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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)

CONTINUING CONNECTED TRANSACTIONS

SUMMARY

References are made to the announcements of the Company dated 12 October 2018, 22 October 2018 and 20 August 2021 and the circular of the Company dated 27 November 2018. The Group has been carrying on certain continuing connected transactions from time to time pursuant to the Existing Master Agreements. It is expected that the Group will continue to enter into transactions of a similar nature to the Existing Master Agreements.

On 30 November 2021, 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 2022 to 31 December 2024.

LISTING RULES IMPLICATIONS

As at the date of this announcement, GDPS indirectly holds approximately 70% of the total issued share capital of the Company, GDPS therefore 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 of the Exempt Continuing Connected Transactions are more than 0.1% but less than 5% on an annual basis, the Exempt Continuing Connected Transactions are subject to reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As one or more of the applicable Percentage Ratios relating to the proposed annual caps of the Non-exempt Continuing Connected Transactions are higher than 5% and over HK\$10,000,000 on an annual basis, 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.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee, comprising all the independent non-executive Directors, namely, Mr. Chan Kay-cheung, Ms. Yau Lai Man, Mr. Chow Bing Sing has been formed to consider, and to advise the Independent Shareholders, amongst other things, whether the Non-exempt Continuing Connected Transactions and the proposed annual caps contemplated thereunder are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

Frontpage Capital has been appointed 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 contemplated thereunder.

GENERAL MEETING

A General Meeting will be convened and held to consider and if thought fit, to approve the Master Fuel Supply Agreement and the Master Transportation Agreement, the proposed annual caps and the transactions contemplated thereunder. CKSE and its associates are required to abstain from voting on the resolutions to be proposed at the General Meeting.

CIRCULAR

A circular containing, among others, (i) further information on the Non-exempt Continuing Connected Transactions; (ii) a letter of recommendation from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions ; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Non-exempt Continuing Connected Transactions; and (iv) a notice of the General Meeting, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules, which is currently expected to be on or before 14 December 2021.

I. BACKGROUND

References are made to the announcements of the Company dated 12 October 2018, 22 October 2018 and 20 August 2021 and the circular of the Company dated 27 November 2018. 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 12 October 2018, which will expire on 31 December 2021. It is expected that the Group will continue to enter into transactions of a similar nature to the Existing Master Agreements.

On 30 November 2021, 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 2022 to 31 December 2024.

II. CONTINUING CONNECTED TRANSACTIONS

A. Exempt Continuing Connected Transactions

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

1. Master Passenger Transportation Agency Services Agreement

Date	: 30 November 2021
Period	: From 1 January 2022 to 31 December 2024
Parties	: (i) GDPS (ii) the Company
Nature of transaction	: Pursuant to the Master Passenger Transportation Agency Services Agreement, any member of the Group agrees to accept the appointment of any member of the GDPS Group (in the capacity as agent, operators and/or owners of the passenger ferries), as their exclusive agent/sub-agent, in connection with their waterway passenger transport business in Hong Kong (for routes between Hong Kong and Pearl River Delta Region).

The passenger transportation agency services include, among others, providing (i) ferry operations agency services; (ii) ticketing agency services; (iii) ferry berthing agency services; and (iv) ferry technical support agency services.

In this respect, any member of the Group agrees to, at the request of such member of the GDPS Group, provide the Passenger Transportation Agency Services to such relevant ferries where the GDPS Group is acting as an agent or operated and owned, from time to time in accordance with the terms and conditions of the relevant passenger transportation agency services agreements to be entered into between any member of the Group and any member of the GDPS Group.

Payment term	: The GDPS Group shall pay within 15 days after each month end upon confirming the payment amounts with the Group.
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Pricing basis : The service fee charged by the Group for the provision of the passenger transportation agency services to ferries operated by GDPS Group will be determined using a percentage of ticket sales, after taking into consideration the cost of provision of ticketing sales services, cost of passenger handling services which includes departure and arrival services and security checks on passengers, cost of ferries services which include services for arranging ferries for regular maintenance and repairment, and emergency ad hoc repairment in Hong Kong, cost of provision of relevant facilities and labour cost to be incurred by the Group to enable the Group's provision of ground services plus a profit margin to be agreed upon. In order to ensure the terms of the provision of services and profit margin are in line with prevailing market rates and market terms, the Group will take into account at least two quotations on the service fees charged to other ferry operators, who are Independent Third Parties requiring the Group's provision of similar passenger transportation agency services when berthing at the same terminal. The service fees charged by the Group are on terms no more favourable than those offered by the Group to other Independent Third Parties for similar services.

2. Master Ferry Technical Support Agency Services Agreement

Date : 30 November 2021

Period : From 1 January 2022 to 31 December 2024

Parties : (i) GDPS
(ii) the Company

Nature of transaction : To facilitate any member of the Group in providing the Passenger Transportation Agency Services (as one-stop full agency services, which include services for arranging ferries for regular maintenance and repairing, and emergency ad hoc repairing in Hong Kong) to those ferries which were appointed by any member of the GDPS Group as agent and/or sub-agent for the provision of the Passenger Transportation Agency Services (the "**Relevant Ferries**"), as well as local ferries and any member of the Group who would require regular maintenance and repairing, and emergency ad hoc repairing from any member of the GDPS Group under the Master Ferry Technical Support Agency Services Agreement.

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

- Payment term** : The Group shall pay within 15 days after each month end upon confirming the payment amounts with the GDPS Group.
- Pricing basis** : The service fee for the provision of ferry technical support agency services will be determined by the market rate of maintenance and repairment technical support service provided by GDPS Group. In order to ensure the service fee payable by the Group and the terms offered by GDPS Group are fair and reasonable and in line with prevailing market rate, the Group will obtain two quotations from other suppliers who are Independent Third Parties (with scale similar to the GDPS Group) to other customers (with scale similar to the Group) for the provision of similar ferry technical support agency services when entering into separate agreements with respect to the individual transactions contemplated under the Master Ferry Technical Support Agency Services Agreement. Such fees and terms shall be on terms no less favourable to the Group than the terms available from Independent Third Parties.

3. Master Ferry Terminal Luggage Facilities and Handling Services Agreement

- Date** : 30 November 2021
- Period** : From 1 January 2022 to 31 December 2024
- Parties** : (i) GDPS
(ii) the Company

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

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

The provision of luggage handling services include, among others, operation maintenance and repairing of the luggage handling system and equipment situated at the Relevant Terminal, and the provision of luggage handling services and berthing services to all passenger ferries using the Relevant Terminal. All passenger ferries from the Pearl River Delta Region to Hong Kong are assigned by the relevant governmental authorities of Hong Kong to berth at relevant terminals in Hong Kong, one of which being the Relevant Terminal.

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

Pricing basis : The service fee for the provision of the ferry terminal luggage facilities and handling services by the GDPS Group is of a standard rate chargeable by the Relevant Terminal and identical to the prevailing rate chargeable against other ferry service carriers who are Independent Third Parties who berth at the same Relevant Terminal. The service fee for ferry terminal luggage facilities and handling services shall comprise (i) the passenger levy based on the number of passengers departing from and arriving at the Relevant Terminal; and (ii) luggage handling charges based on the number of luggage handled at the Relevant Terminal.

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

4. Master Sub-baggage Handling Services Agreement

Date	: 30 November 2021
Period	: From 1 January 2022 to 31 December 2024
Parties	: (i) GDPS (ii) the Company
Nature of transaction	: Pursuant to the Master Sub-baggage Handling Services Agreement, any member of the Group agrees to accept the appointment of any member of the GDPS Group (who is appointed and authorised by the relevant government authorities to provide ferry terminal luggage facilities and handling services at the Relevant Terminal) as its sub-contractor for the provision of the baggage handling services at the Relevant Terminal, and with this respect, any member of the Group agrees to provide the baggage handling services direct to all ferry service carriers who stop their ferries at the Relevant Terminal for passengers departing from and arriving into Hong Kong (including but not limited to the Group itself) at the Relevant Terminal at the request of any member of the GDPS Group from time to time in accordance with the terms and conditions of the relevant sub-baggage handling services agreements to be entered into between any member of the Group and any member of the GDPS Group.

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

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

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

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

5. Master Rental Agreement

Date : 30 November 2021

Period : From 1 January 2022 to 31 December 2024

Parties : (i) GDPS
(ii) the Company

Nature of transaction : Pursuant to the Master Rental Agreement, any member of the GDPS Group agrees at the request of any member of the Group to lease the premises owned by any member of the GDPS Group, including but limited to warehouses, offices, car parks and staff quarters to any member of the Group from time to time in accordance with the terms and conditions of the relevant rental agreements to be entered into between any member of the Group and any member of the GDPS Group.

Payment term : The Group shall settle the monthly rental payments to the GDPS Group.

Pricing basis : The rental in respect of the leasing of warehouses, offices, car parks and staff quarter will be determined based on arm's length negotiation between the parties with reference to the prevailing market rates of local properties in the proximity of the aforesaid premises with similar scale and quality. For renewal of rental of the premises, the Group will obtain two listings of other comparable premises. The Group will compare the information obtained to ensure the quotation and terms offered by GDPS Group is no less favourable than those quoted by Independent Third Parties.

6. Master Vessels Rental Agreement

Date : 30 November 2021

Period : From 1 January 2022 to 31 December 2024

Parties : (i) GDPS
(ii) the Company

Nature of transaction : Pursuant to the Master Vessels Rental Agreement, the GDPS Group agrees to (i) lease its cargo vessels (inclusive of related expenses for operating the cargo vessels but excluding fuel charge) to the Group; and (ii) provide non-scheduled vessel space or charter vessels for transportation of cargo between the PRC and Hong Kong to the Group, at the request of any member of the Group from time to time in accordance with the terms and conditions of the relevant vessels rental agreements to be entered into between members of the Group and members of the GDPS Group.

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

Pricing basis : The rental in respect of the leasing of cargo vessels will be determined with reference to the prevailing market rental of cargo vessels and the cost of related expenses for operating the cargo vessels but excluding fuel charge, while the services fee in respect of the provision of non-scheduled vessel space or charter vessels will be based on the cargo space and the destination of transportation. The rental and services fee are based on the number of monthly routes and the fee per each route, which will be determined by shipping tons and capacity of the cargo vessels. The Group will obtain quotations from two cargo vessel providers who are Independent Third Parties operating in similar scale to the GDPS Group operating similar routes when entering into separate agreements with respect to the individual transactions contemplated under the Master Vessels Rental Agreement to ensure the terms under the Master Vessels Rental Agreement are no less favourable than the terms available from the Independent Third Parties.

7. Master Ferries Rental Agreement

Date : 30 November 2021

Period : From 1 January 2022 to 31 December 2024

Parties : (i) GDPS
(ii) the Company

Nature of transaction : Pursuant to the Master Ferries Rental Agreement, the GDPS Group agrees to lease its ferries to the Group at the request of any member of the Group from time to time in accordance with the terms and conditions of the relevant ferry rental agreements to be entered into between members of the Group and members of the GDPS Group.

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

Pricing basis : The rental in respect of the leasing of ferries will be determined by the size and capabilities of the ferries, the number of chartered trips and prevailing market rental of ferries. The Group will obtain at least two quotations on rental rates from ferries rental providers who are Independent Third Parties providing services to other customers (with scale similar to the Group) operating similar chartered trips when entering into separate agreements with respect to the individual transactions contemplated under the Master Ferries Rental Agreement to ensure the leasing of ferries under the Master Ferries Rental Agreement are in accordance with prevailing market rates and the terms are no less favourable than those available from the Independent Third Parties.

8. *Master Cargo Warehousing Agreement*

Date : 30 November 2021

Period : From 1 January 2022 to 31 December 2024

Parties : (i) GDPS
(ii) the Company

Nature of transaction : Pursuant to the Master Cargo Warehousing Agreement, any member of the Group agrees at the request of any member of the GDPS Group to provide the cargo warehousing services to any member of the GDPS Group from time to time in accordance with the terms and conditions of the relevant cargo warehousing agreements to be entered into between any member of the Group and any member of the GDPS Group.

Payment term : The GDPS Group shall pay within the month after each month end upon confirming the payment amounts with the Group.

Pricing basis : The fee in respect of the provision of the cargo warehousing services will be determined by the contract parties at the time of entry into the relevant service agreements with reference to the weight and type of cargo, mode of transport, type of storage space required and operation fees. The fee quoted by the Group will be similar to the fee provided to Independent Third Parties operating in similar scale when entering into the relevant agreements contemplated under the Master Cargo Warehousing Agreement to ensure the terms under the Master Cargo Warehousing Agreement are no more favourable than the terms available to the Independent Third Parties.

B. Non-exempt Continuing Connected Transactions

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

1. Master Fuel Supply Agreement

- Date** : 30 November 2021
- Period** : From 1 January 2022 to 31 December 2024
- Parties** : (i) GDPS
(ii) the Company
- 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.
- 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 the provision of diesel, depending on the term of supply and the size of customers, the pricing policy of the Group is briefly described as follows:
- (a) (i) the aggregate sum of the monthly average spot price for diesel as quoted in the Singaporean market and (ii) the warehouse and transportation fees charged by the diesel supplier(s) plus an operational handling fees; or
 - (b) based on the spot settlement price for diesel as quoted in the Singaporean market on the date preceding the supply of diesel, and with reference to the trends of the change in the Brent Crude Oil price and the selling price of diesel as quoted by one of the largest diesel suppliers in Hong Kong.

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

The price of the diesel and lubricants offered by the Group to the GDPS Group will be on terms no more favorable than the terms available to 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.

2. Master Transportation Agreement

Date	: 30 November 2021
Period	: From 1 January 2022 to 31 December 2024
Parties	: (iii) GDPS (iv) the Company
Nature of transaction	: Pursuant to the Master Transportation Agreement, the GDPS Group agrees to provide (i) shipping transportation services; (ii) hauling and trucking services; (iii) wharf cargo handling services; and (iv) cargo agency services between Hong Kong and the PRC to the Group at the request of any member of the Group from time to time in accordance with the terms and conditions of the relevant transportation agreements to be entered into between members of the Group and members of the GDPS Group.
Payment term	: The Group shall pay within 15 days after each month end upon confirming the payment amounts with the GDPS Group.
Pricing basis	: The services fee will be determined based on the destination of transportation, size and weight of the cargo and the number of cargos. The Master Transportation Agreement involves provision of cargo transportation and related services at relevant cargo terminals and the relevant cargo terminals will charge a published rate for the provision of similar (i) shipping transportation services; (ii) hauling and trucking services; (iii) wharf cargo handling services; and (iv) cargo agency services between Hong Kong and the PRC. As the fees and terms charged by the relevant cargo terminals are based on a published rate, it shall be on terms no less favourable to the Group than the terms available to Independent Third Parties.

III. HISTORICAL ANNUAL CAPS AND TRANSACTION AMOUNTS

The following table summarizes (i) the historical annual caps of the continuing connected transactions contemplated under the Existing Master Agreements for each of the three years ended or ending 31 December 2019, 2020 and 2021; and (ii) the historical transaction amounts for each of the two financial years ended 31 December 2019 and 2020 and for the nine months ended 30 September 2021:

	For the years ended 31 December				For the year ending	For the nine months ended
	2019		2020		31 December 2021	30 September 2021
						(unaudited)
	Historical	Historical	Historical	Historical		Historical
	annual cap	transaction amount	annual cap	transaction amount	Annual cap	transaction amount
	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000	HK\$'000
Exempt Continuing Connected Transactions						
Master Passenger Transportation						
Agency Services Agreement	15,000	6,558	16,000	635	17,000	-
Master Ferry Technical Support						
Agency Services Agreement	10,000	3,949	11,000	1,947	12,000	8,238
Master Ferry Terminal Luggage Facilities and Handling						
Services Agreement	6,000	3,801	6,500	303	7,000	-
Master Sub-baggage Handling						
Services Agreement	8,000	4,414	8,500	266	9,000	29
Master Rental Agreement	22,000	16,324	22,000	18,609	22,000	13,270
Master Vessels Rental Agreement	35,000	28,772	37,000	35,508	39,000	27,630
Master Ferries Rental Agreement	3,500	379	3,800	3,341	8,000	4,423
Master Cargo Warehousing Agreement	-	-	-	-	-	-
Non-exempt Continuing Connected Transactions						
Master Fuel Supply Agreement	145,000	84,792	166,000	20,583	182,000	39,190
Master Transportation Agreement	63,000	58,516	66,000	53,401	70,000	38,069

IV. PROPOSED ANNUAL CAPS

The following table summarizes the proposed annual caps of the Continuing Connected Transactions for each of the three financial years ending 31 December 2022, 2023 and 2024:

	For the years ending 31 December		
	2022	2023	2024
	HK\$'000	HK\$'000	HK\$'000
<i>Exempt Continuing Connected Transactions</i>			
Master Passenger Transportation Agency Services Agreement	9,000	12,000	15,000
Master Ferry Technical Support Agency Services Agreement	19,000	21,000	23,000
Master Ferry Terminal Luggage Facilities and Handling Services Agreement	4,400	5,800	6,600
Master Sub-baggage Handling Services Agreement	5,500	7,500	8,500
Master Rental Agreement	28,000	28,000	28,000
Master Vessels Rental Agreement	48,000	51,000	53,000
Master Ferries Rental Agreement	7,000	7,800	8,800
Master Cargo Warehousing Agreement	3,600	3,800	4,000
<i>Non-exempt Continuing Connected Transactions</i>			
Master Fuel Supply Agreement	182,000	184,000	185,000
Master Transportation Agreement	74,000	78,000	82,000

V. REASONS FOR AND BENEFITS OF THE NEW MASTER AGREEMENTS

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

The 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) leasing of properties.

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

VI. BASIS OF DETERMINATION OF THE PROPOSED ANNUAL CAPS

In determining the proposed annual caps of the Continuing Connected Transactions for each of the three years ending 31 December 2022, 2023 and 2024, the Board has (i) reviewed the historical performance of the Group; and (ii) discussed with the management of GDPS Group in relation to their future expansion plan.

The Board has taken into consideration the following factors in determining the proposed annual caps of the Continuing Connected Transactions for each of the three years ending 31 December 2022, 2023 and 2024:

- (i) the historical transactions of the Continuing Connected Transactions for each of the two years ended 31 December 2019 and 2020 and for the nine months ended 30 September 2021, some of which involving cross border tourist passengers has been severely affected by the recent COVID-19 epidemic. However, the Board expects the situation will normalised once the border between Hong Kong and the PRC opens up in the future;
- (ii) the recent performance and business plan of the Group;

- (iii) the expected number of visitors travelling between Hong Kong and the PRC in respect of the Master Passenger Transportation Agency Services Agreement, the Master Ferry Technical Support Agency Services Agreement, the Master Ferry Terminal Luggage Facilities and Handling Services Agreement and the Master Sub-baggage Handling Services Agreement;
- (iv) the condition of ferries in respect of the Master Ferry Technical Support Agency Services Agreement;
- (v) the expected growth in the river trade transportation volume in the Pearl River Delta Region in respect of the Master Vessels Rental Agreement and the Master Transportation Agreement;
- (vi) the historical and expected rentals paid by the Group to the GDPS Group for the leased properties and expected requirement of the Group to lease properties from the GDPS Group in respect of the Master Rental Agreement;
- (vii) the expected increase in rental cost and the number of vessels provided by the GDPS Group in respect of the Master Vessels Rental Agreement and the Master Ferries Rental Agreement;
- (viii) goods sales turnover of the GDPS Group in respect of the Master Cargo Warehousing Agreement;
- (ix) the trend of the change in the selling price of diesel in respect of the Master Fuel Supply Agreement;
- (x) the expected growth of Hong Kong and the PRC economy and business outlook of freight and passenger transportation businesses; and
- (xi) the expected inflation rates in Hong Kong and the PRC.

VII. INTERNAL CONTROL PROCEDURES ON THE PRICING BASIS OF THE CONTINUING CONNECTED TRANSACTIONS

In order to ensure that (i) the terms offered in the Continuing Connected Transactions are (a) not more favourable than those terms offered to Independent Third Parties or (b) not less favourable to the Group than those offered by Independent Third Parties; and (ii) the annual caps of the transactions contemplated under the New Master Agreements are not exceeded, the Company implemented the following procedures supervising the 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 Continuing Connected Transactions pursuant to its internal control manual and procedures;

- (iii) the internal audit department of the Company will periodically review and inspect the process of the Continuing Connected Transactions under the New Master Agreements;
- (iv) the finance department of the Company will collect statistics and report to management regularly of the Continuing Connected Transactions contemplated under the New Master Agreements to ensure the respective annual caps approved by the Board and/or the Independent Shareholders are not exceeded;
- (v) external professional adviser had been engaged in 2017 to review and provide advice on the internal control procedures for connected transactions (including continuing connected transactions) and to review continuing connected transactions of the Group, all the advices were adopted in 2018;
- (vi) the auditor of the Company reviews the statistics of the Continuing Connected Transactions on an annual basis in compliance with the annual reporting and review requirements under the Listing Rules; and
- (vii) the independent non-executive Directors will perform an annual review on the Continuing Connected Transactions pursuant to Rule 14A.55 of the Listing Rules.

The Directors consider that the Company has established sufficient internal control measures to ensure the New Master Agreements, 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.

VIII. LISTING RULES IMPLICATIONS

As at the date of this announcement, GDPS indirectly holds approximately 70% of the total issued share capital of the Company, GDPS is therefore 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 of the Exempt Continuing Connected Transactions are more than 0.1% but less than 5% on an annual basis, the Exempt Continuing Connected Transactions are subject to reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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

As at the date of this announcement, Mr. Liu Guanghui, Mr. Wu Qiang, being the executive Directors and Ms. Zhong Yan, being the non-executive Director, are also the directors of CKSE. As at the date of this announcement, Mr. Liu Wuwei, being the executive Director is also the director of subsidiaries of GDPS. Each of Mr. Liu Guanghui, Mr. Wu Qiang, Mr. Liu Wuwei and Ms. Zhong Yan, is being regarded as having 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.

An Independent Board Committee, comprising all the independent non-executive Directors, namely, Mr. Chan Kay-cheung, Ms. Yau Lai Man, Mr. Chow Bing Sing has been formed to consider, and to advise the Independent Shareholders as to whether the Non-exempt Continuing Connected Transactions and the proposed annual caps contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and its Shareholders as a whole.

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 contemplated thereunder.

IX. GENERAL MEETING

A General Meeting will be convened and held to consider and if thought fit, to approve the Master Fuel Supply Agreement and the Master Transportation Agreement, the proposed annual caps and the transactions contemplated thereunder. CKSE and its associates are required to abstain from voting on the resolutions to be proposed at the General Meeting.

X. CIRCULAR

A circular containing, among others, (i) further information on the Non-exempt Continuing Connected Transactions; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the General Meeting, will be despatched to the Shareholders as soon as practicable in accordance with the Listing Rules, which is currently expected to be on or before 14 December 2021.

XI. INFORMATION ON THE GROUP

The Group is mainly engaged in the operation and management of river trade cargo terminals in the 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 Macau; provision of ferry services in Hong Kong; and provision of diesel and lubricants for passenger ferries and cargo vessels in Hong Kong.

XII. INFORMATION ON 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.

DEFINITIONS

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

“associates”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors
“CKSE”	Chu Kong Shipping Enterprises (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability, the controlling Shareholder that holds approximately 70% of the total issued shares of the Company as at the date of this announcement and a wholly-owned subsidiary of GDPS
“Company”	Chu Kong Shipping Enterprises (Group) Company Limited (stock code: 00560), a company incorporated in Hong Kong with limited liability under the Companies Ordinance and the shares of which are listed on the main board of the Stock Exchange
“connected person(s)”	has the meanings ascribed to it under the Listing Rules
“Continuing Connected Transactions”	the Exempt Continuing Connected Transactions and the Non-exempt Continuing Connected Transactions
“controlling shareholder(s)”	has the meanings ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Exempt Continuing Connected Transactions”	the continuing connected transactions entered into between the Company and GDPS pursuant to the Master Passenger Transportation Agency Services Agreement, the Master Ferry Technical Support Agency Services Agreement, the Master Ferry Terminal Luggage Facilities and Handling Services Agreement, the Master Sub-baggage Handling Services Agreement, the Master Rental Agreement, the Master Vessels Rental Agreement, the Master Ferries Rental Agreement and the Master Cargo Warehousing Agreement, which are subject to reporting, annual review and announcement requirements and exempt from the independent shareholders’ approval requirements under Chapter 14A of the Listing Rules

“Existing Master Agreements”	the master passenger transportation agency services agreement, the master ferry technical support agency services agreement, the master ferry terminal luggage facilities and handling services agreement, the master sub-baggage handling services agreement, the master rental agreement, the master vessels rental agreement, the master ferries rental agreement, the master fuel supply agreement and the master transportation agreement entered into between the Company and GDPS dated 12 October 2018 for the term commencing from 1 January 2019 and expiring on 31 December 2021, details of which are summarised in the announcement of the Company dated 12 October 2018
“Ferry Technical Support Agency Services”	the ferry technical support agency services provided by any member of the GDPS Group which include, among others, (a) ferry technical support services; (b) regular ferries maintenance and repairs; and (c) emergency ad-hoc repair
“GDPS”	廣東省港航集團有限公司 (Guangdong Provincial Port & Shipping Group Company Limited*), formerly known as 廣東省航運集團有限公司 (Guangdong Province Navigation Group Company Limited*), a state-owned enterprise established under the laws of the PRC, which indirectly holds 70% of the total issued shares of the Company as at the date of this announcement
“GDPS Group”	GDPS, its subsidiaries and associates (other than the Group)
“General Meeting”	the general meeting to be convened and held by the Company to consider and if, thought fit, approve the Master Fuel Supply Agreement and the Master Transportation Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all its independent non-executive Directors, namely Mr. Chan Kay-cheung, Ms. Yau Lai Man and Mr. Chow Bing Sing, formed to advise the Independent Shareholders on the terms of the Non-exempt Continuing Connected Transactions and the proposed annual caps contemplated thereunder
“Independent Financial Adviser”	the independent financial adviser to the Independent Board Committee and the Independent Shareholders with regard to the terms of the Master Fuel Supply Agreement and the Master Transportation Agreement 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)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Macau”	the Macau Special Administrative Region of the PRC
“Master Cargo Warehousing Agreement”	the agreement dated 30 November 2021 entered into between the Company and GDPS regarding the provision of cargo warehousing services to the GDPS Group
“Master Ferries Rental Agreement”	the agreement dated 30 November 2021 entered into between the Company and GDPS regarding the leasing of ferries by the GDPS Group to the Group
“Master Ferry Technical Support Agency Services Agreement”	the agreement dated 30 November 2021 entered into between the Company and GDPS regarding the provision of Ferry Technical Support Agency Services by the GDPS Group to the Group
“Master Ferry Terminal Luggage Facilities and Handling Services Agreement”	the agreement dated 30 November 2021 entered into between the Company and GDPS regarding the provision of ferry terminal luggage facilities and handling services at the Relevant Terminal by the GDPS Group to the Group
“Master Fuel Supply Agreement”	the agreement dated 30 November 2021 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
“Master Passenger Transportation Agency Services Agreement”	the agreement dated 30 November 2021 entered into between the Company and GDPS regarding the provision of Passenger Transportation Agency Services by the Group to the GDPS Group by acting as agent for the GDPS Group
“Master Rental Agreement”	the agreement dated 30 November 2021 entered into between the Company and GDPS regarding the leasing of premises by the Group from the GDPS Group
“Master Sub-baggage Handling Services Agreement”	the agreement dated 30 November 2021 entered into between the Company and GDPS regarding the provision of baggage handling services at the Relevant Terminal by the Group to the GDPS Group

“Master Transportation Agreement”	the agreement dated 30 November 2021 entered into between the Company and GDPS regarding the provision of (i) shipping transportation services; (ii) hauling and trucking services; (iii) wharf cargo handling services; and (iv) cargo agency services between Hong Kong and the PRC by the GDPS Group to the Group
“Master Vessels Rental Agreement”	the agreement dated 30 November 2021 entered between the Company and GDPS regarding the leasing of cargo vessels (inclusive of related expenses for operating the cargo vessels but excluding fuel charge) and the provision of non-schedule vessel space or charter vessels for transportation of cargo between the PRC and Hong Kong by the GDPS Group to the Group
“New Master Agreements”	including the Master Passenger Transportation Agency Services Agreement, the Master Ferry Technical Support Agency Services Agreement, the Master Ferry Terminal Luggage Facilities and Handling Services Agreement, the Master Sub-baggage Handling Services Agreement, the Master Rental Agreement, the Master Vessels Rental Agreement, the Master Ferries Rental Agreement, the Master Cargo Warehousing Agreement, the Master Fuel Supply Agreement and the Master Transportation Agreement
“Non-exempt Continuing Connected Transactions”	the continuing connected transactions contemplated under the Master Fuel Supply Agreement and the Master Transportation Agreement
“Passenger Transportation Agency Services”	the provision of agency services for ferries operating in Hong Kong waterways for passenger transport
“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 other than the profits ratio and the equity capital ratio
“PRC”	the People’s Republic of China, which for the purpose of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Relevant Terminal”	the ferry terminal located in Hong Kong which any member of the GDPS Group is appointed and authorised by the relevant government authorities to provide the ferry terminal luggage facilities and handling services
“Share(s)”	the ordinary share(s) in the share capital of the Company
“Shareholder(s)”	holders of the Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“%”	percent

By Order of the Board
Chu Kong Shipping Enterprises (Group) Co., Ltd.
Liu Guanghui
Chairman

Hong Kong, 30 November 2021

As at the date of this announcement, the Company’s executive directors are Mr. Liu Guanghui, Mr. Wu Qiang 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 and Mr. Chow Bing Sing.

** For identification purposes only*