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(incorporated in Hong Kong with limited liability)

(Stock Code: 00560)

**DISCLOSEABLE TRANSACTION
PROPOSED ACQUISITION OF 75% EQUITY INTEREST IN
CIVET LOGISTICS**

The Board is pleased to announce that on 2 August 2010, the Company entered into the Equity Transfer Agreement with the Vendor, pursuant to which the Vendor will sell and the Company will purchase 75% equity interest in Civet Logistics for an initial consideration, subject to adjustment, of RMB77,690,000 (equivalent to approximately HK\$89,298,850) on the terms and subject to the conditions of the Equity Transfer Agreement.

As relevant percentage ratios (as defined in Rule 14.07 of the Listing Rules) exceed 5% but less than 25%, the transaction contemplated under the Equity Transfer Agreement constitutes a discloseable transaction under Rule 14.06 of the Listing Rules and is therefore subject to the notification and announcement requirements as set out in Chapter 14 of the Listing Rules.

I. Introduction

The Board is pleased to announce that on 2 August 2010, the Company entered into the Equity Transfer Agreement with Civet Investment, pursuant to which Civet Investment will sell, and the Company will purchase, 75% equity interest in Civet Logistics at an initial consideration, subject to adjustment, of RMB77,690,000 (equivalent to approximately HK\$89,298,850) on the terms and subject to the conditions of the Equity Transfer Agreement.

II. The Equity Transfer Agreement

1. Date

2 August 2010

2. Parties

Purchaser: the Company

Vendor: Civet Investment

Based on the Directors' best understanding, knowledge, belief and having made all reasonable enquiries, the Vendor and its ultimate beneficial owner are third parties independent of and not connected with the Company and its connected persons (as defined in the Listing Rules).

3. Equity Interests to be acquired

Pursuant to the Equity Transfer Agreement, the Company has agreed to acquire and the Vendor has agreed to sell 75% equity interest in Civet Logistics, a company established in the PRC, on the terms and subject to the conditions of the Equity Transfer Agreement. Prior to the entering into the Equity Transfer Agreement, Civet Logistics is wholly owned by Civet Investment. Upon completion of the Equity Transfer Agreement, (i) the Company and the Vendor will respectively hold 75% and 25% equity interests in Civet Logistics; and (ii) Civet Logistics will become a non-wholly owned subsidiary of the Company and the results of which will be consolidated into the accounts of the Company.

4. Initial consideration and payment terms

Under the Equity Transfer Agreement, the initial consideration of RMB77,690,000 (equivalent to approximately HK\$89,298,850) is subject to adjustment. Details of the adjustment mechanism is set out in the sub-paragraph headed "5. The adjustment mechanism for the initial consideration" below.

The above-mentioned initial consideration is determined after arm's length negotiations between the parties to the Equity Transfer Agreement and with reference to the valuation report dated 16 April 2010 prepared by the PRC Valuer appointed by both the Company and the Vendor in respect of the appraised value of 100% equity interest of Civet Logistics. According to the said valuation report which was prepared mainly by using asset-based valuation method, the total shareholders' equity of Civet Logistics as at the Valuation Date is valued at RMB132,280,753.91 (equivalent to approximately HK\$152,046,843), such appraised value includes the value of the land, approximately 100,000 m² that the relevant land use right

has been obtained by Civet Logistics but does not include the value of the Land that Civet Logistics may purchase in the future. For reason of excluding the value of the Land, please refer to the sub-paragraph headed “6. The Land Option” below. The net assets value of Civet Logistics as at 31 December 2009 was RMB30,508,750.45.

The initial consideration will be satisfied in cash and settled in foreign currency other than Reminbi to be converted on the relevant medial exchange rate quoted by The People’s Bank of China on the relevant payment dates. It is currently expected that the initial consideration will be funded out of internal resources of the Group.

The initial consideration is payable by installments in the following manner:

<p>Deposit:</p>	<p>within five Business Days upon signing of the Equity Transfer Agreement by the Company and the Vendor, the Company shall pay the Vendor a deposit in foreign currency which equivalent to 30% of the initial consideration (ie. RMB23,307,000 (the “Deposit”) (equivalent to approximately HK\$26,789,655)). At the mean time, the Vendor shall pledge its 75% equity interest in Civet Logistics in favour of the Company. The Company will release such pledge before Completion. Upon the payment of the Deposit by the Company to the Vendor, the board of directors of Civet Logistics shall appoint the representative nominated by the Company as general manager of Civet Logistics.</p>
<p>First installment:</p>	<p>within five Business Days after the Company is being satisfied with the following conditions, the Company shall pay the Vendor a further installment in foreign currency which equivalent to 40% of the initial consideration (ie. RMB31,076,000 (equivalent to approximately HK\$35,719,540)):-</p> <ul style="list-style-type: none"> ● the representative nominated by the Company became the general manager of Civet Logistics; ● the receipt of the official seal of Civet Logistics from the Vendor to the representative nominated by the Company; ● the signing of the amended article of association of Civet Logistics jointly by the Vendor and the Company and the filing of which with the relevant PRC governmental bureau(s) to effective such amendments; and ● the signing of an agreement between Civet Logistics and Lida International to terminate the entrusted agreement previously entered into between these two parties as regard the entrustment of management and operation of Civet Port by Civet Logistics to Lida International.

Final installment:	<p>within five Business Days after the Company is being satisfied with the following conditions, the Company shall pay the Vendor the final installment in foreign currency which equivalent to 30% of the initial consideration (ie. RMB23,307,000 (equivalent to approximately HK\$26,789,655)):</p> <ul style="list-style-type: none"> ● Civet Logistics receiving (i) the approvals from the relevant PRC governmental bureau(s) regarding the equity transfer contemplated under the Equity Transfer Agreement; and (ii) the approval certificate of foreign investment enterprise showing the Company and the Vendor as the shareholders of Civet Logistics; ● completion of relevant procedures on amendments to the industry and commerce registration in the PRC and Civet Logistics to obtain its new business license; and ● completion of the final audit (covering the period from the date immediately after the Valuation Date (i.e. 1 April 2010) to the Completion Date).
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5. The adjustment mechanism for the initial consideration

Within 7 Business Days from the Completion, the Company and the Vendor shall jointly engage a professional party to conduct final audit in respect of Civet Logistics's operating results for the period from the date immediately after the Valuation Date (i.e. 1 April 2010) to the Completion Date in order to confirm the change in net assets value of Civet Logistics.

The initial consideration will be adjusted with reference to the final audit results of Civet Logistics as at the Completion Date but subject to a cap of RMB15,000,000 (the "Cap"). If there is an increase in net assets value as shown in the Completion Accounts and such increase falls below the Cap, the initial consideration under the Equity Transfer Agreement shall be increased by 75% of the increased net assets value as confirmed by the professional party conducting the final audit. In the event that there is an increase in net assets value as shown in the Completion Accounts and such increase exceeds the Cap, the initial consideration under the Equity Transfer Agreement shall be increased by 75% of the Cap. On the other hand, if there is a decrease in net assets value as shown in the Completion Accounts and such decrease falls below the Cap, the initial consideration under the Equity Transfer Agreement shall be decreased by 75% of the decreased net assets value as confirmed by the professional party conducting the final audit. In the event that there is a decrease in net assets value as shown in the Completion Accounts and such decrease exceeds the Cap, the initial consideration under the Equity Transfer Agreement shall be decreased by 75% of the Cap. Such adjustment shall be made/offset in the final installment payable by the Company to the Vendor.

6. The Land Option

On 31 December 2006, the Land and Resources Bureau of Zhuhai (珠海市國土資源局) and Civet Logistic entered into a land use right transfer framework agreement pursuant to which Civet Logistics agreed to acquire from Zhuhai Land and Resources Bureau a parcel of land with a total site area of 293,643.7m² located at Zhuhai City for a consideration of RMB47,276,635.7. According to the said framework agreement, Civet Logistics is required to paid 10% as a deposit for the land use right upon signing of the framework agreement and the remaining 90% payment will be made when 國有土地使用權出讓合同 (the state-owned land use right transfer agreement) is being entered into between the Zhuhai Land and Resources Bureau and Civet Logistics. As at the date of this announcement, the Land is still under the process of excavation and leveling. Accordingly, the Land and Resources Bureau of Zhuhai and Civet Logistics has not yet entered into any state-owned land use right transfer agreement for the transfer of legal title/land use right of the Land to Civet Logistics.

As a result of the uncertainty in timetable for Civet Logistics to obtain the legal title of the Land, the valuation for the entire shareholding interests of Civet Logistics as prepared by the PRC Valuer in its valuation report and the initial consideration under the Equity Transfer Agreement (being RMB77,690,000 (equivalent to approximately HK\$89,298,850)) did not make reference to the existing and expected value of the Land. Hence, the initial consideration under the Equity Transfer Agreement also does not include 75% attributable interest in respect of the deposit, leveling and compensation fees paid by Civet Logistics in relation to the Land.

According to the Equity Transfer Agreement, should the land use right/legal title of the Land been obtained by Civet Logistics in the future, the Company has the discretion right to decide the inclusive of the Land as an asset of Civet Logistics and the Vendor will then seek in advance an agreement from the Company in order to confirm the Land value to be transferred (in full or in part) to Civet Logistic. The future transferred value of the Land will be based on mutual negotiations between the Company and the Vendor and with reference to the then appraised value for the Land and after deduction of relevant taxation charges (the "Transferred Value"). Under the Equity Transfer Agreement, the future consideration for the Land which the Company requires to pay in the future is equivalent to 75% of the Transferred Value and such future consideration will be settled by the Company in cash. Nevertheless, in the event that mutual agreement regarding the future Transfer Value of the Land could not be reached between the Company and the Vendor, the Vendor has the right to sell/transfer the Land to party outside the Group and the Vendor will be solely responsible for any transaction related to the Land. If the Land is agreed to be taken as an asset of Civet Logistics, the Company will make further announcement so as to comply with the requirements of the Listing Rules as and when necessary.

7. Completion

Completion of the Equity Transfer Agreement is subject to the completion of the registration of the equity transfer contemplated under the Equity Transfer Agreement with the Administration for Industry and Commerce (工商行政管理局) in the PRC.

In the event that approvals (including, among other things, the certificate of approval) for the equity transfer as contemplated under the Equity Transfer Agreement cannot be obtained from the relevant PRC governmental bureau(s), the Vendor shall refund the monies (without accrued interest) received from the Company within five Business Days upon mutual agreement regarding termination of the Equity Transfer Agreement is reached between the parties.

8. Termination

The Vendor is entitled to terminate the Equity Transfer Agreement if the Company fails to pay any of the consideration installments within three months in accordance with their respective scheduled payment dates as stipulated in the Equity Transfer Agreement. In such event, the Deposit already paid by the Company will become non-refundable.

The Company is entitled to terminate the Equity Transfer Agreement if the Company has paid the Deposit as stipulated under the terms of the Equity Transfer Agreement as mentioned above but the Vendor fails to fulfilled its obligation (either partial or in full) as regard the conditions for making the first installment above. In such event, the Vendor shall (i) refund the Deposit (without accrued interest) to the Company; and (ii) pay the Company an one-off penalty which is equivalent to 10% of the Deposit received.

If due to force majeure resulting the purpose of the Equity Transfer Agreement cannot be fulfilled or if Civet Logistics failed to obtain the approvals (including, among other things, the certificate of approval) from the relevant PRC governmental bureaus regarding the equity transfer contemplated under the Equity Transfer Agreement, the Equity Transfer Agreement can be terminated if both parties unanimously agree on such termination. At the same time, the Vendor shall refund all the monies received (without accrued interest) from the Company within three Business Days from the day of both parties unanimously confirming such termination.

9. Capital Increase and Further Financing

On 4 March 2009, approval from 珠海保稅區管理委員會 (the Administration Committee of Zhuhai Bonded Area) was granted to the shareholder(s) of Civet Logistics to further increase the registered capital of Civet Logistics by HK\$36,000,000 to HK\$66,000,000, which should be fully paid up on or before 4 March 2011. As at the date of the Equity Transfer Agreement, the paid up registered capital of Civet Logistics was HK\$55,030,000. Accordingly, additional registered capital of HK\$10,970,000 is required to be paid up by the shareholder(s) of Civet Logistics on or before 4 March 2011.

Upon Completion of the Equity Transfer Agreement, the capital increase of Civet Logistics shall be borne by the Vendor and the Company in proportion to their respective attributable interests in Civet Logistics. The Company intends to fund its share of capital increase in Civet Logistics by internal resources.

Pursuant to the Equity Transfer Agreement, the Company shall procure Civet Logistics to settle its liabilities of approximately RMB 55,208,811 (equivalent to approximately HK\$63,458,403) within thirty Business Days from the Completion Date. Both the Company and the Vendor undertakes in the Equity Transfer Agreement that timely raise further capital as mentioned above or inject additional debts for Civet Logistics so as to ensure the above-mentioned debts to be settled.

III. REASONS FOR THE PROPOSED ACQUISITION

The Group is principally engaged in shipping agency, river trade cargo direct shipment and transshipment, wharf cargo handling, cargo consolidation and godown storage, container hauling and trucking, passengers transportation and passengers terminal operations in Hong Kong and the PRC. The Directors are of the view that the proposed acquisition enable the Company to strengthen its market position in port operation industry, to create a favorable environment for its further expansion in the Pearl River transportation system (which the Directors consider to have continuing growth potential in the future) and to benefit from services diversification which collectively will enhance the Company's revenue stream.

The Board is of the opinion that the Equity Transfer Agreement and the transactions contemplated thereunder are in line with the Company's ordinary and usual course of business, on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

IV. INFORMATION ON CIVET LOGISTICS

Civet Logistics is located in Zhuhai City, Guangdong Province and is principally engaged in the operation and management of Civet Port for port storage and transportation businesses.

Civet Port is a port which is capable of engaging domestic and international cargo transportation. It is located on the southwest of Zhuhai City, north side of Maliuzhou watercourse and west side of Hongwan port area and equipped with one 1000 DWT multifunctional berth, two 500 DWT multifunctional berths and one container yard with site area of approximately 80,000 m². The total site area is around 100,000m² with annual throughput capacity of 150,000 TEU.

Set out below is the financial information of Civet Logistics as prepared under the PRC accounting standard.

	For the year ended 31 December	
	2009	2008
	<i>(RMB'000)</i>	<i>(RMB'000)</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Net loss before tax and extraordinary items	10,365.12	11,382.58
Net loss after tax and extraordinary items	10,365.12	11,382.58

V. INFORMATION OF THE GROUP

The Group is principally engaged in shipping agency, river trade cargo direct shipment and transshipment, wharf cargo handling, cargo consolidation and godown storage, container hauling and trucking, passengers transportation and passengers terminal operations in Hong Kong, the PRC and Macau.

VI. INFORMATION OF THE VENDOR

Civet Investment is an investment company incorporated in Hong Kong. It acquired the entire equity interest of Civet Logistics in 2004.

VII. LISTING RULES IMPLICATION

As relevant percentage ratios (as defined in Rule 14.07 of the Hong Kong Listing Rules) exceed 5% but is less than 25%, the transaction contemplated under the Equity Transfer Agreement constitutes a discloseable transaction under Rule 14.06 of the Listing Rules and is therefore subject to the notification and announcement requirements as set out in Chapter 14 of the Hong Kong Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“Business Day(s)”	any day(s) (excluding a Saturday, Sunday and public holiday in the PRC)
“Civet Investment” or “the Vendor”	Civet Zhuhai Investment Company Limited (西域珠海投資有限公司), a limited liability company established in Hong Kong on 14 January 2004
“Civet Logistics”	西域(珠海保稅區)物流有限公司 (Civet (Zhuhai Bonded Area) Logistics Company Limited), a foreign-invested limited liability company established in the PRC on 27 May 2004
“Company” or “Purchaser”	Chu Kong Shipping Development Company Limited (珠江船務發展有限公司), a limited liability company established in Hong Kong and the issued Shares of which are listed on the main board of the Stock Exchange (stock code: 00560)
“Completion”	the completion of the Equity Transfer Agreement
“Completion Accounts”	the audited accounts of Civet Logistics for the period beginning on 1 April 2010 and ending on the Completion Date, which will be prepared, audited and delivered pursuant to the Equity Transfer Agreement
“Completion Date”	the day on which the Completion occurs
“Director(s)”	director(s) of the Company
“DWT”	deadweight tonnage
“Equity Transfer Agreement”	the equity transfer agreement dated 2 August 2010 entered into between the Company (being the Purchaser) and Civet Investment (being the Vendor) in respect of the acquisition of 75% equity interest in Civet Logistics
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Land”	a parcel of land with a total site area of 293,643.7m ² located at Zhuhai City which Civet Logistics has paid deposit for the land use right
“Lida International”	珠海力達國際供應鏈管理有限公司 (Zhuhai Lida International Supply Chain Management Company Limited), a limited liability company established in the PRC whose principal business activity is to provide logistics services and related consulting services. Lide International is owned by Civet Logistics as to 19%
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“PRC”	the People’s Republic of China
“PRC Valuer”	廣東中廣信資產評估有限公司 (Guangdong Zhongguangxin Asset Appraisal Company Limited), an independent professional valuer in the PRC
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the ordinary share(s) of HK\$0.10 each in the issued share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Valuation Date”	means 31 March 2010
“TEU”	twentyfoot equivalent unit
“m ² ”	square meter
“%”	per cent

By Order of the Board
Chu Kong Shipping Development Company Limited
Hua Honglin
Chairman

Hong Kong, 2 August 2010

For illustration purposes, amounts in RMB in this announcement have been translated into HK\$ at HK\$1.00 = RMB0.87.

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

As at the date of this announcement, the Company's executive Directors include Mr. Hua Honglin, Mr. Yang Bangming, Mr. Zhang Daowu and Mr. Huang Shuping; and independent non-executive Directors include Mr. Chan Kay-cheung, Mr. Chow Bing Sing and Ms. Yau Lai Man.