independent Third Parties. All the above services fees will be payable by Dou Men Cargo Shipping in cash on a monthly basis.

Relationships between parties

As at the date of this announcement, Dou Men Cargo Shipping is a wholly-owned subsidiary of CKSE, the controlling Shareholder holding 75% of the total issued share capital of the Company. Dou Men Cargo Shipping is, therefore, a connected person of the Company under the Listing Rules and the transactions under the Hong Kong Services Agreement constitute continuing connected transactions for the Company under the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

(1) Agency Agreement

Date

30 November 2006

Period

From 1 January 2007 to 31 December 2009

Parties

- (i) CKIFF as provider of services. CKIFF is principally engaged in the provision of cargo transportation agency services, including ocean, road, air and river transportation services; and
- (ii) Chu Kong Transshipment as recipient of services. Chu Kong Transshipment is principally engaged in the provision of transshipment and transportation services in Hong Kong.

Subject matter and price

Service

Fee

Direct shipment cargoes from the Pearl River Delta to Hong Kong or from Hong Kong to the Pearl River Delta

RMB60 (equivalent to approximately HK\$59) per 20-foot container
RMB100 (equivalent to approximately HK\$98) per 40-foot container

Transshipments from the Pearl River Delta to overseas destinations

RMB80 (equivalent to approximately HK\$78) per 20-foot container
RMB160 (equivalent to approximately HK\$157) per 40-foot container

Cargo consolidation (the process of gathering different cargoes and consolidating them into a container for shipment to the same destination, or removing cargoes from a container for further delivery to different destinations)

RMB5 (equivalent to approximately HK\$5) per revenue tonnage

The above fee is subject to adjustments in response to changes in number of containers. Each of the above services include issuing invoices and bills of lading, processing shipping documentation, custom clearing, collecting shipping freight and paying port dues, business tax and other taxes on behalf of Chu Kong Transshipment.

The above fee is based on arm-length negotiations between the parties involved with reference to the prevailing market rate and on terms no less favorable to the Group than the terms available from the Independent Third Parties. The Group has not received and CKIFF has not provided the above services from/to the Independent Third Parties. The above fee will be payable by Chu Kong Transhipment in cash on a monthly basis.

Relationships between parties

As at the date of this announcement, CKIFF is owned as to 75% by the Company and 25% by GPNHCL, the controlling shareholder of CKSE which holds 75% of the total issued share capital of the Company. Chu Kong Transhipment is a wholly-owned subsidiary of the Company. CKIFF is, therefore, a connected person of the Company under the Listing Rules and the transactions under the Agency Agreement constitute continuing connected transactions for the Company under the Listing Rules.

(2) Sun Kong Agreement

Date

30 November 2006

Period

From 1 January 2007 to 31 December 2009

Parties

- (i) Sun Kong as supplier. Sun Kong is principally engaged in supplying diesel and lubricants to the vessels and vehicles; and
- (ii) the Company, on behalf of the Group, as purchaser.

Subject matter

Pursuant to the Sun Kong Agreement, Sun Kong has agreed to supply diesel and lubricants to the vessels owned or chartered by the Group in Hong Kong.

Price

The price of the diesel and lubricants will be based on arm-length negotiations between the parties involved on each occasion with reference to the international oil price and payable in cash on a monthly basis and on terms no less favorable to the Group than the terms available from the Independent Third Parties. The Group has not received the above goods from other suppliers. Both diesel and lubricants are supplied to the Group on substantially the same terms as they are supplied to other independent customers of Sun Kong.

Relationships between parties

As at the date of this announcement, Sun Kong is a wholly-owned subsidiary of CKSE, the controlling Shareholder holding 75% of the total issued share capital of the Company. Sun Kong is, therefore, a connected person of the Company under the Listing Rules and the transactions under the Sun Kong Agreement constitute continuing connected transactions for the Company under the Listing Rules.

(3) Guangdong Zhu Chuan Agreement

Date

30 November 2006

Period

From 1 January 2007 to 31 December 2009

Parties

- (i) Guangdong Zhu Chuan as lessor. Guangdong Zhu Chuan is principally engaged in the provision of cargo transportation services; and
- (ii) the Company, on behalf of the Group, as lessee.

Subject matter

Pursuant to the Guangdong Zhu Chuan Agreement, Guangdong Zhu Chuan has agreed to lease its vessels to the Group. The vessels leased from Guangdong Zhu Chuan will be used by the Group and leased to Dou Men by the Group as set out in the paragraph headed "Leasing Agreement" below.

Price

The rental in respect of the Guangdong Zhu Chuan Agreement will be based on arm-length negotiations between the parties involved on each occasion with reference to the prevailing market rental rate of vessels and on terms no less favorable to the Group than the terms available from the Independent Third Parties. The rental will be payable by the Group in cash on a monthly basis.

Relationships between parties

As at the date of this announcement, Guangdong Zhu Chuan is owned as to 49% by the Company and 51% indirectly by GPNHCL, the controlling shareholder of CKSE which holds 75% of the total issued share capital of the Company. Guangdong Zhu Chuan is, therefore, a connected person of the Company under the Listing Rules and the transactions under the Guangdong Zhu Chuan Agreement constitute continuing connected transactions for the Company.

(4) Leasing Agreement

Date

30 November 2006

Period

From 1 January 2007 to 31 December 2009

Parties

- (i) the Company, on behalf of the Group, as lessor; and
- (ii) Dou Men Cargo Shipping as lessee. Dou Men Cargo Shipping is principally engaged in the provision of shipping and cargo handling services between Hong Kong and Dou Men.

Subject matter

Pursuant to the Leasing Agreement, the Group has agreed to lease its cargo vessels (inclusive of related expenses for operating the cargo vessels) to Dou Men Cargo Shipping.

Price

The rental in respect of the leasing of cargo vessels will be based on the carrying capacity and the number of years of usage of each cargo vessel and the number of cargo vessels plus related expenses for operating the cargo vessels.

The Group has not owned any cargo vessel by itself and the cargo vessels leased by the Group to Dou Men Cargo Shipping are leased from Guangdong Zhu Chuan. Save as the leasing of cargo vessels to Dou Men Cargo Shipping, the Group has not leased any cargo vessel to other parties. To maintain a good relationship with Dou Men Cargo Shipping and given that the vessel rental income from Dou Men Cargo Shipping is above its related cost, the Directors consider that it is in the interests of the Group to lease cargo vessels to Dou Men Cargo Shipping. Dou Men Cargo Shipping does not directly lease cargo vessels from Guangdong Zhu Chuan as (i) the price of leasing cargo vessels from the Group is cheaper than the price of leasing cargo vessels from Guangdong Zhu Chuan as the Group enjoys bulk purchase discounts from Guangdong Zhu Chuan; and (ii) Guangdong Zhu Chuan can enjoys related services for operating the cargo vessels from the Group although the related expenses are charged back to Guangdong Zhu Chuan.

The rental will be based on arm-length negotiations between the parties involved on each occasion with reference to the prevailing market rental rate of cargo vessels and on terms no less favorable to the Group than terms available to the Independent Third Parties. The rental will be payable by Dou Men Cargo Shipping in cash on a quarterly basis.

Relationships between parties

As at the date of this announcement, Dou Men Cargo Shipping is a wholly-owned subsidiary of CKSE, the controlling Shareholder holding 75% of the total issued share capital of the Company. Dou Men Cargo Shipping is, therefore, a connected person of the Company under the Listing Rules and the transactions under the Leasing Agreement constitute continuing connected transactions for the Company under the Listing Rules.

(5) Dou Men Services Agreement

Date

30 November 2006

Period

From 1 January 2007 to 31 December 2009

Parties

- (i) Dou Men Cargo Shipping as provider of services. Dou Men Cargo Shipping is principally engaged in the provision of shipping and cargo handling services between Hong Kong and Dou Men; and
- (ii) the Company, on behalf of the Group, as recipient of services.

Subject matter

Pursuant to the Dou Men Services Agreement, Dou Men Cargo Shipping has agreed to provide shipping transportation between Dou Men and Hong Kong, container hauling and trucking in the Pearl River Delta and wharf cargo handling services at the port of Dou Men to the Group.

Price

The fee for the provision of the above services will be based on the size of each cargo, whether each cargo is occupied or not, and the number of cargoes. All the above services fees will be based on arm-length negotiations between the parties involved on each occasion with reference to the prevailing market rate and on terms no less favorable to the Group than terms available from the Independent Third Parties. All the above services fees will be payable by the Group in cash on a quarterly basis.

Relationships between parties

As at the date of this announcement, Dou Men Cargo Shipping is a wholly-owned subsidiary of CKSE, the controlling Shareholder holding 75% of the total issued share capital of the Company. Dou Men Cargo Shipping is, therefore, a connected person of the Company under the Listing Rules and the transactions under the Dou Men Services Agreement constitute continuing connected transactions for the Company under the Listing Rules.

(6) GSPFT Agreement

Date

30 November 2006

Period

From 1 January 2007 to 31 December 2009

Parties

- (i) GSPFT as provider of services. GSPFT is principally engaged in the provision of cargo and passenger transportation services; and
- (ii) CKTL as recipient of services. CKTL is principally engaged in the provision of transshipment and transportation services.

Subject matter and price

Service

Fee

Lease of vessels from GSPFT for the own use of CKTL and provision of related services, such as water and electricity used by vessels while berthing and berthing of vessels at the port of GSPFT

The rental in respect of the leasing of vessels will be based on the carrying capacity and the number of years of usage of each vessel. The fees for the related services will be based on the actual consumption of water and electricity by vessels and a fixed amount of RMB150 (equivalent to approximately HK\$147) for each berthing (subject to adjustments in response to changes in market conditions). The rental and the fees for the related services will be determined on arm-length negotiations between the parties involved on each occasion with reference to the prevailing market rental rate of vessels and on terms no less favorable to the Group than terms available from the Independent Third Parties. The rental and the fees for the related services will be payable by CKTL in cash on a monthly basis.

Provision of shipping transportation and wharf cargo handling services

The fee for the provision of shipping transportation will be based on the number of cargo while the fee for the provision of wharf cargo handling will be based on the weight of each cargo. Both services fee will be determined on arm-length negotiations between the parties involved on each occasion with reference to the prevailing market rate and on terms no less favorable to the Group than terms available from the Independent Third Parties. Both services fees will be payable by CKTL in cash on a monthly basis.

Lease of office with gross floor area of approximately 50 square metres located at 7 Gangkou Road, San Bu, Kai Ping, Guangdong, the PRC

The rental in respect of leasing of office is RMB900 (equivalent to approximately HK\$882) per month, inclusive of management fee. The rental is determined on arm-length negotiations between the parties involved with reference to the prevailing market rental rate of similar premises (subject to adjustments in response to changes in market conditions) and on terms no less favorable to the Group than the terms available from the Independent Third Parties.

Relationships between parties

As at the date of this announcement, GSPFT is owned as to 40% by the Company, 50% indirectly by GPNHCL, the controlling shareholder of CKSE which holds 75% of the total issued share capital of the Company, and 10% by an Independent Third Party. CKTL is a wholly-owned subsidiary of the Company. GSPFT is, therefore, a connected person of the Company under the Listing Rules and the transactions under the GSPFT Agreement constitute continuing connected transactions for the Company.

HISTORICAL TRANSACTION RECORDS

The following table summarises the transaction records of the Continuing Connected Transactions for each of the two years ended 31 December 2005 and the ten months ended 31 October 2006:

	Year ended 31 December		For the ten months ended
	2004	2005	31 October
	HK\$'000	HK\$'000	2006 HK\$'000
CKSE Agreement	5,000	5,000	4,586
CKPT Agreement	2,400	2,400	2,000
Hong Kong Services Agreement (Notes 1 & 2)	–	164	590
Agency Agreement	15,538	17,342	14,608
Sun Kong Agreement	12,725	28,409	37,238
Guangdong Zhu Chuan Agreement	12,547	15,963	14,027
Leasing Agreement (Note 1)	–	422	3,577
Dou Men Services Agreement (Note 1)	–	3,569	19,606
GSPFT Agreement (Note 3)	278	2,919	2,938

Notes:

- (1) those transactions started from 30 October 2005. Thus transaction records for 2005 represented the figures for the period from 30 October 2005 to 31 December 2005.
- (2) As each of the caps amount is less than HK\$1,000,000, the Hong Kong Services Agreement is exempt from the reporting, announcement and independent shareholders' approval requirement.
- (3) the transaction started from 30 November 2004. Thus transaction record for 2004 represented the figure for the period from 30 November 2004 to 31 December 2004.

BASIS OF RELEVANT CAPS AMOUNT

The following table summarises the historical caps amount of the Continuing Connected Transactions for each of the three years ending 31 December 2006 and the proposed caps amount of the Continuing Connected Transactions for the Relevant Period:

	Historical caps amount (Note 1)			Proposed caps amount		
	2004	2005	2006	2007	2008	2009
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
CKSE Agreement	5,000	5,000	5,000	5,000	5,000	5,000
CKPT Agreement	2,400	2,400	2,400	2,400	2,400	2,400
Hong Kong Services Agreement (Note 2)	–	50	200	1,300	1,700	2,300
Agency Agreement	N/A	N/A	N/A	23,700	32,000	43,200
	(Note 3)	(Note 3)	(Note 3)			
Sun Kong Agreement	13,100	28,800	63,400	69,300	79,700	91,600
Guangdong Zhu Chuan Agreement	15,000	20,300	27,400	24,500	33,000	44,500
Leasing Agreement (Note 2)	–	500	4,000	11,900	16,000	21,600
Dou Men Services Agreement (Note 2)	–	5,000	41,000	41,200	55,600	75,100
GSPFT Agreement (Note 4)	600	5,000	8,000	4,800	6,500	8,700

Notes:

- (1) extracted from previous announcements of the Company.
- (2) those transactions started from 30 October 2005. Thus caps amount for 2005 represented the figures for the period from 30 October 2005 to 31 December 2005.
- (3) the historical caps amount stated in the previous announcement of the Company are less than HK\$10 million or 3% of the latest published audited net tangible assets of the Group, whichever is the higher. Based on the audited net tangible assets of the Group for the years ended 31 December 2004 and 31 December 2005 stated in the annual report of the Company for the year ended 31 December 2005, the caps amount for the years ended 31 December 2004 and 31 December 2005 are approximately HK\$29,881,000 and HK\$32,845,000.
- (4) the transaction started from 30 November 2004. Thus cap amount for 2004 represented the figure for the period from 30 November 2004 to 31 December 2004.

The CKSE Agreement and the CKPT Agreement

The caps amount of the transactions contemplated under the CKSE Agreement and the CKPT Agreement for the Relevant Period are determined by reference to the aggregate annual rental payable under the respective agreement.

The GSPFT Agreement, the Hong Kong Services Agreement, the Agency Agreement, the Sun Kong Agreement, the Guangdong Zhu Chuan Agreement, the Leasing Agreement and the Dou Men Services Agreement

The caps amount of the transactions contemplated under the GSPFT Agreement, the Hong Kong Services Agreement, the Agency Agreement, the Sun Kong Agreement, the Guangdong Zhu Chuan Agreement, the Leasing Agreement and the Dou Men Services Agreement for the Relevant Period are determined by reference to (i) the historical amount for the two years ended 31 December 2005 and the ten months ended 31 October 2006; (ii) the estimated growth of the transaction volume taking into account of the anticipated growth of PRC's economy and the river trade transportation business and the opportunities emerging from Closer Economic Partnership Arrangement; (iii) estimated growth in the river trade transportation volume in the port of Dou Men for the year ending 31 December 2007 for the Hong Kong Services Agreement, the Leasing Agreement and the Dou Men Services Agreement; (iv) the estimated growth in the oil price for the Sun Kong Agreement for the year ending 31 December 2007; and (v) the estimated increase in vessels for the year ending 31 December 2007 for the Guangdong Zhu Chuan Agreement and the Leasing Agreement.

As stated in the interim report of the Company for the six months ended 30 June 2006, the container transportation volume of the Group for the six months ended 30 June 2006 increased over 40% as compared with that for the six months ended 30 June 2005. Based on the above, the Directors estimate that the caps amount of the transactions contemplated under the GSPFT Agreement, the Hong Kong Services Agreement, the Agency Agreement, the Guangdong Zhu Chuan Agreement, the Leasing Agreement and the Dou Men Services Agreement will increase by approximately 35% per annum for each of the three years ending 31 December 2009 due to the estimated growth of the container transportation volume.

The container transportation volume of Dou Men Cargo Shipping for the ten months ended 31 October 2006 increased over 20% as compared with that for the ten months ended 31 October 2005. Due to the success in the past, the Company will continue to put more effort in developing the port of Dou Men in the future. Moreover, the Directors expect that the container transportation volume of Dou Men Cargo Shipping will further increase upon the completion of the expansion of the port of Dou Men in 2007. Based on the above, the Directors estimate that the caps amount of the transactions contemplated under the Hong Kong Services Agreement, the Leasing Agreement and the Dou Men Services Agreement for the year ending 31 December 2007 will further increase by approximately 40% due to the estimated growth in the river trade transportation volume in the port of Dou Men for the year ending 31 December 2007 as mentioned above.

Due to the estimated increase in number of vessels under the Guangdong Zhu Chuan Agreement and the Leasing Agreement for the year ending 31 December 2007 of approximately 10% and 100% respectively, the caps amount of the transactions contemplated under the Guangdong Zhu Chuan Agreement and the Leasing Agreement for the year ending 31 December 2007 will further increase by approximately 10% and 100% respectively.

The Sun Kong Agreement

The Directors estimate that the caps amount of the transactions contemplated under the Sun Kong Agreement will increase by approximately 55%, 15% and 15% per annum for each of the three years ending 31 December 2009. The 55% increase in the cap amount of the transactions contemplated under the Sun Kong Agreement for the year ending 31 December 2007 is based on (i) the estimated 15% increase in the quantity of oil from Sun Kong resulting from the estimated growth of the container transportation volume as mentioned above; (ii) the estimated 20% increase in the quantity of oil from Sun Kong resulting from the expected increase in the number of vessels for the year ending 31 December 2007; and (iii) the estimated 20% increase in oil price with reference to 20% increase in average price of oil from Sun Kong for the period from 1 January 2006 to 31 October 2006 as compared with that for the year ended 31 December 2005. The 15% increase in the caps amount of the transactions contemplated under the Sun Kong Agreement for the two years ending 31 December 2009 are based on the estimated 15% increase in the quantity of oil from Sun Kong resulting from the estimated growth of the container transportation volume as mentioned above.

In view of the above, the Directors consider that the caps amount of the Continuing Connected Transactions for the Relevant Periods are fair and reasonable so far as the Company and the Shareholders taken as a whole.

REQUIREMENTS OF THE LISTING RULES

Exempt Continuing Connected Transactions

Since the Percentage Ratios for each of the Exempt Continuing Connected Transactions (i.e. transactions contemplated under the CKSE Agreement, the CKPT Agreement and the Hong Kong Services Agreement) on an annual basis are less than 2.5%, the Exempt Continuing Connected Transactions for the Relevant Period, in accordance with Rule 14A.34 of the Listing Rules, are only subject to the reporting and announcement requirements and are exempt from the independent shareholders' approval requirement.

Non-exempt Continuing Connected Transactions

Since the Percentage Ratios for each of the Non-exempt Continuing Connected Transactions except the GSPFT Agreement (i.e. transactions contemplated under the Agency Agreement, the Sun Kong Agreement, the Guangdong Zhu Chuan Agreement, the Leasing Agreement and the Dou Men Services Agreement) on an annual basis are more than 2.5% and the annual consideration is more than HK\$10,000,000 and the Percentage Ratios for the transactions contemplated under the GSPFT Agreement which are aggregated with the Dou Men Services Agreement on an annual basis are more than 2.5% and the annual consideration is more than HK\$10,000,000, the Non-exempt Continuing Connected Transaction for the Relevant Period, in accordance with Rule 14A.35 of the Listing Rules, are subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules.

An independent board committee comprising independent non-executive Directors will be appointed to consider the terms of the Non-exempt Continuing Connected Transactions and the respective caps and to advise the independent Shareholders as to whether each of the Non-exempt Continuing Connected Transactions and the respective caps amount 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 of the Company and the independent Shareholders on the fairness and reasonableness of the terms of the Non-exempt Continuing Connected Transactions and the respective caps. A circular containing, among others, (i) further details of the Non-exempt Continuing Connected Transactions; (ii) a letter from the independent board committee to the independent Shareholders; (iii) a letter of advice from the independent financial adviser to the independent board committee and the independent Shareholders; and (iv) a notice for convening the extraordinary general meeting, in which the parties having material interests in the Non-exempt Continuing Connected Transactions (i.e. CKSE and its associates) will have to abstain from voting, to approve the Agency Agreement, the Sun Kong Agreement, the Guangdong Zhu Chuan Agreement, the Leasing Agreement, the Dou Men Services Agreement and the GSPFT Agreement and the respective caps will be sent to the Shareholders as soon as practicable.

DEFINITIONS

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

“2004 Agreement”	(i) cargo forwarding services agreement dated 27 February 2004 entered into between CKIFF and Chu Kong Transshipment; (ii) agreement regarding provision of diesel and lubricants dated 11 June 2004 entered into between Sun Kong and the Company; (iii) premises leasing agreement dated 11 June 2004 entered into between CKSE and CKGWT; (iv) vessels leasing agreement dated 11 June 2004 entered into between Guangdong Zhu Chuan and the Company; (v) agreement regarding custom duty declaration and clearance dated 11 June 2004 entered into between CKA and CKPT; and (vi) agreement regarding vessels leasing, provision of shipping transportation and wharf cargo handling services and office leasing dated 30 November 2004 entered into between GSPFT and CKTL
“2005 Agreement”	(i) vessels leasing agreement; (ii) shipping transportation agreement; and (iii) agreement regarding container hauling and trucking and wharf cargo handling services entered into between the Company and Dou Men Cargo Shipping dated 30 October 2005
“Agency Agreement”	an agreement dated 30 November 2006 entered into between CKIFF and Chu Kong Transshipment regarding the provision of cargo forwarding services by CKIFF to Chu Kong Transshipment
“Board”	the board of Directors
“Chu Kong Transshipment”	Chu Kong Transshipment & Logistics Company Limited, formerly known as Chu Kong Transshipment & Transportation Company Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance and a wholly-owned subsidiary of the Company
“CKA”	Chu Kong Agency Company Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance and a wholly-owned subsidiary of the Company
“CKGWT”	Chu Kong Godown Wharf & Transportation Company Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance and a wholly-owned subsidiary of the Company

“CKIFF”	廣東珠江國際貨運代理有限公司 (Chu Kong (Guangdong) International Freight Forwarding Company Limited), formerly known as 廣東省港澳貨運信託公司 (Guangdong Hong Kong & Macau Freight Transport Trust Company), a company established under the laws of the PRC with limited liability and is owned as to 75% by the Company and 25% by GPNHCL
“CKPT”	Chu Kong Passenger Transport Co., Ltd., a company incorporated in Hong Kong with limited liability under the Companies Ordinance and a wholly-owned subsidiary of CKSE
“CKPT Agreement”	an agreement dated 30 November 2006 entered into between CKA and CKPT regarding the provision of custom duty declaration and clearance, berthing and dispatching services for passenger ships of CKPT by CKA to CKPT
“CKSE”	Chu Kong Shipping Enterprises (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance, the controlling Shareholder holding 75% of the total issued share capital of the Company and a wholly-owned subsidiary of GPNHCL
“CKSE Agreement”	an agreement dated 30 November 2006 entered into between CKSE and CKGWT regarding the leasing of premises by CKSE to CKGWT
“CKTL”	Chu Kong Transshipment & Logistics Company Limited, a company incorporated in Hong Kong with limited liability under the Companies Ordinance and a wholly-owned subsidiary of the Company
“Company”	Chu Kong Shipping Development Company Limited, 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
“Continuing Connected Transactions”	the Exempt Continuing Connected Transactions and the Non-exempt Continuing Connected Transactions
“Directors”	the directors of the Company
“Dou Men Cargo Shipping”	斗門香港貨運聯營有限公司 (Dou Men-Hong Kong Cargo Shipping Integrated Co., Ltd), incorporated in the PRC with limited liability and a wholly-owned subsidiary of CKSE
“Dou Men Services Agreement”	an agreement dated 30 November 2006 entered into between Dou Men Cargo Shipping and the Company regarding the provision of shipping transportation between Dou Men and Hong Kong, container hauling and trucking in the Pearl River Delta and wharf cargo handling services at the port of Dou Men by Dou Men Cargo Shipping to the Group
“Exempt Continuing Connected Transactions”	the continuing connected transactions contemplated under the CKSE Agreement, the CKPT Agreement and the Hong Kong Services Agreement
“GPNHCL”	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 holds 100% interest in CKSE which holds 75% of the total issued share capital of the Company
“Group”	the Company and its subsidiaries
“GSPFT”	廣東省三埠港客貨運輸合營有限公司 (Guangdong Sanbu Passenger and Freight Transportation Co., Ltd), a company established under the laws of the PRC and is owned as to 40% by the Company, 50% indirectly by GPNHCL and 10% by an Independent Third Party
“GSPFT Agreement”	an agreement dated 30 November 2006 entered into between GSPFT and CKTL regarding the leasing of vessels and the provision of related services, the provision of shipping transportation and wharf cargo handling services and the leasing of office by GSPFT to CKTL
“Guangdong Zhu Chuan”	廣東珠船航運有限公司 (Guangdong Zhu Chuan Navigation Co., Ltd.), a company incorporated in the PRC with limited liability and is owned as to 49% by the Company and 51% indirectly by GPNHCL
“Guangdong Zhu Chuan Agreement”	an agreement dated 30 November 2006 entered into between Guangdong Zhu Chuan and the Company regarding the leasing of vessels by Guangdong Zhu Chuan to the Group
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Services Agreement”	an agreement dated 30 November 2006 entered into between the Company and Dou Men Cargo Shipping for the provision of container hauling and trucking in Hong Kong and wharf cargo handling services at the Marine Cargo Terminal
“Independent Third Party(ies)”	third party(ies) who is/are not connected person(s) (as defined in the Listing Rules) of the Company and is/are independent of and not connected with the Company or its connected person(s) (as defined in the Listing Rules)
“Leasing Agreement”	an agreement dated 30 November 2006 entered into between the Company and Dou Men Cargo Shipping for the leasing of cargo vessels (inclusive of related expenses for operating the cargo vessels) from the Group to Dou Men Cargo Shipping
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Non-exempt Continuing Connected Transactions”	the continuing connected transactions contemplated under the Agency Agreement, the Sun Kong Agreement, the Guangdong Zhu Chuan Agreement, the Leasing Agreement, the Dou Men Services Agreement and the GSPFT Agreement
“Pearl River Delta”	in board 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 equity capital ratio, under Rule 14.07 of the Listing Rules as calculated on an annual basis
“PRC”	the People’s Republic of China
“Relevant Period”	a period from 1 January 2007 to 31 December 2009
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Sun Kong”	Sun Kong Petroleum Co., Ltd., a company incorporated in Hong Kong with limited liability under the Companies Ordinance and a wholly-owned subsidiary of CKSE
“Sun Kong Agreement”	an agreement dated 30 November 2006 entered into between Sun Kong and the Company regarding the provision of diesel and lubricants by Sun Kong to the Group
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	per cent.

By Order of the Board
Chu Kong Shipping Development Company Limited
Yang Rixiang
Managing Director

Hong Kong, 30 November 2006

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.

Unless the context requires otherwise, conversion of RMB into HK\$ are made, for the illustration purpose only, at the rate of HK\$1 = RMB1.02.

As at the date of this announcement, the Board comprises of (i) four executive Directors, namely Mr. Hua Honglin, Mr. Yang Rixiang, Mr. Li Zhijie and Mr. Huang Shuping; and (ii) three independent non-executive Directors, namely Mr. Chan Kay Cheung, Mr. Choi Kim Lui and Ms. Yau Lai Man.

“Please also refer to the published version of this announcement in China Daily.”