
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, bank manager, solicitor, certified public accountant or other professional adviser.

If you have sold or transferred all your shares in Chu Kong Shipping Enterprises (Group) Company Limited (the “**Company**”), you should at once hand this circular, with the accompanying proxy form, to the purchaser or the transferee, or to the bank, licensed securities dealer or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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(1) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS; AND (2) NOTICE OF GENERAL MEETING

Independent Financial Adviser

FRONTPAGE 富比

Capitalised terms used in the cover page shall have the same meanings as those defined in this circular.

A letter from the Board (as defined herein) is set out on pages 4 to 12 of this circular. A letter from the Independent Board Committee is set out on pages 13 to 14 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in relation to the Non-Exempt Continuing Connected Transactions are set out on pages 15 to 26 of this circular.

A notice convening the General Meeting of the Company to be held at United Conference Centre, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Thursday, 9 January 2025 at 3:00 p.m. is set out on pages 31 to 32 of this circular.

Whether you are able to attend the General Meeting or not, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return the completed proxy form to the Company's share registrar, Tricor Tengis Limited, at Tricor Tengis Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible, and in any event so that it is received not less than 48 hours before the time appointed for the General Meeting (i.e. before Tuesday, 7 January 2025 at 3:00 p.m. (Hong Kong time)) or any adjournment thereof (as the case may be). Submission of a proxy form shall not preclude you from attending the General Meeting or any adjournment of such meeting and voting in person should you so wish and in such event, the proxy form will be deemed to be revoked.

16 December 2024

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DEFINITION

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

“associates”	has the meaning ascribed to it 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
“Companies Ordinance”	Companies Ordinance, Chapter 622 of the Laws of Hong Kong
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meanings ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Master Fuel Supply Agreement”	the agreement dated 30 November 2021 entered into between the Company and GDPS 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 the GDPS Group which will expire on 31 December 2024
“General Meeting”	the general meeting of the Company to be convened and held at United Conference Centre, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Thursday, 9 January 2025 at 3:00 p.m., Hong Kong for the Independent Shareholders to consider and, if thought fit, approve the Master Fuel Supply Agreement, the Proposed Annual Caps and the transactions contemplated thereunder
“GDPS”	廣東省港航集團有限公司 (Guangdong Provincial Port & Shipping Group Company Limited*), a state-owned enterprise established under the laws of the PRC which indirectly holds approximately 71% of the total issued share capital of the Company as at the Latest Practicable Date
“GDPS Group”	GDPS, 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
“HK\$” or “Hong Kong Dollars”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITION

“Independent Board Committee”	an independent committee of the Board, comprising all its independent non-executive Directors, namely Mr. Chan Kay-cheung, Ms. Yau Lai Man, Hon. Rock Chen Cheung-nin and Mr. Tang Yi Hoi, formed to advise the Independent Shareholders on the terms of the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps
“Independent Financial Adviser” or “Frontpage Capital”	Frontpage Capital Limited, a licensed corporation to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for the purpose of the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders with regard to the terms of the Master Fuel Supply Agreement, the Proposed Annual Caps and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders who are independent of and have no interest in the Non-Exempt Continuing Connected Transactions
“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)
“Latest Practicable Date”	12 December 2024, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macao”	the Macao Special Administrative Region of the PRC
“Master Fuel Supply Agreement”	the agreement dated 25 November 2024 entered into between the Company and GDPS 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 the GDPS Group at the request of any member of the GDPS 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 the GDPS Group
“New Master Agreements”	the master agreements dated 25 November 2024 entered into between the Company and GDPS as disclosed in the announcement of the Company dated 25 November 2024

DEFINITION

“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 as defined under Rule 14.07 of the Listing Rules and other than the profits ratio and the equity capital ratio
“PRC” or “China”	the People’s Republic of China
“Proposed Annual Caps”	the proposed annual caps under the Master Fuel Supply Agreement and for each of the three years ending 31 December 2025, 2026 and 2027
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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
“US\$”	United States dollars, the lawful currency of the United States
“%”	per cent.

In this circular, 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.

* for identification purpose only

LETTER FROM THE BOARD



珠江船務企業(股份)有限公司
Chu Kong Shipping Enterprises (Group) Co., Ltd.

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00560)

Executive Directors

Mr. Liu Guanghui (*Chairman*)
Mr. Zhou Jun (*General Manager*)
Mr. Liu Wuwei (*Deputy General Manager*)

Non-executive Director

Ms. Zhong Yan

Independent Non-executive Directors

Mr. Chan Kay-cheung
Ms. Yau Lai Man
Hon. Rock Chen Chung-nin
Mr. Tang Yi Hoi

Registered Office

22nd Floor
Chu Kong Shipping Tower
143 Connaught Road Central
Hong Kong

*Head office and principal place of
business in Hong Kong*

24th Floor
Chu Kong Shipping Tower
143 Connaught Road Central
Hong Kong

16 December 2024

To the Shareholders

Dear Sir or Madam,

**(1) NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS;
AND
(2) NOTICE OF THE GENERAL MEETING**

INTRODUCTION

References are made to the announcements of the Company dated 25 November 2024 and the circular of the Company dated 16 December 2024, in relation to, amongst others, the entering into the Master Fuel Supply Agreement to govern the Non-Exempt Continuing Connected Transactions between the Group and the GDPS Group for the period from 1 January 2025 to 31 December 2027 to ensure the continual normal operations of the Group.

The purpose of this circular is to provide you with, among other things (i) further information on the Non-Exempt Continuing Connected Transactions; (ii) further information on the Proposed Annual Caps; (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) a notice of the General Meeting.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

The Company is a company incorporated in Hong Kong with limited liability and the Group is mainly engaged in provision of management and other related services to high-speed waterway passenger transportation in Guangdong, Hong Kong and Macao; provision of ferry services in Hong Kong; the operation and management of river trade cargo terminals in 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 Macao.

The GDPS 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 the (i) past cooperation between the Group and the GDPS Group; (ii) the Master Fuel Supply Agreement will bring stable income to the Group, the Directors (excluding the independent non-executive Directors who will express their views after receiving the advice from the Independent Financial Adviser in respect of the Non-Exempt Continuing Connected Transactions) consider that the Master Fuel Supply Agreement, the Proposed Annual Caps and transactions contemplated thereunder are entered in the ordinary and usual course of business of the Group, fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Taking into account the benefits of entering into the Non-Exempt Continuing Connected Transactions as disclosed above, the pricing basis, the internal control measures put in place by the Group, the Directors are not aware of any material disadvantages of entering into the Non-Exempt Continuing Connected Transactions.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

1. Master Fuel Supply Agreement

Date	:	25 November 2024
Period	:	From 1 January 2025 to 31 December 2027
Parties	:	(i) the Company (ii) GDPS
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 the GDPS Group at the request of any member of the GDPS Group from time to time in accordance with the terms and conditions of the relevant fuel supply agreements to be entered into between members of the Group and members of the GDPS Group.

LETTER FROM THE BOARD

The diesel and lubricants are standard products manufactured and sold to the Group by major oil companies. The Group would retrieve the diesel from the location specified by the oil companies and the lubricants will be delivered to the Group's oil tankers once the Group have placed an order with them. In terms of provision of diesel to our customers, the customers would make arrangements to purchase the diesel either via the Group's oil tankers or at terminal docks. As for provision of lubricants, the Group will supply to the customers via the Group's oil tankers.

Payment term : The GDPS Group shall settle the purchase price of diesel and lubricants in arrears on a monthly basis to the Group within 30 days after the balance has been confirmed between both parties.

Pricing basis : As regards to 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) for customers who procure from the Group on a regular basis and billed on a monthly basis, the aggregate sum of (i) the monthly average spot price for diesel provided by diesel suppliers in their quotations on a monthly basis based on the Singapore spot market price, being one of the major oil reference price for Asia; (ii) the warehouse and transportation fees charged by the diesel supplier(s) and incurred by the Group, which are passed down to the customers; and (iii) a standard operational handling fees based on the location of where the diesel is provided taking into account the operational costs of each location; or
- (b) for customers who procure from the Group on an ad-hoc basis and billed as and when they procure the diesel, which is based on diesel spot price provided by diesel suppliers in their quotations based on the Singapore spot market price, being one of the major oil reference price for Asia, on the date preceding the supply of diesel, and the selling price of diesel as quoted by one of the largest diesel suppliers in Hong Kong.

LETTER FROM THE BOARD

With respect to diesel pricing policy (a), the Group's business operation department will prepare a monthly price formulation schedule of all regular customers to determine the final pricing of the customers which will need to be approved by the business operation manager. Since the GDPS Group has been a regular customer of the Group, the Group charges at a price determined based on pricing policy (a). For pricing policy (b), the price of diesel will be determined daily by the business operation department prior to the start of operation and one price will be charged throughout the day.

The Group formulates a standard price to customers based on the pricing factors disclosed above. The diesel price charged to the GDPS Group will be no lower than the standard price. Independent Third Parties are also charged at the standard price or a more competitive price when contracts are tendered from Independent Third Parties.

As regards to the provision of lubricants which are standard products manufactured and sold by major oil companies, the Group will charge on the basis of cost plus a markup of approximately 5% to 10% that would be below the recommended retail pricing of the lubricants as suggested by the manufacturer in order to remain competitive when compared to other brands of lubricants available in the market. The Group will determine the markup for the price of lubricants after making references to the selling price of similar products from various public sources such as competitors' websites. The price list will be reviewed by the Group's business operation department if there are any changes in the price of the lubricants when obtained from the suppliers and any changes will need to be approved by the business operation manager. The lubricants are sold at the same price for all customers.

The price of the diesel and lubricants offered by the Group to the GDPS Group will be on terms no more favourable than the terms available to the Independent Third Parties. Both diesel and lubricants are supplied by the Group to the GDPS Group on substantially the same terms as they are supplied to other independent customers of the Group which would be determined with reference to the purchased quantity of diesel and lubricants, the volume delivered, the frequency of delivery, the payment terms and the tender terms determined following the tender process and relationship with the customers.

LETTER FROM THE BOARD

HISTORICAL ANNUAL CAPS AND TRANSACTION AMOUNTS

The following table summarises (i) the historical annual caps of the transactions contemplated under the Existing Master Fuel Supply Agreement for each of the three years ended or ending 31 December 2022, 2023 and 2024:

	For the years ended 31 December		For the years ended 31 December		For the year ending 31 December 2024	For the nine months ended 30 September 2024
	2022		2023			(unaudited)
	Historical annual cap <i>HK\$'000</i>	Historical transaction amount <i>HK\$'000</i>	Historical annual cap <i>HK\$'000</i>	Historical transaction amount <i>HK\$'000</i>	Annual cap <i>HK\$'000</i>	Historical transaction amount <i>HK\$'000</i>
Master Fuel Supply Agreement	182,000	17,016	184,000	73,093	185,000	46,140

PROPOSED ANNUAL CAPS

The Proposed Annual Caps contemplated under the Master Fuel Supply Agreement for each of the three financial years ending 31 December 2025, 2026 and 2027 are as follows:

	For the years ending 31 December		
	2025	2026	2027
	<i>HK\$'000</i>	<i>HK\$'000</i>	<i>HK\$'000</i>
Master Fuel Supply Agreement	75,100	76,700	77,000

BASIS OF DETERMINATION OF THE PROPOSED ANNUAL CAPS

In determining the Proposed Annual Caps, the Board has (i) reviewed the historical performance of the Group; and (ii) discussed with the management of the GDPS Group in relation to their future expansion plan.

The Board has taken into consideration the following factors in determining the Proposed Annual Caps contemplated under the Master Fuel Supply Agreement for each of the years ending 31 December 2025, 2026 and 2027:

- (i) the historical transactions contemplated under the Existing Master Fuel Supply Agreement for the years ended 31 December 2022 and 31 December 2023, and the nine months ended 30 September 2024; and
- (ii) the change in the selling price of diesel in respect of the Master Fuel Supply Agreement.

LETTER FROM THE BOARD

Taking into account the basis of the Proposed Annual Caps as detailed above, the Directors (including the independent non-executive Directors who have taken into account the advice from the Independent Financial Adviser in respect of the Proposed Annual Caps) consider that the Master Fuel Supply Agreement, the Proposed Annual Caps and the transactions contemplated thereunder are entered in the ordinary and usual course of business of the Group, fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL PROCEDURES ON THE PRICING BASIS OF THE NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

In order to ensure that (i) the terms offered in the Non-Exempt Continuing Connected Transactions 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 Proposed Annual Caps are not exceeded, the Company implemented the following procedures supervising the Non-Exempt Continuing Connected Transactions 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 Non-Exempt Continuing Connected Transactions pursuant to its internal control manual and procedures;
- (iii) the internal audit department of the Company will periodically review (at least on an annual basis) and inspect the process of the Non-Exempt Continuing Connected Transactions under the Master Fuel Supply Agreement;
- (iv) the finance department of the Company will collect statistics and report to management quarterly the transaction amount of the Non-Exempt Continuing Connected Transactions to ensure the respective annual caps approved by the Board or the Independent Shareholders are not exceeded. If 80% of the relevant annual cap has been utilised, the finance department would alert the management, and the management shall determine whether the remaining unused annual cap is still sufficient, and whether that the Group should strictly control the transaction amount to keep within the relevant annual cap or that a revision of the respective annual cap is required;
- (v) the auditor of the Company will review the statistics of the Non-Exempt Continuing Connected Transactions on an annual basis in compliance with the annual reporting and review requirements under the Listing Rules; and
- (vi) the independent non-executive Directors will perform an annual review on the Non-Exempt Continuing Connected Transactions pursuant to Rule 14A.55 of the Listing Rules.

In relation to the invoicing of diesel and lubricants to the customers, the finance department will check the invoices against the monthly price formulation schedule and the price list before sending the final invoice to the customers to ensure the price charged to the customers is in accordance to the approved price formulation schedule and price list.

LETTER FROM THE BOARD

The Directors consider that the Company has established sufficient internal control measures to ensure the Master Fuel Supply Agreement, the Proposed Annual Caps and the transactions contemplated thereunder are entered in the ordinary and usual course of business of the Group, are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, GDPS is a state-owned enterprise established under the laws of the PRC which indirectly holds approximately 71% of the total issued share capital of the Company, GDPS is therefore a connected person of the Company under the Listing Rules. The transactions contemplated under the Master Fuel Supply Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the relevant Percentage Ratios relating to the Proposed Annual Caps of 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.

The Independent Board Committee has been formed to consider the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps and to advise the Independent Shareholders as to whether the Master Fuel Supply Agreement, the Proposed Annual Caps and the transactions contemplated thereunder are entered in the ordinary and usual course of business of the Group, fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. An Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the fairness and reasonableness of the terms of the Master Fuel Supply Agreement, the Proposed Annual Caps and the transactions contemplated thereunder.

As at the Latest Practicable Date, Mr. Liu Guanghui, Mr. Zhou Jun, being the executive Directors and Ms. Zhong Yan, being the non-executive Director, are also the directors of Chu Kong Shipping Enterprise (Holdings) Company Limited. As at the Latest Practicable Date, Mr. Liu Wuwei, being the executive Director, is also the director of GDPS Group. Each of Mr. Liu Guanghui, Mr. Zhou Jun, Mr. Liu Wuwei and Ms. Zhong Yan, is being regarded as having material interest in the transactions contemplated under the Master Fuel Supply Agreement and have abstained from voting on the board resolutions approving the Master Fuel Supply Agreement.

An Independent Board Committee, comprising all the independent non-executive Directors, namely, Mr. Chan Kay-cheung, Ms. Yau Lai Man, Hon. Rock Chen Chung-nin and Mr. Tang Yi Hoi has been formed to consider, and to advise the Independent Shareholders, amongst other things, as to whether the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps are fair and reasonable, on normal commercial terms, and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

Frontpage Capital has been appointed as the independent financial adviser to make recommendations to the Independent Board Committee and the Independent Shareholders on the terms of the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps.

GDPS and its associates, including Chu Kong Shipping Enterprises (Holdings) Company Limited, are regarded as having a material interest in the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps. As at the Latest Practicable Date, Chu Kong Shipping Enterprises (Holdings) Company Limited, a wholly-owned subsidiary of GDPS, held 796,035,520 Shares, representing approximately 71% of the issued share capital of the Company. Accordingly, Chu Kong Shipping Enterprises (Holdings) Company Limited will abstain from voting at the General Meeting in respect of the resolution proposed to be passed for approving the Master Fuel Supply Agreement and the Proposed Annual Caps. Save as disclosed in this circular, no other Shareholders will be required to abstain from voting at the General Meeting in respect of the resolutions proposed to be passed for approving the Master Fuel Supply Agreement and the Proposed Annual Caps.

GENERAL MEETING

A notice convening the General Meeting of the Company to be held at United Conference Centre, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Thursday, 9 January 2025 at 3:00 p.m. is set out on pages 31 to 32 of this circular.

The register of members of the Company will be closed on Monday, 6 January 2025 to Thursday, 9 January 2025, during which no transfer of Shares will be effected. In order to ascertain Shareholders' rights for the purpose of attending and voting at the General Meeting to be held on Thursday, 9 January 2025, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's share registrar, Tricor Tengis Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Friday, 3 January 2025 for registration.

A proxy form for use at the General Meeting is enclosed with this circular. Whether you are able to attend the General Meeting or not, you are requested to complete the enclosed proxy form in accordance with the instructions printed thereon and return it to the Company's share registrar, Tricor Tengis Limited, at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong as soon as possible, and in any event not less than 48 hours before the time appointed for the General Meeting (i.e. before Tuesday, 7 January 2025 at 3:00 p.m. (Hong Kong time)) or any adjournment thereof (as the case may be). Submission of a proxy form shall not preclude you from attending the General Meeting or any adjournment of such meeting and voting in person should you so wish and in such event, the proxy form will be deemed to be revoked.

RECOMMENDATION

Your attention is drawn to (i) the letter from the Independent Board Committee containing its recommendation to the Independent Shareholders in relation to the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps set out on pages 13 to 14 of this circular; and (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its advice in respect of the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps set out on pages 15 to 26 of this circular.

LETTER FROM THE BOARD

The Directors (including the members of the Independent Board Committee having considered the advice from the Independent Financial Adviser) consider that the Master Fuel Supply Agreement, the Proposed Annual Caps and the transactions contemplated thereunder are entered in the ordinary and usual course of business of the Group, fair and reasonable, on normal commercial terms and in the interests of the Company and its Shareholders as a whole. Accordingly, the Directors (including the members of the Independent Board Committee having considered the advice from the Independent Financial Adviser) recommend that the Independent Shareholders to vote in favour of the resolution to be proposed at the General Meeting to approve the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps.

ADDITIONAL INFORMATION

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,
For and on behalf of the Board of
Chu Kong Shipping Enterprises (Group) Co. Ltd.
Liu Guanghui
Chairman

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps.



16 December 2024

To the Independent Shareholders

Dear Sir or Madam,

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS AND PROPOSED ANNUAL CAPS

We refer to the circular of the Company dated 16 December 2024 (“**Circular**”) of which this letter forms part. Terms defined in the Circular bear the same meanings herein unless the context otherwise requires.

We have been appointed to form the Independent Board Committee to consider the terms of the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps and to advise the Independent Shareholders whether, in our opinion, the Master Fuel Supply Agreement, the Proposed Annual Caps and the transactions contemplated thereunder are entered in the ordinary and usual course of business of the Group, fair and reasonable and on normal commercial terms so far as the Independent Shareholders are concerned and whether the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps are in the interests of the Company and its Shareholders as a whole. Frontpage Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps.

We wish to draw your attention to the letter from the Board set out on pages 4 to 12 of the Circular and the letter from the Board in the Circular which contains, inter alia, information about the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps, and the letter of advice from the Independent Financial Adviser set out on pages 15 to 26 of the Circular which contains its advice in respect of the terms of the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the advice from the Independent Financial Adviser, we consider the terms of the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps are entered in the ordinary and usual course of business of the Group, fair and reasonable, on normal commercial terms and so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the General Meeting to approve the Non-Exempt Continuing Connected Transactions and Proposed the Annual Caps.

Yours faithfully,

For and on behalf of

Independent Board Committee

Chan Kay-Cheung

Yau Lai Man

Rock Chen Chung-nin

Tang Yi Hoi

Independent non-executive Directors



16 December 2024

*To the Independent Board Committee and the Independent Shareholders of
Chu Kong Shipping Enterprises (Group) Company Limited*

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps, which constitute non-exempt continuing connected transactions for the Company. Details of the terms of the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps are set out in the letter from the Board (the “**Board Letter**”) contained in the circular of the Company dated 16 December 2024 and issued to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular, unless the context otherwise requires.

References are made to the announcement of the Company dated 30 November 2021 and the circular of the Company dated 5 January 2022. 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 GDPS dated 30 November 2021, which expires on 31 December 2024. It is expected that the Group will continue to enter into transactions of a similar nature to those existing master agreements.

On 25 November 2024, the Company and GDPS entered into the New Master Agreements to govern the Continuing Connected Transactions between the Group and the GDPS Group for the period from 1 January 2025 to 31 December 2027.

As GDPS indirectly holds approximately 71% of the total issued share capital of the Company as at the date of this Circular, GDPS is a connected person of the Company under the Listing Rules and the transactions contemplated under the New Master Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Mr. Liu Guanghui, Mr. Zhou Jun, being the executive Directors and Ms. Zhong Yan, being the non-executive Director, as at the Latest Practicable Date, are also the directors of Chu Kong Shipping Enterprises (Holdings) Company Limited. Mr. Liu Wuwei, being the executive Director as at the Latest Practicable Date, is also the director of GDPS Group. Each of Mr. Liu Guanghui, Mr. Zhou Jun, Mr. Liu Wuwei and Ms. Zhong Yan, is being regarded as having a material interest in the transactions contemplated under the New Master Agreements and have abstained from voting on the board resolution approving the New Master Agreements.

INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising Mr. Chan Kay-cheung, Ms. Yau Lai Man, Hon. Rock Chen Chung-nin and Mr. Tang Yi Hoi, being all the independent non-executive Directors, has been established to advise the Independent Shareholders in relation to the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps. Our role as Independent Financial Adviser is to give our opinion and recommendation as to whether the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps are on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable insofar as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and whether the Independent Shareholders should vote in favour of the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps.

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have considered, among other things, (i) the existing master agreements; (ii) the New Master Agreements; (iii) the 2023 annual report of the Company; (iv) the 2024 interim report of the Company; and (v) other information as set out in the Circular.

We have also relied on all relevant information, opinions and facts supplied and represented by the Company, the Directors and the management of the Company. We have assumed that all such information, opinions, facts and representations provided to us or contained or referred to in the Circular, for which the Company is fully responsible, were true and accurate in all respects as at the date hereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, and the Company has confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out independent verification of the information provided by the Directors and the representatives of the Company, nor have we conducted any form of in-depth investigation into the businesses, affairs, operations, financial position or future prospects of the Group and any of their respective subsidiaries and associates.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

OUR INDEPENDENCE

We are not connected with the Directors, chief executive and substantial Shareholders of the Company, Chu Kong Shipping Enterprises (Holdings) Company Limited, GDPS Group or any of their respective subsidiaries or associates and do not have any shareholding, direct or indirect, in any member of the Company or any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Company as at the Latest Practicable Date. There is no arrangement exists whereby we will receive any benefits from the Company or the Directors, chief executive and substantial Shareholders of the Company, Chu Kong Shipping Enterprises (Holdings) Company Limited, GDPS Group or any of their respective subsidiaries or associates for our services to the Company in connection with this appointment aside from our professional fees. Therefore, we consider ourselves eligible to act as the Independent Financial Adviser to the Company under the requirements of the Listing Rules.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps, we have taken into consideration the following principal factors and reasons:

1. Background

Information in relation to the Group

The Group is mainly engaged in the operation and management of river trade cargo terminals in mainland China and Hong Kong; cargo transportation, warehousing and storage business; provision of management and other related services to high-speed waterway passenger transportation in Guangdong, Hong Kong and Macao; provision of ferry services in Hong Kong; and provision of diesel and lubricants for passenger ferries and cargo vessels in Hong Kong.

According to the 2023 annual report of the Company, the Group recorded a consolidated revenue of approximately HK\$2,553,835,000 (2022: approximately HK\$2,899,545,000), representing a decrease of 11.9% as compared with the previous year. Profit attributable to the Shareholders of the Company amounted to approximately HK\$114,069,000 (2022: approximately HK\$93,490,000), representing an increase of 22.0% as compared with the corresponding period. The increase in the profit attributable to the Shareholders of the Company is primary attributable to the increase in gross profit and shares of profits less losses of joint ventures and associates, partially offset by the decrease in other income for the year ended 31 December 2023.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following table below sets forth the breakdown of the revenue of the Group for the years ended 31 December 2022 and 2023 according to business segment:

Business segment	Year ended 31 December		Year-on-year (%)
	2022 (HK\$'000)	2023 (HK\$'000)	
Cargo transportation	2,008,334	1,424,817	-29.1%
Cargo handling and storage	469,920	411,306	-12.5%
Passenger transportation	263,193	341,668	29.8%
Fuel supply	134,306	351,464	161.7%
Corporate and other businesses	<u>23,792</u>	<u>24,580</u>	3.3%
Total	<u>2,899,545</u>	<u>2,553,835</u>	-11.9%

Information in relation to the GDPS Group

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

2. Master Fuel Supply Agreement

(i) Principal terms of the Master Fuel Supply Agreement

Date of the agreement:	25 November 2024
Tenure of the agreement:	From 1 January 2025 to 31 December 2027
Provider of fuel supply:	The Group
Recipient of fuel supply:	GDPS Group
Subject matter:	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 the GDPS Group at the request of any member of the GDPS Group from time to time in accordance with the terms and conditions of the relevant fuel supply agreements to be entered into between members of the Group and members of the GDPS Group.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The diesel and lubricants are standard products manufactured and sold to the Group by major oil companies. The Group would retrieve the diesel from the location specified by the oil companies and the lubricants will be delivered to the Group's oil tankers once the Group have placed an order with them. In terms of provision of diesel to our customers, the customers would make arrangements to purchase the diesel either via the Group's oil tankers or at terminal docks. As for provision of lubricants, the Group will supply to the customers via the Group's oil tankers.

Payment terms: The GDPS Group shall settle the purchase price of diesel and lubricants in arrears on a monthly basis to the Group within 30 days after the balance has been confirmed between both parties.

(ii) Reasons and benefits for the Master Fuel Supply Agreement

As advised by the management of the Company, the Group has been supplying fuel to the GDPS Group for many years. As a result of the Group's long term business relationship with GDPS Group, the Group is familiar with the needs of GDPS Group and is able to accommodate GDPS Group's needs. The Directors consider that the proposed annual cap for the Master Fuel Supply Agreement will bring stable income and profit to the Group. In addition, counterparty risk is also lower in light of the long-established and close working relationship between the Group and GDPS Group, as compared if the Group was to sell the same amount of diesel and lubricants to Independent Third Parties.

Having considered the above reasons, we are of the view that the reasons for the Master Fuel Supply Agreement is on normal commercial terms and in the ordinary and usual course of business of the Company, fair and reasonable so far as the Independent Shareholders are concerned, and in the interest of the Company and the Shareholders as a whole.

(iii) Pricing basis

As regards to 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) for customers who procure from the Group on a regular basis and billed on a monthly basis, the aggregate sum of (i) the monthly average spot price for diesel provided by diesel suppliers in their quotations on a monthly basis based on the Singapore spot market price, being one of the major oil reference price for Asia; (ii) the warehouse and transportation fees charged by the diesel supplier(s) and incurred by the Group, which are passed down to the customers; and (iii) a standard operational handling fees based on the location of where the diesel is provided taking into account the operational costs of each location; or

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (b) for customers who procure from the Group on an ad-hoc basis and billed as and when they procure the diesel, which is based on diesel spot price provided by diesel suppliers in their quotations based on the Singapore spot market price, being one of the major oil reference price for Asia, on the date preceding the supply of diesel, and the selling price of diesel as quoted by one of the largest diesel suppliers in Hong Kong.

With respect to diesel pricing policy (a), the Group's business operation department will prepare a monthly price formulation schedule of all regular customers to determine the final pricing of the customers which will need to be approved by the business operation manager. Since the GDPS Group has been a regular customer of the Group, the Group charges at a price determined based on pricing policy (a). For pricing policy (b), the price of diesel will be determined daily by the business operation department prior to the start of operation and one price will be charged throughout the day.

The Group formulates a standard price to customers based on the pricing factors disclosed above. The diesel price charged to the GDPS Group will be no lower than the standard price. Independent Third Parties are also charged at the standard price or a more competitive price when contracts are tendered from Independent Third Parties.

As regards to the provision of lubricants which are standard products manufactured and sold by major oil companies, the Group will charge on the basis of cost plus a markup of approximately 5% to 10% that would be below the recommended retail pricing of the lubricants as suggested by the manufacturer in order to remain competitive when compared to other brands of lubricants available in the market. The Group will determine the markup for the price of lubricants after making references to the selling price of similar products from various public sources such as competitors' websites. The price list will be reviewed by the Group's business operation department if there are any changes in the price of the lubricants when obtained from the suppliers and any changes will need to be approved by the business operation manager. The lubricants are sold at the same price for all customers.

The price of the diesel and lubricants offered by the Group to the GDPS Group will be on terms no more favourable than the terms available to the Independent Third Parties. Both diesel and lubricants are supplied by the Group to the GDPS Group on substantially the same terms as they are supplied to other independent customers of the Group which would be determined with reference to the purchased quantity of diesel and lubricants, the volume delivered, the frequency of delivery, the payment terms and the tender terms determined following the tender process and relationship with the customers.

In order to assess the fairness and reasonableness of the pricing basis of Master Fuel Supply Agreement, we have obtained and reviewed 3 random sample copies for each of diesel and lubricant of relevant invoices per year in respect of the historical transactions between the Group and the GDPS Group under the Existing Master Fuel Supply Agreement and compare them to invoices of similar products and dates issued by the Group to other Independent Third Parties during the tenure of the Existing Master Fuel Supply for each of the two years ended 31 December 2022 and 2023 and the nine months ended 30 September 2024. We are of the view that 3 random samples from each year sufficiently spread out over each year when diesel prices have varied over time is representative and sufficient for our assessment purposes and therefore is fair and reasonable to use such sample size. Based on our review of the invoices, we noted that the prices of diesel and lubricants sold by the Group to the GDPS Group were no more favourable than standard prices paid by Independent Third

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Parties, and were hence in line with the pricing basis under the Existing Master Fuel Supply Agreement. Based on our discussion with the management and the samples that we have reviewed, the warehouse and transportation fees charged by the diesel supplier(s) were passed on to customers and additional standard operational handling fees were charged according to the location of the refueling. In terms of provision of lubricants, the prices paid by their customers are the same for both GDPS Group and Independent Third Parties depending on the type of lubricants needed by the customers. We also noted that the pricing and payment terms under the Existing Master Fuel Supply Agreement are no more favourable to the GDPS Group than those under the aforesaid sample relevant invoices issued to other Independent Third Parties. Therefore, we are of the view that the pricing basis for the Master Fuel Supply Agreement is on normal commercial terms and in the ordinary and usual course of business of the Group, fair and reasonable insofar as the Independent Shareholders are concerned, and in the interest of the Company and Shareholders as a whole.

(iv) Annual Cap and basis of determination

A summary of the Master Fuel Supply Agreement under the Non-Exempt Continuing Connected Transactions, which include (i) the historical annual caps for the three years ending 31 December 2024; (ii) the historical transaction amounts for the two years ended 31 December 2023 and the nine months ended 30 September 2024; and (iii) the Proposed Annual Caps are set out in the table below:

	For the year ended/ending 31 December					
	2022	2023	2024	2025	2026	2027
	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>	<i>(HK\$'000)</i>
Annual caps	182,000	184,000	185,000	75,100	76,700	77,000
Historical transaction amount	17,016	73,093	46,140	N/A	N/A	N/A
			(January to September)			

In determining the Proposed Annual Caps, the Directors have taken into consideration the following factors in determining the annual caps for the three years ending 31 December 2027:

- (i) the historical transactions of the Existing Master Fuel Supply Agreement for each of the two years ended 31 December 2022 and 2023 and for the nine months ended 30 September 2024; and
- (ii) the change in the selling price of diesel in respect of the Master Fuel Supply Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

To arrive at our view of the Proposed Annual Caps for the Master Fuel Supply Agreement for the three years ending 31 December 2027, we have considered the following factors:

Historical transaction amount

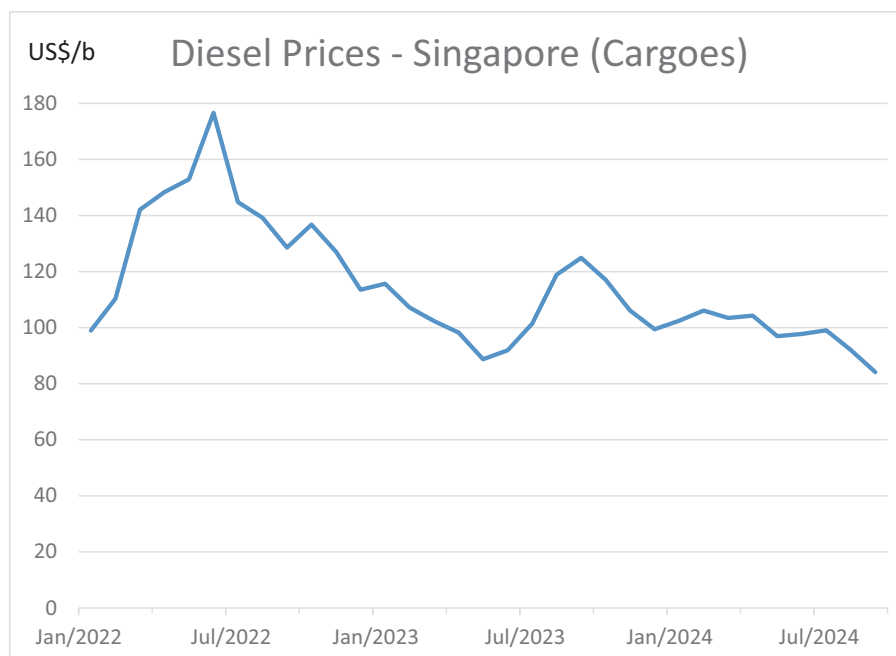
For illustration purpose, the historical and expected transaction amount for the Existing Master Fuel Supply Agreement would be approximately HK\$17.0 million, HK\$73.1 million and HK\$61.5 million for the year ended 31 December 2022, 2023 and 2024 respectively, if we annualised the historical amount for the remaining period of the 9 months ended 30 September 2024. The demand in year 2022 remained at a low level as the cross border tourist passengers who have been severely affected by the COVID-19 epidemic. Upon the gradual opening of the border between Hong Kong and mainland China, the situation has begun to normalize in 2023. The management considered the demand under the Existing Master Fuel Supply Agreement for the year ended 31 December 2023 and the nine months ended 30 September 2024 were relatively stable, and the decrease in the expected transaction amounts under the Master Fuel Supply Agreement for the year ending 31 December 2024 was mainly attributable to the decrease in the diesel price. In September 2024, the diesel price was lower than that in 2023 for over 20%.

To assess the reasonableness of the annual caps, we have discussed with the management on the basis adopted on determining the annual caps. We noted that the management expected the demand of diesel and lubricants to GPDS Group will remain relatively stable during 2025 to 2027. In arriving the Proposed Annual Caps, the Company expected that the demand of diesel and lubricants under the Master Fuel Supply Agreement for 2025 would be approximately HK\$68.5 million, which roughly equals to the average annual sales under the Existing Master Fuel Supply Agreement for the year ended 31 December 2023 and the nine months ended 30 September 2024. The Company also included a slight increment of approximately 2% for the sales under the Master Fuel Supply Agreement for 2026 and 2027 as organic growth. Having considered that (i) the cross border function between Hong Kong and mainland China have been severely affected by the COVID-19 epidemic in 2022 and the border between Hong Kong and mainland China has gradually opened and the situation has begun to normalize in 2023; (ii) the expected demand adopted in determining the annual caps for the years ended 31 December 2025, 2026 and 2027 were mainly based on the average of actual historical and expected sales during 2023 and 2024, which considered to be relatively stable, we concur with the management that the expected demand adopted in determining the annual caps, are prudent and reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Diesel prices

As advised by the Company, the transaction amount under the Existing Master Fuel Supply Agreement is mainly affected by the fluctuation in fuel price, in particular the price of diesel. Therefore, in arriving at our view on the GDPS Group's future demands for fuel and lubricants for the next three years to 31 December 2027, we have considered the historical fluctuations in diesel price from January 2022 to September 2024.



Sources: *Monthly Oil Market Reports of the Organization of the Petroleum Exporting Countries*
(https://www.opec.org/opec_web/en/publications/338.htm)

Based on the data reported by the Organization of the Petroleum Exporting Countries, an intergovernmental organization of twelve oil-exporting developing nations, cargoes diesel pricing as quoted in Singapore (which is a major oil trading hub in Asia with its futures contracts traded on the Chicago Mercantile Exchange) reached a high of approximately US\$180 per barrel in June 2022. Subsequently, the prices retreated below US\$100 per barrel in 2024.

It was also noted that the intra year fluctuations of diesel price may be up to 20% for 2023 and 2024. Assuming there is no significant change in the supply of fuel oil, we do foresee demand for diesel may continue to fluctuate over the next few years due to the uncertainties arise from the changing in global economy or trade condition.

In addition to the expected demand under the Master Fuel Supply Agreement for the three years ending 31 December 2027 as discussed above, the Company further included an overall buffer of 10% in determining the annual caps to cope with any unforeseeable demand under the Master Fuel Supply Agreement or increase in the diesel price. As a result, the Proposed Annual Caps for the year ending 31 December 2025, 2026 and 2027 would be approximately HK\$75.1 million, HK\$76.7 million and

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HK\$77.0 million. Having considered that (i) the expected demand adopted in determining the annual caps are prudent and reasonable as discussed above; and (ii) the buffer applied is about half of the intra-year fluctuation in diesel price and therefore prudent and reasonable, we are of the view that the Proposed Annual Caps based on this are fair and reasonable.

As the Master Fuel Supply Agreement is revenue in nature, it would be in the interest of the Company to have sufficient annual caps to continue trading diesel with the GDPS Group even when the price rises. Therefore, we are of the view that the 3 years annual caps of the Master Fuel Supply Agreement are on normal commercial terms, in the ordinary and usual course of business, fair and reasonable and in the interest of the Company and Shareholders as a whole.

3. Internal Control Measures

In order to ensure that (i) the terms offered in the Non-Exempt Continuing Connected Transactions are no 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 Proposed Annual Caps are not exceeded, the Company implemented the following procedures supervising the Non-Exempt Continuing Connected Transactions 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 Non-Exempt Continuing Connected Transactions pursuant to its internal control manual and procedures;
- (iii) the internal audit department of the Company will periodically review (at least on an annual basis) and inspect the process of the Non-Exempt Continuing Connected Transactions under the New Master Agreement;
- (iv) the finance department of the Company will collect statistics and report to management quarterly the transaction amount of the Non-Exempt Continuing Connected Transactions to ensure the respective annual caps approved by the Board or the Independent Shareholders are not exceeded. If 80% of the relevant annual cap has been utilised, the finance department would alert the management, and the management shall determine whether the remaining unused annual cap is still sufficient, and whether that the Group should strictly control the transaction amount to keep within the relevant annual cap or that a revision of the respective annual cap is required;
- (v) the auditor of the Company will review the statistics of the Non-Exempt Continuing Connected Transactions on an annual basis in compliance with the annual reporting and review requirements under the Listing Rules; and
- (vi) the independent non-executive Directors will perform an annual review on the Non-Exempt Continuing Connected Transactions pursuant to Rule 14A.55 of the Listing Rules.

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In relation to the invoicing of diesel and lubricants to the customers, the finance department will check the invoices against the monthly price formulation schedule and the price list before sending the final invoice to the customers to ensure the price charged to the customers is in accordance to the approved price formulation schedule and price list.

As discussed with the management, by implementing the above procedures, the Directors consider that the Company has established sufficient internal control measures to ensure that the Non-Exempt Continuing Connected Transactions and their Proposed Annual Caps are in the ordinary and usual course of business of the Group and on normal commercial terms, fair and reasonable insofar as the Independent Shareholders are concerned, and in the interests of the Company and the Shareholders as a whole. Based on the 2022 and 2023 annual reports of the Company, we noted that the auditor has issued unqualified letters containing the findings and conclusions in respect of the continuing connected transactions of the Company in accordance with Chapter 14A.56 of the Listing Rules.

We have discussed with the management of the Company to understand the abovementioned internal control procedures and have also obtained and reviewed the corporate governance structure and internal control procedures and policies. We have also obtained and reviewed the quarterly statistics of the Non-Exempt Continuing Connected Transactions and the 2022 internal audit department annual review report, which were presented to the management of the Company. In particular, we noted from the review report that the internal audit department satisfied with the internal control in relation to the continuing connected transactions of the Company. Therefore, we are of the view that the above internal control measures are well established and proper measures are implemented to ensure that the relevant Proposed Annual Caps under the respective agreements will not be exceeded.

We have also reviewed the monthly price formulation schedule provided by the Company to determine if there was sufficient control procedures performed when determining the diesel pricing. According to the schedule of customer pricing we have reviewed, we noted that the formulation of price offered to vessel operators of the GDPS Group and Independent Third Parties were listed out in detail to ensure they used the standard price. The aforesaid document was prepared by the business operation department and approved/signed by the business operation manager before it comes into effect to determine the monthly invoice amount of the customers. Hence, we are of the view that there is sufficient internal control on the pricing policy to ensure the terms offered to the GDPS Group are no more favourable than the terms available to Independent Third Parties.

Based on the above reasons, we are of the view that proper internal control procedures are in place to monitor the pricing and the transaction contemplated under the Non-Exempt Continuing Connected Transactions and their Proposed Annual Caps and such procedures are in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable insofar as the Independent Shareholders are concerned and in the interest of the Company and Shareholders as a whole.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view that the Master Fuel Supply Agreement of the Non-Exempt Continuing Connected Transactions and the Proposed Annual Caps are in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable insofar as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we would recommend that the Independent Board Committee advise the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the upcoming General Meeting to approve the Non-Exempt Continuing Connected Transactions and their Proposed Annual Caps.

Yours faithfully,
For and on behalf of
Frontpage Capital Limited
Wu Man Kit
Director

Note: Mr. Wu Man Kit is a licensed person registered with the Securities and Futures Commission of Hong Kong and a responsible officer of Frontpage Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. He has over 10 years of experience in corporate finance.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. DISCLOSURE OF INTERESTS

(a) Interests of Directors and chief executives

As at the Latest Practicable Date, none of the Directors or chief executive of the Company had any interest or short position in the shares, underlying shares or debentures (as the case may be) of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which (a) were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or which (b) were required pursuant to section 352 of the SFO to be entered in the register referred to therein; or which (c) were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies under the Listing Rules.

As at the Latest Practicable Date:

- (i) none of the Directors had any existing or proposed services contract (excluding contracts expiring or terminable by the Group within one year without payment of compensation other than statutory compensation) with any member of the Group;
- (ii) none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2023, being the date of the latest published audited accounts of the Group, acquired or disposed of by or leased to any member of the Group or was proposed to be acquired or disposed of by or leased to any member of the Group; and
- (iii) none of the Directors was materially interested in any contract or arrangement which was subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group taken as a whole.

(b) Substantial shareholding in other members of the Group

As at the Latest Practicable Date, so far as is known to any Directors or chief executive of the Company, the following parties (other than a Director or chief executive of the Company) had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group:

Long position in the Shares — interest in the Shares

Name of Shareholder	Capacity/ Nature of interest	Number of Shares <i>(Note 1)</i>	Percentage of issued share capital <i>(Note 2)</i>
Chu Kong Shipping Enterprises (Holdings) Company Limited (“CKSE”) <i>(Note 3)</i>	Beneficial owner	796,035,520(L)	71%
GDPS <i>(Note 3)</i>	Interest of controlled corporation	796,035,520(L)	71%

Notes:

1. The letter “L” denotes long position in the shares of the Company.
2. Percentage of shareholding is calculated on the basis of 1,121,166,885 issued shares of the Company as at the Latest Practicable Date.
3. CKSE is wholly owned by GDPS, and GDPS is deemed to be interested in all the shares held by CKSE pursuant to the SFO. Accordingly, the interests disclosed by shareholders (i) and (ii) above are in respect of the same shareholding.

Save as disclosed above, so far as the Directors were aware, as at the Latest Practicable Date, no other parties had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO or were directly or indirectly, interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at general meetings of any other member of the Group.

As at the Latest Practicable Date, so far as the Directors were aware, the following Directors are directors or employees of the substantial shareholders of the Company:

Name of Director	Name of substantial shareholder entity	Position held
Mr. Liu Guanghui	CKSE	Director
Mr. Zhou Jun	CKSE	Director
Ms. Zhong Yan	CKSE	Director

3. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, none of the Directors and their respective associates had any interest in any business (apart from the Group's business) which competes or is likely to compete, either directly or indirectly, with the business of the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them were a controlling shareholder) or have or may have any other conflict of interest with the Group pursuant to the Listing Rules.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2023, being the date to which the latest published audited financial statements of the Company were made up.

5. CONSENT OF EXPERT

The following is the qualification of the expert who has given an opinion or advice contained in this circular or reference to its name has been made in this circular:

Name	Qualification
Frontpage Capital Limited	a licensed corporation under the SFO to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities for the purpose of the SFO

The Independent Financial Adviser has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter or statements and reference to its name in the form and context in which they appear.

As at the Latest Practicable Date, the Independent Financial Adviser was not beneficially interested in the share capital of the Group nor did it have any right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in the Group.

As at the Latest Practicable Date, the Independent Financial Adviser had no direct or indirect interest in any assets which had been since 31 December 2023 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to the Group, or were proposed to be acquired or disposed of by or leased to the Group.

6. GENERAL

Should there be any inconsistencies between the English text and the Chinese text of the circular, the English text of this circular shall prevail over the Chinese text.

7. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the Stock Exchange's website (<http://www.hkexnews.hk>) and the Company's website (<https://www.cksd.com/en>) for a period of 14 days from the date of this circular:

- (a) the Master Fuel Supply Agreement;
- (b) the letter of recommendation from the Independent Board Committee to the Independent Shareholders, the text of which is set out on pages 13 to 14 of this circular;
- (c) the letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out on pages 15 to 26 of this circular; and
- (d) the written consent of the Independent Financial Adviser referred to in the paragraph headed "Consent of Expert" in this appendix.

NOTICE OF GENERAL MEETING



珠江船務企業(股份)有限公司
Chu Kong Shipping Enterprises (Group) Co., Ltd.

(Incorporated in Hong Kong with limited liability)
(Stock Code: 00560)

NOTICE OF GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT a general meeting (the “**General Meeting**”) of CHU KONG SHIPPING ENTERPRISES (GROUP) COMPANY LIMITED (the “**Company**”) will be held at United Conference Centre, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong on Thursday, 9 January 2025 at 3:00 p.m. (Hong Kong time) for the following purpose of considering and, if thought fit, passing with or without amendment, the following resolution as an ordinary resolution:

ORDINARY RESOLUTION

1. “**THAT:**

- (a) the execution of the Master Fuel Supply Agreement, the Proposed Annual Caps (as defined and described in the circular of the Company dated 16 December 2024) and the transactions contemplated thereunder be and are hereby confirmed, ratified and approved and the transactions hereunder be and is hereby approved; and
- (b) any one or more directors of the Company be and are hereby authorised to do all such acts and things as they consider necessary and to sign and execute all such documents (including under the seal of the Company), and to take all such steps which in their opinion may be necessary appropriate, desirable or expedient for the purpose of giving effect to the Master Fuel Supply Agreement, the Proposed Annual Caps and completing the transactions contemplated thereby.”

By order of the Board
Chu Kong Shipping Enterprises (Group) Company Limited
Liu Guanghui
Chairman

Hong Kong, 16 December 2024

NOTICE OF GENERAL MEETING

Notes:

1. A member of the Company entitled to attend and vote at the General Meeting is entitled to appoint one or more proxies to attend and, subject to the provisions of the articles of association of the Company, to vote on his behalf. A proxy need not be a member of the Company but must be present in person at the General Meeting. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each of such proxies is so appointed.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his/her attorney duly authorised in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer or attorney authorised to sign the same.
3. In order to be valid, the proxy form must be duly completed and signed in accordance with the instructions printed thereon and deposited together with a power of attorney or other authority (if any) under which it is signed, or a notarially certified copy of such power or authority, with the Company's share registrar, Tricor Tengis Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, as soon as possible and, in any event not less than 48 hours before the time appointed for the holding of the General Meeting (i.e. before Tuesday, 7 January 2025 at 3:00 p.m. (Hong Kong time)) or any adjournment thereof (as the case may be). Completion and return of the proxy form will not preclude a shareholder from attending in person and voting at the General Meeting or any adjournment thereof, should he/she so wish and in such event, the proxy form will be deemed to be revoked.
4. The register of members of the Company will be closed from Monday, 6 January 2025 to Thursday, 9 January 2025, both dates inclusive, during which no transfer of Shares will be effected. In order to ascertain Shareholders' rights for the purpose of attending and voting at the General Meeting, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's share registrar, Tricor Tengis Limited at 17/F., Far East Finance Centre, 16 Harcourt Road, Hong Kong, no later than 4:30 p.m. on Friday, 3 January 2025 for registration.
5. In the case of joint holders of shares, any one of such holders may vote at the General Meeting, either personally or by proxy, in respect of such share as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the General Meeting personally or by proxy, that one of the said persons so present whose name stands first on the register of members of the Company in respect of such shares shall alone be entitled to vote in respect thereof.
6. The voting on the resolution will be conducted by way of a poll.
7. As at the date of this circular, the Company's executive directors are Mr. Liu Guanghui, Mr. Zhou Jun and Mr. Liu Wuwei; non-executive director is Ms. Zhong Yan; and independent non-executive directors are Mr. Chan Kay-cheung, Ms. Yau Lai Man, Hon. Rock Chen Chung-nin and Mr. Tang Yi Hoi.