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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.

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

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO THE ACQUISITION OF 40% OF  
THE TOTAL ISSUED SHARE CAPITAL OF  
THE TARGET COMPANY;  
AND  
(2) NOTICE OF GENERAL MEETING**

**Independent Financial Adviser**

**FRONT+PAGE 富比**

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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 13 of this circular. A letter from the Independent Board Committee is set out on page 14 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 25 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 Friday, 31 December 2021 at 10:00 a.m. is set out on pages 30 to 31 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 Level 54, Hopewell Centre, 183 Queen's Road East, 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 or adjourned meeting 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.

**PRECAUTIONARY MEASURES FOR THE GENERAL MEETING**

To protect the attending Shareholders, staff and stakeholders from the risk of infection of novel coronavirus (“**COVID-19**”), the Company will implement certain precautionary measures at the General Meeting against the pandemic. Please refer to the section “Precautionary Measures for the General Meeting”.

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## PRECAUTIONARY MEASURES FOR THE GENERAL MEETING

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In view of the ongoing COVID-19 pandemic, the Company will implement the following precautionary measures at the General Meeting to protect attending Shareholders, staff and stakeholders from the risk of infection:

- (a) compulsory body temperature screening/checks will be conducted for each attendee at each entrance of the General Meeting venue. Any attendee with a body temperature of over 37.4 degrees Celsius may be denied entry into the General Meeting venue or be required to leave the General Meeting venue;
- (b) each attendee must wear a surgical face mask throughout the General Meeting and inside the General Meeting venue;
- (c) distance between seats will be arranged in the General Meeting venue to ensure proper social distancing and each attendee will be assigned to a designated seating area; and
- (d) no refreshment will be served, and no corporate gift will be distributed.

To the extent permitted under law, the Company reserves the right to deny entry into the General Meeting venue or require any person to leave the General Meeting venue in order to ensure the safety of the attendees at the General Meeting.

In the interest of all stakeholders' health and safety and consistent with the latest COVID-19 guidelines for prevention and control, the Company reminds all Shareholders that physical attendance in person at the General Meeting is not necessary for the purpose of exercising voting rights. As an alternative, by using proxy forms with voting instructions inserted, Shareholders may appoint the chairman of the General Meeting as their proxy to vote on the relevant resolution at the General Meeting instead of attending the General Meeting in person.

The proxy form is attached to this circular for Shareholders who opt to receive physical circulars. Alternatively, the proxy form can be downloaded from the Company's website at [www.cksd.com](http://www.cksd.com). If you are not a registered Shareholder (if your shares are held via banks, brokers, custodians or the Hong Kong Securities Clearing Company Limited), you should consult directly with your banks or brokers or custodians (as the case may be) to assist you in the appointment of proxy.

If Shareholders have any questions relating to the General Meeting, please contact Tricor Tengis Limited, the Company's share registrar as follows:

Tricor Tengis Limited  
Level 54, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.  
Email: [is-enquiries@hk.tricorglobal.com](mailto:is-enquiries@hk.tricorglobal.com)  
Tel: (852) 2980 1333

Subject to the development of the COVID-19, the Company may implement further changes and precautionary measures in relation to the General Meeting arrangements at short notice to comply with the requirements of the Hong Kong government. Shareholders are reminded to check the Company's website at regular intervals for further announcements and updates on the General Meeting arrangements. For the avoidance of doubt, the Company reserves the right to change the conditions in relation to the General Meeting in the event of changes in government regulations and non-adherence to any government regulations and/or precautionary measures in relation to the General Meeting arrangements by attendees at the General Meeting.

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## DEFINITIONS

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*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
“Companies Ordinance”	Companies Ordinance, Chapter 622 of the Laws of Hong Kong
“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
“controlling shareholder(s)”	has the meanings ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“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 and indirectly wholly-owns the Vendor as at the Latest Practicable Date
“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 Friday, 31 December 2021 at 10:00 a.m., Hong Kong for the Independent Shareholders to consider and, if thought fit, approve the Sale and Purchase 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”	an independent committee of the Board comprising all its independent non-executive Directors, namely Mr. Chan Kay-cheung, Ms. Yau Lai Man, Mr. Chow Bing Sing has been formed to advise the Independent Shareholders on the Sale and Purchase Agreement and the transactions contemplated thereunder

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## DEFINITIONS

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“Independent Financial Adviser”	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 on the Sale and Purchase Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders who are independent of and have no interest in the Acquisition
“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”	13 December 2021, 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
“Long Stop Date”	31 December 2021 or such other later date as agreed between the Vendor and the Company in writing
“Percentage Ratios”	the percentage ratios, other than the profits ratio and the equity capital ratio, under Rule 14.07 of the Listing Rules as calculated on an annual basis
“PRC”	the People’s Republic of China, which for the purpose of this circular, excludes Hong Kong, Macau and Taiwan
“Sale and Purchase Agreement”	the sale and purchase agreement dated 30 November 2021 and entered into between the Company as the purchaser and the Vendor in relation to the Acquisition
“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

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## DEFINITIONS

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“Target Company”	Sun Ferry Services Company Limited (formerly known as New World First Ferry Services Limited), a company incorporated in the British Virgin Islands with limited liability whose total issued share capital are legally and beneficially owned as to 40% by the Vendor and 60% by the Company
“Valuation Date”	30 September 2021, being the valuation date of the valuation report prepared by an independent professional valuer on the valuation for the total issued share capital of the Target Company
“Vendor”	Chu Kong Shipping Enterprises (Holdings) Company Limited, a company incorporated in Hong Kong with limited liability and is the controlling shareholder of the Company, holding approximately 70% of its total issued share capital
“%”	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*

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## LETTER FROM THE BOARD

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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)**

*Executive Directors*

Mr. Liu Guanghui (*Chairman*)  
Mr. Wu Qiang (*General Manager*)  
Mr. Liu Wuwei

*Non-executive Director*

Ms. Zhong Yan

*Independent Non-executive Directors*

Mr. Chan Kay-cheung  
Ms. Yau Lai Man  
Mr. Chow Bing Sing

*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

15 December 2021

*To the Shareholders*

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTION  
IN RELATION TO THE ACQUISITION OF 40% OF  
THE TOTAL ISSUED SHARE CAPITAL OF  
THE TARGET COMPANY;  
AND  
(2) NOTICE OF THE GENERAL MEETING**

**INTRODUCTION**

References are made to the announcement of the Company dated 30 November 2021, in relation to, amongst others, the entering into the Sale and Purchase Agreement between the Company as purchaser and the Vendor on 30 November 2021, pursuant to which the Company as the purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell 40% of the total issued share capital of the Target Company at a consideration of HK\$152,000,000.

The purpose of this circular is to provide you with, among other things (i) further information on the Acquisition; (ii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the Acquisition; (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.

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## LETTER FROM THE BOARD

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### SALE AND PURCHASE AGREEMENT

The principal terms of the Sale and Purchase Agreement are summarized as follows:

**Date** : 30 November 2021 (after trading hours)

**Parties** : (1) Chu Kong Shipping Enterprises (Group) Company Limited as the purchaser;  
and

(2) Chu Kong Shipping Enterprises (Holdings) Company Limited as the vendor.

As at the Latest Practicable Date, Chu Kong Shipping Enterprises (Holdings) Company Limited, the Vendor, is the controlling shareholder of the Company, holding approximately 70% of the total issued share capital of the Company. As such, the Vendor is a connected person of the Company under Chapter 14A of the Listing Rules.

### Consideration

The Consideration of HK\$152,000,000, which values the Target Company at approximately HK\$380,000,000 was arrived after arm's length negotiations between the Company and the Vendor after taking into account, inter alia,

- (i) the business development and future prospects of the Target Company;
- (ii) the historical financial performance and the existing brand reputation of the Target Company; and
- (iii) the fair market value of the total equity share capital of the Target Company as of the Valuation Date, as determined by adopting the market approach as set out in a valuation report prepared by an independent professional valuer to be approximately between HK\$380,230,000 and HK\$401,141,000.

Other factors considered are set out in the section headed "Reasons for and Benefits of the Acquisition" below.



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## LETTER FROM THE BOARD

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The Company has appointed WeValue Advisory Limited (the “**Valuer**”), a company engaged in providing professional independent valuation services, whose principal was previously a director of the valuation and modeling team of a major accounting firm. According to the valuation report, the Valuer adopted the market-based approach in arriving at the fair market value of the Target Company, by identifying four listed comparable companies (the “**Valuer Comparable Companies**”) based on the criteria that (i) the companies are listed on a major stock exchange; (ii) the companies have a Standard Industrial Classification code of water transportation; and (iii) the companies are in the business of passenger ferry transportation.

Below are some key information extracted from the valuation report prepared by the Valuer:

### Details of Valuer Comparable Companies

No.	Valuer Comparable Companies	Stock Code	Principal Business	Market Cap (HK\$ million)	Net Profit (HK\$ million)	Enterprise Value (HK\$ million)	EBITDA (past twelve months) (HK\$ million)	EV/EBITDA
1	Bohai Ferry Group Co., Ltd.	SHSE: 603167	Principally engaged in ferry services, transportation, freight transportation, roll on/roll off transportation, travel agency business and other services in Mainland China	4,716	305	5,936	462	12.8
2	DFDS A/S	CPSE: DFDS	Principally engaged in ferry passenger transport services, freight transport services in Northern Europe and Mediterranean	23,764	1,005	38,270	3,824	10.0
3	Raja Ferry Port Public Company Limited (Note 1)	SET: RP	Principally engaged in ferry services for passengers and transportation in Thailand	119	(29)	189	4	52.0
4	Attica Holdings S.A. (Note 1)	ATSE: ATTICA	Principally engaged in passenger shipping, travel agency and cargo services in Europe	2,025	(185)	5,367	258	20.8

*Note 1:* The Valuer is of the view that as the Valuer Comparable Companies no.3 and no.4’s EBITDA trailing twelve months has declined rapidly with a net loss, which resulted in the EV/EBITDA of the Valuer Comparable Companies no.3 and no.4 deviated significantly from the norm, they are excluded from the calculation of average EV/EBITDA.

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## LETTER FROM THE BOARD

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Summary of calculation of the valuation of the Target Company

	<b>Low End Value</b> <i>(HK\$ thousands)</i>	<b>High End Value</b> <i>(HK\$ thousands)</i>
<b>EBITDA of the Target Company</b> (twelve months ended on the Valuation Date) ( <i>Note 1</i> )	39,226	39,226
Average EV/EBITDA from Comparable Companies ( <i>Note 2</i> )	11.4x	11.4x
<b>Enterprise value</b>	448,221	448,221
Adjustment: Liabilities	(30,000)	(30,000)
<b>100% share capital value prior to adjustments</b>	418,221	418,221
Discount for lack of marketability ( <i>Note 3</i> )	20%	15%
<b>100% share capital value after lack of marketability adjustments</b>	334,577	355,488
Adjustment: Cash and bank balances	43,910	43,910
Adjustment: Changes in financial assets accounted in comprehensive income	1,743	1,743
<b>100% share capital value</b>	380,230	401,141

*Note 1:* = Net Profit of the Target Company (twelve months ended on the Valuation Date) + Profit Tax + Finance costs + Exchange rate loss - Dividend Income + Depreciation + loss on disposal of fixed assets – one-off government subsidies

= HK\$27,107,000 + HK\$3,580,000 + HK\$578,000 + HK\$5,000 – HK\$131,000 + HK\$16,785,000 + HK\$6,000 – HK\$8,704,000

*Note 2:* Average of the EV/EBITDA of Valuer Comparable Companies no.1 and no.2 (average of 12.8 and 10.0)

*Note 3:* The discount for lack of marketability from Stoute Restricted Stock Study Companion Guide 2020 Edition issued by Stout Risius Ross, LLC

The Consideration shall be payable by the Company to the Vendor in cash upon Completion, financed by internal resources of the Group.

### Condition precedent

Unless otherwise agreed by the Company and the Vendor, Completion is conditional upon the following conditions precedent being satisfied on or before the Long Stop Date:–

- (a) the representations, warranties and undertakings given by the Vendor in the Sale and Purchase Agreement remain true and are not breached;
- (b) the Vendor having obtained all necessary authorisations including board resolutions and shareholder's resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereof;

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## LETTER FROM THE BOARD

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- (c) the Company having obtained all necessary authorisations including board resolutions and shareholder's resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereof;
- (d) the Company and the Vendor are not materially in breach of any terms and conditions of the Sale and Purchase Agreement;
- (e) all applicable legal and regulatory requirements have been complied, and all necessary approval and permit from the regulatory authorities, including but not limited to the Stock Exchange, the Securities and Futures Commission, for the transactions contemplated under the Sale and Purchase Agreement have been obtained, if necessary;
- (f) the Company shall provide an additional loan to the Target Company in the amount of no less than HK\$12,000,000;
- (g) the Target Company has fully repaid to the Vendor the outstanding shareholder's loan HK\$12,000,000 as agreed between the parties to the Sale and Purchase Agreement; and
- (h) no material adverse change has occurred to the financial, assets, operation and business positions of the Target Company before and up to the Completion Date.

Pursuant to conditions precedent (f), the Company shall provide an additional loan to the Target Company of the amount of no less than HK\$12,000,000. Taking into account that the Target Company shall become a direct wholly-owned subsidiary of the Company and that the purpose of the additional loan and the respective amount is to ensure that the Target Company shall maintain sufficient working capital for its business operations after its repayment of the outstanding shareholder's loan of HK\$12,000,000 to the Vendor, the Company considered that the additional loan is fair and reasonable and in the interests of the Company and its shareholders as a whole.

As at the Latest Practicable Date, none of the conditions precedent has yet been satisfied. The parties to the Sale and Purchase Agreement shall use its best endeavours (so far as it lies within their powers) to procure the satisfaction of the conditions precedent as soon as reasonable practicable and in any event before the Long Stop Date.

None of the conditions precedent are capable of being waived and Completion shall not proceed unless all conditions precedent has been satisfied. If any of the conditions precedent have not been satisfied at or before 5:00 p.m. on the Long Stop Date, then, unless otherwise agreed in writing between the parties, the Sale and Purchase Agreement and its terms and conditions will immediately and automatically terminate, in which case, no party to the Sale and Purchase Agreement shall have any further obligations or liabilities under or arising from the Sale and Purchase Agreement.

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## LETTER FROM THE BOARD

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### **Completion**

Upon fulfilment of the conditions precedent pursuant to the Sale and Purchase Agreement, Completion shall take place on the Completion Date at such time, date and place in Hong Kong as the Vendor and the Company may agree in writing. Upon Completion, the Target Company will become a direct wholly-owned subsidiary of the Company.

### **INFORMATION ON THE PARTIES**

#### **Information on the Company**

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 Macau; the operation and management of river trade cargo terminals in the PRC and Hong Kong; and cargo transportation, warehousing and storage businesses; 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. As at the Latest Practicable Date, the Company holds 60% of the total issued share capital of the Target Company.

#### **Information on the Vendor**

The Vendor is a company incorporated in Hong Kong with limited liability and is the controlling shareholder of the Company holding approximately 70% of its total issued share capital. The Vendor is indirectly wholly owned by GDPS, which is a state-owned enterprise established under the laws of the PRC. The Vendor operates a wide variety of businesses including (1) acting as an agent of ferry tickets for passenger transportation between Hong Kong and various ports in the Pearl River Delta Region, (2) passenger ferry operation between Hong Kong, Macau and the Pearl River Delta Region; river trade transportation of cargoes between Guangdong Province, Hong Kong, and Macau, (3) ship repair and maintenance services, (4) duty free goods and shops operations and oil supply services, (5) tourism business, (6) highway infrastructure investment and (7) property development. As at the Latest Practicable Date, the Vendor holds 40% of the total issued share capital of the Target Company.

#### **Information on the Target Company**

The Target Company, Sun Ferry Services Company Limited (formerly known as New World First Ferry Services Limited), is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in operation of inner harbour and outlying island ferry routes in Hong Kong. On 4 May 2020, the Company entered into a sale and purchase agreement to acquire 60% of the total issued share capital of the Target Company from New World First Holdings Limited. For further details, please refer to the announcement of the Company dated 4 May 2020.

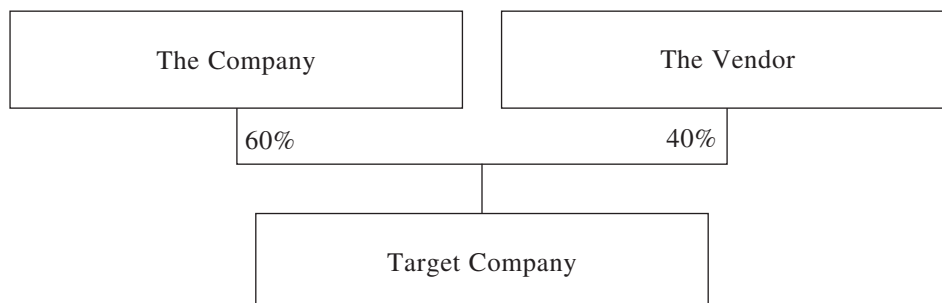
On 4 December 2020, the Vendor entered into an agreement to acquire the remaining 40% of the total issued share capital of the Target Company from New World First Holdings Limited at a consideration of HK\$142,784,000. As at the Latest Practicable Date, the Target Company are owned as to 60% by the Company and 40% by the Vendor.

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## LETTER FROM THE BOARD

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### *The shareholding structure of the Target Company as at the Latest Practicable Date*



### *Financial information of the Target Company*

Set out below is the financial information of the Target Company for the two financial years ended 30 June 2020 and 30 June 2021:

	For the financial year ended 30 June	
	2020	2021
	(audited) HK\$	(unaudited) HK\$
Net profit before tax	31,427,783	26,550,075
Net profit after tax	28,997,773	25,558,175

The unaudited net asset value of the Target Company as at 30 June 2021 was approximately HK\$40,832,860. The original acquisition costs of 40% of the total issued share capital of the Target Company by the Vendor was HK\$142,784,000, which was completed on the 8 December 2020.

### **REASONS FOR AND BENEFITS OF THE ACQUISITION**

Since the initial acquisition of the 60% of the total issued share capital of the Target Company on 4 May 2020, the principal business of the Target Company, being the operation of inner harbour and outlying island ferry routes in Hong Kong, has well complemented the existing business of the Group. Since the initial acquisition, the Target Company performance has remained stable and aligned with the Group's strategy to increase its foothold in the passenger transportation business. Since the initial acquisition, the operating performance of the Target Company has remained stable, and the Acquisition shall serve as a continuation of the Group's strategy.

Upon completion of the Acquisition, the Target Company shall become a direct wholly-owned subsidiary of the Company, which the Board believes will help increase the efficiency in the management decision making process of the Target Company, reduce management costs and allow the Company to obtain the full economic benefit derived from the Target Company and its future business development.

In view of the above, the Directors (including the members of the Independent Board Committee who express their view after considering the advice from the Independent Financial Adviser) are of the view that the transactions contemplated under the Sale and Purchase Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios with respect to the Acquisition calculated by reference to Rule 14.07 of the Listing Rules exceed 5% but all of them are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Rule 14.06(2) of the Listing Rules and is subject to reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, the Vendor holds approximately 70% of the total issued share capital of the Company and hence the Vendor is a connected person of the Company. Therefore, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable Percentage Ratios with respect to the Acquisition exceeds 5%, and the consideration of the Acquisition exceeds HK\$10,000,000, the Acquisition is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As at the Latest Practicable Date, Mr. Liu Guanghui, Mr. Wu Qiang, being the executive Directors and Ms. Zhong Yan, being the non-executive Director, are also the directors of the Vendor and Mr. Liu Wuwei, being the executive Director is also the director of subsidiaries of the Vendor. Each of Mr. Liu Guanghui, Mr. Wu Qiang, Ms. Zhong Yan and Mr. Liu Wuwei, is being regarded as having material interest in the transactions contemplated under the Sale and Purchase Agreement and have abstained from voting on the board resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

As at the Latest Practicable Date, the Vendor held 784,817,520 Shares, representing approximately 70% of the total issued share capital of the Company, the Vendor is regarded as having a material interest in the Acquisition and therefore is required to abstain from voting on the resolution proposed to be passed at the General Meeting for approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

To the best of the Director's knowledge, information and belief having made all reasonable enquiries, save as disclosed above, no other Shareholders are required to abstain from voting at the General Meeting.

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 Acquisition is in the ordinary and usual course of business of the Company, is fair and reasonable, on normal commercial terms and are 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 Sale and Purchase Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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### 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 Friday, 31 December 2021 at 10:00 a.m. is set out on pages 30 to 31 of this circular.

The register of members of the Company will be closed on Tuesday, 28 December 2021 to Friday, 31 December 2021, 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 Friday, 31 December 2021, all transfer documents, accompanied by relevant share certificates, must be lodged with the Company's share registrar, Tricor Tengis Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. (Hong Kong time) on Friday, 24 December 2021 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 Level 54, Hopewell Centre, 183 Queen's Road East, 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 Wednesday, 29 December 2021 10:00 a.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.

In light of the epidemic situation of COVID-19, Shareholders may consider appointing the chairman of the General Meeting as his/her proxy to vote on the resolution, instead of attending the General Meeting in person.

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## LETTER FROM THE BOARD

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### 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 Sale and Purchase Agreement and the transactions contemplated thereunder set out on page 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 Sale and Purchase Agreement and the transactions contemplated thereunder set out on pages 15 to 25 of this circular.

The Directors (including the members of the Independent Board Committee having considered the advice from the Independent Financial Adviser and excluding Mr. Liu Guanghui, Mr. Wu Qiang, Ms. Zhong Yan and Mr. Liu Wuwei who have abstained from voting on the board resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder) consider that, although the Sale and Purchase Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of the business of the Company, it is carried out in accordance with normal commercial terms, the terms of the Sale and Purchase Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the 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 approving the Acquisition at the General Meeting.

### 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*



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LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

15 December 2021

*To the Independent Shareholders*

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION  
OF 40% OF THE TOTAL ISSUED SHARE CAPITAL OF THE TARGET COMPANY**

We refer to the circular of the Company dated 15 December 2021 (“**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 and to advise the Independent Shareholders in respect of the Acquisition, details of which are set out in the “Letter from the Board” contained in the Circular. Frontpage Capital Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard. We wish to draw your attention to the letter from the Board set out on pages 4 to 13 of the Circular and the letter from the Independent Financial Adviser set out on pages 15 to 25 of the Circular.

Having taking into account the advice of, and the principal factors and reasons considered by the Independent Financial Adviser in relation to the Acquisition, we consider that although the Sale and Purchase Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Company, it is carried out in accordance with normal commercial terms, the terms of the Sale and Purchase and the transactions contemplated thereunder are fair and reasonable 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 in respect of the Acquisition.

Yours faithfully,

For and on behalf of

**Independent Board Committee**

**Chan Kay-Cheung**

**Yau Lai Man**

**Chow Bing Sing**

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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15 December 2021

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

Dear Sirs or Madam,

### **DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO THE ACQUISITION OF 40% OF THE TOTAL ISSUED SHARE CAPITAL IN THE TARGET COMPANY**

#### **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 acquisition of 40% of the total issued share capital in the Target Company, which constitute a connected transaction for the Company. Details of the terms of the Acquisition are set out in the letter from the board (the “**Board Letter**”) contained in the circular of the Company dated 15 December 2021 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.

On 30 November 2021, after trading hours, the Company as the purchaser and the Vendor, entered into the Sale and Purchase Agreement, pursuant to which (i) the Company as the purchaser conditionally agreed to acquire and the Vendor conditionally agreed to sell the Sale Shares (representing 40% of the total issued share capital of the Target Company) at a consideration of HK\$152,000,000.

As the Vendor holds approximately 70% of the total issued share capital of the Company and hence the Vendor is a connected person of the Company. Therefore, the Acquisition constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable Percentage Ratios with respect to the Acquisition exceeds 5%, and the consideration of the Acquisition exceeds HK\$10,000,000, the Acquisition is subject to the reporting, announcement and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

Mr. Liu Guanghui, Mr. Wu Qiang, being the executive Directors and Ms. Zhong Yan, being the non-executive Director, are also the directors of the Vendor. Mr. Liu Wuwei, being the executive Directors is also the director of subsidiaries of the Vendor. Each of Mr. Liu Guanghui, Mr. Wu Qiang, Ms. Zhong Yan and Mr. Liu Wuwei, is being regarded as having material interest in the transactions contemplated under the Sale and Purchase Agreement and have abstained from voting on the board resolution approving the Sale and Purchase Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### INDEPENDENT BOARD COMMITTEE

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 Acquisition is in the ordinary and usual course of business, fair and reasonable, on normal commercial terms and are in the interests of the Company and its Shareholders as a whole.

### BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have considered, among other things, (i) the Sale and Purchase Agreement; (ii) the 2020 annual report of the Company; (iii) the 2021 unaudited report of the Target Company; and (iv) 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.

### OUR INDEPENDENCE

We are not connected with the Directors, chief executive and substantial Shareholders of the Company, the Vendor 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, the Vendor 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations in respect of the Acquisition, 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 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.

According to the 2020 annual report of the Company, the Group recorded a consolidated revenue of approximately HK\$1,854,549,000 (2019: approximately HK\$2,147,876,000), representing a decrease of 13.7% as compared with the previous year. Profit attributable to the Shareholders of the Company amounted to approximately HK\$49,821,000 (2019: approximately HK\$214,078,000), representing a decrease of 76.7% as compared with the corresponding period. If the one-off disposal gain of approximately HK\$55,751,000 which was recognised in 2019 due to the disposal of property was excluded, the profit attributable to the Shareholders of the Company would be approximately of HK\$158,327,000. The Directors considered that the decrease in revenue and profit attributable to the Shareholders are mainly due to the decline of revenue of fuel supply business, as a result of the decline in the passenger and freight businesses caused by the COVID-19 pandemic in 2020.

The following table below sets forth the breakdown of the revenue of the Group for the years ended 31 December 2019 and 2020 according to business segment:

Business segment	Year ended 31 December		Year-on-year (%)
	2019 (HK\$'000)	2020 (HK\$'000)	
Fuel supply	479,403	86,306	-82.0%
Cargo transportation	1,235,498	1,197,322	-3.1%
Cargo handling and storage	297,534	328,623	10.4%
Passenger transportation	116,541	161,854	38.9%
Corporate and other businesses	18,900	80,444	325.6%
<b>Total</b>	<b>2,147,876</b>	<b>1,854,549</b>	<b>-13.7%</b>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Information in relation to the Vendor*

The Vendor operates a wide variety of businesses including (1) acting as an agent of ferry tickets for passenger transportation between Hong Kong and various ports in the Pearl River Delta Region; (2) passenger ferry operation between Hong Kong, Macau and the Pearl River Delta Region; river trade transportation of cargoes between Guangdong Province, Hong Kong, and Macau; (3) ship repair and maintenance services; (4) duty free goods and shops operations and oil supply services; (5) tourism business; (6) highway infrastructure investment; and (7) property development.

### *Information in relation to the Target Company*

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in operation of inner harbour and outlying island ferry routes in Hong Kong. As at the Latest Practicable Date, the Target Company operates 5 routes, namely between Central and Cheung Chau, Central and Mui Wo, North Point and Hong Hum, North Point and Kowloon City, and an inter-island route serving Cheung Chau, Chi Ma Wan, Mui Wo and Peng Chau. These services are performed by the Target Company's 18 vessels consisting of fast ferry, double and triple deckers.

The following table below sets forth the financial summary of the Target Company for the years ended 30 June 2020 and 2021:

	<b>Year ended 30 June</b>	
	<b>2020</b>	<b>2021</b>
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(unaudited)
Revenue	265,628	265,981
Gross (loss)/profit	(3,479)	8,671
Other income	93,308	78,571
Profit before tax	31,428	26,550
Profit after tax	28,998	25,558
Total assets	146,123	190,706
Total liabilities	104,507	149,875
Total equity	41,616	40,831

The revenue of the Target Company remained relatively stable over the last 2 financial years ended 30 June 2021 as public transportation is an inelastic service. However, the improvement in operations is evident from the gross loss of approximately HK\$3.48 million in 2020 to a gross profit of approximately HK\$8.67 million in 2021. Other income, which consists of government grants, fare subsidies for seniors and children, and other government subsidies for operating costs, decreased from approximately HK\$93.31 million in 2020 to approximately HK\$78.57 million in 2021. The decrease in government subsidy is attributable to the Employment Support Scheme launched by the Hong Kong government in 2020 to help alleviate the impact of the COVID-19

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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pandemic. Therefore, the higher profit after tax of approximately HK\$29.00 million in 2020 as compared to approximately HK\$25.56 million in 2021, can be attributed to the higher government subsidy. Based on the information above, we are of the view that the operating performance of the Target Company is improving from 2020 to 2021.

### 2. Sale and Purchase Agreement

(i) Principal terms of the Sale and Purchase Agreement are summarised as follows:

Date of the agreement: 30 November 2021 (after trading hours)

Parties: (1) the Company as the purchaser; and  
(2) the Vendor

Assets to be acquired: Pursuant to the Sale and Purchase Agreement, the Company as the purchaser conditionally agreed to acquire the Sale Shares, representing 40% of the total issued share capital of the Target Company and the Vendor conditionally agreed to sell the Sale Shares at a consideration of HK\$152,000,000.

Consideration: Subject to the Sale and Purchase Agreement becoming effective, the consideration for the sale and purchase of the Sale Shares shall be HK\$152,000,000, which will be financed by the Group's internal resources, and shall be settled on the Completion Date.

(ii) *Reasons and benefits for the Acquisition*

Since the initial acquisition of the 60% of the total issued share capital of the Target Company on 4 May 2020, the principal business of the Target Company, being the operation of inner harbour and outlying island ferry routes in Hong Kong, has well complemented the existing business of the Group. Since the initial acquisition, the Target Company performance has remained stable and aligned with the Group's strategy to increase its foothold in the passenger transportation business. Therefore, the Acquisition shall serve as a continuation of the Group's strategy.

Upon completion of the Acquisition, the Target Company shall become a direct wholly-owned subsidiary of the Company, which the Board believes will help increase the efficiency in the management decision making process of the Target Company, reduce management costs and allow the Company to obtain the full economic benefit derived from the Target Company and its future business development.

We are of the view that the reason and benefits of the Acquisition is fair and reasonable as it would provide the Group with continued income stream in light of the current COVID-19 pandemic which has reduced their income from cross border ferry operations. The increase of foothold into the local ferry transportation business would allow the Company to extend their existing expertise in ferry transportation to capture more benefits and market, which would be in the interest of the Company and Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(iii) *Basis of the Consideration*

The consideration of HK\$152,000,000, which values the Target Company at approximately HK\$380,000,000, was arrived after arm's length negotiations between the Company and the Vendor after taking into account, inter alia,

- (a) the business development and future prospects of the Target Company;
- (b) historical financial performance and the existing brand reputation of the Target Company; and
- (c) the fair market value of the total equity share capital of the Target Company as at the Valuation Date, as determined by adopting the market approach as set out in a valuation report prepared by an independent professional valuer to be approximately between HK\$380,230,000 and HK\$401,141,000.

In order to determine the fairness and reasonableness of the consideration paid for the Target Company, we have adopted the comparable approach whereby the consideration paid for the Target Company is compared to the valuation of its industry peers, as this approach is direct and commonly used as a valuation methodology. For our purpose of comparison, we have shortlisted an exhaustive list of 10 companies listed on the Stock Exchange (the “**Comparable Companies**”) that are involved in the business of marine shipping as industry peers. The criteria of the Comparable Companies shortlisted are (i) listed on the Stock Exchange; (ii) in the business of transporting goods or passenger with at least 80% of their revenues derived from such activities; and (iii) possess their own fleet of vessel. We are of the view that the Comparable Companies are representative as they (i) operate in the same geographical region; (ii) traded on the Stock Exchange so their valuation is similar to Hong Kong based assets; and (iii) they operate a fleet of vessel providing transportation and charging a fee similar to the Target Company.

For our comparison approach, we have extracted price-to-earnings ratio (the “**P/E Ratio**”) and price-to-book ratio (the “**P/B Ratio**”) of the Comparable Companies based on the financial information of their respective latest results announcement or annual report. Below sets out the table detailing the ratios of the Comparable Companies.

Company Name	Stock Code	Market capitalisation HK\$'000	P/E Ratio <sup>(1)</sup>	P/B Ratio	Percentage of marine shipping business of total revenue
Jinhui Holdings Company Limited	0137.HK	689,376	NA	0.61	100.0%
Orient Overseas (International) Limited	0316.HK	109,621,967	15.58	2.49	99.7%

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Company Name	Stock Code	Market capitalisation HK\$'000	P/E Ratio <sup>(1)</sup>	P/B Ratio	Percentage of marine shipping business of total revenue
Asia Energy Logistics Group Limited	0351.HK	694,940	6.25	2.82	96.5%
COSCO SHIPPING Energy Transportation Co., Ltd.	1138.HK	14,716,718	7.47	0.35	92.0%
Courage Investment Group Limited	1145.HK	307,357	NA	7.80	83.3%
SITC International Holdings Company Limited	1308.HK	82,745,804	30.19	8.96	98.7%
Xin Yuan Enterprises Group Limited	1748.HK	1,276,000	19.03	1.37	100.0%
COSCO SHIPPING Holdings Co., Ltd	1919.HK	238,610,473	19.56	4.42	96.9%
Pacific Basin Shipping Limited	2343.HK	15,496,866	NA	1.87	100.0%
Great Harvest Maeta Group Holdings Limited	3683.HK	1,400,342	NA	8.62	100.0%
		High	30.19	8.96	
		Low	6.25	0.35	
		Average <sup>(2)</sup>	18.36	3.93	
		Target Company	14.87	9.31	

*Notes:*

(1) NA indicates that the company was loss making and does not have a meaningful P/E Ratio.

(2) The average P/E Ratio has excluded Asia Energy Logistics Group Limited.

Asia Energy Logistics Group Limited was excluded from the calculation of the average of the P/E Ratio as it included an accounting profit of approximately HK\$159.67 million from the derecognition of a joint venture in liquidation. If the aforesaid profit is excluded, the continuing operations of Asia Energy Logistics Group Limited would have incurred a net loss of approximately HK\$48.45 million for the year ended 31 December 2020. The average P/E Ratio would have been 16.34 if the P/E Ratio of Asia Energy Logistics Group Limited was included in the calculation of the average.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We are of the view that the exclusion of the P/E Ratio of Asia Energy Logistics Group Limited from the average calculation is fair and reasonable, as the profits reported for its year ended 31 December 2020 is not representative of its actual operations as it arose due to an accounting entry. As seen from the table above, the P/E Ratio of the Comparable Companies range from 6.25 times to 30.19 times, while the P/B Ratio range from 0.35 times to 8.96 times.

When compared to the Target Company, the average P/E Ratio of the Comparable Companies of 18.36 times is much higher than the P/E Ratio of the Target Company, which is priced at a P/E Ratio of 14.87 times. However, the average P/B Ratio of the Comparable Companies of 3.93 times is much lower than the P/B Ratio of the Target Company at 9.31 times. The P/B Ratio of the Target Company is slightly higher than highest P/B Ratio of 8.96, which is attributable to the Target Company's lower asset base as compared to the Comparable Companies.

In order to determine the low asset base of the Target Company, we have reviewed the Target Company's vessel and noted that their double and triple decker ferries are more than 30 years old and some almost reaching 40 years old. Based on their fixed assets as at 30 June 2021, their vessels which had a carrying cost of approximately HK\$222.92 million is now approximately HK\$15.18 million after depreciation and impairment, which represent 17.86% of their fixed assets. As for the Comparable Companies, their vessels account for at least 51.5% and up to almost 100% of their fixed assets. In light of this, we are of the view that the high P/B Ratio of the Target Company is due to the lower value of the vessels within the Target Company. As the P/B Ratio only is slightly higher than the highest of the Comparable Companies and taking into consideration their lower vessel value, we are of the view that the P/B Ratio is acceptable.

Based on the above analysis, we are of the view that the consideration of HK\$152,000,000 for the Sale Shares is on normal commercial terms, fair and reasonable and in the interest of the Company and Shareholders as a whole.

*(iv) Condition precedent of the Sale and Purchase Agreement*

Unless otherwise agreed by the Company and the Vendor, Completion is conditional upon the following conditions precedent being satisfied on or before the Long Stop Date:-

- (a) the representations, warranties and undertakings given by the Vendor in the Sale and Purchase Agreement remain true and are not breached;
- (b) the Vendor having obtained all necessary authorisations including board resolutions and shareholder's resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereof;
- (c) the Company having obtained all necessary authorisations including board resolutions and shareholder's resolutions approving the Sale and Purchase Agreement and the transactions contemplated thereof;
- (d) the Company and the Vendor are not materially in breach of any terms and conditions of the Sale and Purchase Agreement;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (e) all applicable legal and regulatory requirements have been complied, and all necessary approval and permit from the regulatory authorities, including but not limited to the Stock Exchange, the Securities and Futures Commission, for the transactions contemplated under the Sale and Purchase Agreement have been obtained, if necessary;
- (f) the Purchaser shall provide an additional loan to the Target Company in the amount of no less than HK\$12,000,000;
- (g) the Target Company has fully repaid to the Vendor the outstanding shareholder's loan HK\$12,000,000 as agreed between the parties to the Sale and Purchase Agreement; and
- (h) no material adverse change has occurred to the financial, assets, operation and business positions of the Target Company before and up to the Completion Date.

If any of the conditions precedent have not been satisfied at or before 5:00 p.m. on the Long Stop Date, then, unless otherwise agreed in writing between the parties, the Sale and Purchase Agreement and its terms and conditions will immediately and automatically terminate, in which case, no party to the Sale and Purchase Agreement shall have any further obligations or liabilities under or arising from the Sale and Purchase Agreement.

We are of the view that the conditions precedent of the Sale and Purchase Agreement is normal commercial terms as they involved obtaining the necessary approvals from the relevant authorities and ensure both parties are in compliance with relevant laws and regulations. The exception condition precedent amongst the conditions precedent is the HK\$12,000,000 loan which the Target Company is required to repay the Vendor and the Purchaser shall undertake to extend such loan to the Target Company. This is understandable as the Vendor is no longer a shareholder of the Target Company upon disposal of the Target Company while the Purchaser is the sole shareholder of the Target Company. Therefore, it is fair and reasonable for the Purchaser to provide such loan to the Target Company as it will be its wholly-owned subsidiary upon Completion.

(v) *Analysis of Valuation Report*

We have reviewed the valuation report and discussed with the Valuer regarding the methodology, basis and assumptions adopted in arriving at the valuation of approximately HK\$380,230,000 to HK\$401,141,000. Based on our work done above, we noted that the principal of the Valuer was previously a director of the valuation and modeling team of a major accounting firm and had significant past experience in performing valuation. Aside from experience, we noted that their team members has the necessary professional qualifications, including but not limited to, CPA, CAIA, CFA and FRM. We have confirmed with the Valuer that it has no other relationship with the Company which may render the Valuer not independent and we are satisfied that the Valuer is independent from the Company. In addition, we have reviewed their terms of engagement (including their scope of work) which we are of the view that their scope of work is appropriate. As such, we are not aware of any matters that would cause to have doubts on the expertise and independence of the Valuer.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As set out in the valuation report, the Valuer has considered three generally accepted valuation approaches, namely, the market-based approach, income-based approach and asset-based approach. Given that (i) the income-based approach relies on numerous assumptions and the result could be largely influenced by any inappropriate assumptions made; (ii) the asset-based approach could not capture the future earning potential of the Target Company and therefore it could not reflect the market value of the Target Company; and (iii) the market-based approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions, accordingly, the Valuer considered the adoption of the market-based approach in arriving at the market value of the Target Company. Having considered the abovementioned limitations in applying the income-based approach and asset-based approach, we concur with the Valuer that the adoption of market-based approach in arriving at the market value of the Target Companies is appropriate.

The Valuer identified an exhaustive list, on a best effort basis, of four listed comparable companies based on the criteria that (i) the companies are listed on a major stock exchange; (ii) the companies have a Standard Industrial Classification code of water transportation; and (iii) the companies are in the business of passenger ferry transportation. We discussed with the Valuer regarding such selection criteria and assessed the appropriateness of the Valuer Comparable Companies. Given the similar business nature and operations of the Target Company and the Valuer Comparable Companies, in particular the Target Company is principally engaged in passenger ferry transportation, and we have independently performed a search on the Valuer Comparable Companies and noted that the revenue of the Valuer Comparable Companies are also derived from the business of passenger ferry transportation according to their respective latest annual reports, we concur with the Valuer the selection of the Valuer Comparable Companies.

In arriving at the value of the Target Company, the Valuer used the EV/EBITDA of the Valuer Comparable Companies on the latest EBITDA of the Target Company, discounted the value with existing liabilities as well as a discount for lack of marketability due to the Target Company not being a listed company, and add back the cash and liquid assets existing in the Company. We concur with the Valuer in using this approach and the resulting valuation of approximately between HK\$380,230,000 and HK\$401,141,000 derived using this approach, and we are of the view that the approach is fair and reasonable, on normal commercial terms and in the interest of the Company and Shareholder as a whole.

### RECOMMENDATION

Having considered the principal factors and reasons as discussed above, in particular (i) the consideration of HK\$152,000,000 implies that the Target Company's total valuation is lower than the P/E Ratio of the Comparable Companies; and (ii) the implied P/B Ratio is just slightly higher than the highest P/B ratio of the Comparable Companies, we are of the view that the Sale and Purchase Agreement of the Acquisition while not on the ordinary and usual course of business, is 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.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Accordingly, we would recommend that the Independent Board Committee advise the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the upcoming General Meeting to approve the Sale and Purchase Agreement and the transactions contemplated thereunder.

Yours faithfully,  
For and on behalf of  
**Frontpage Capital Limited**  
**Chai Yee Choong**  
*Director*

*Note: Mr. Chai Yee Choong 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 more than 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 2020, 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) Interests of substantial Shareholders**

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***

<b>Name of Shareholder</b>	<b>Capacity/Nature of interest</b>	<b>Number of Shares <sup>(Note 1)</sup></b>	<b>Percentage of issued share capital <sup>(Note 2)</sup></b>
Chu Kong Shipping Enterprises (Holdings) Company Limited (“CKSE”) <sup>(Note 3)</sup>	Beneficial owner	784,817,520 (L)	70%
GDPS <sup>(Note 3)</sup>	Interest of controlled corporation	784,817,520 (L)	70%

***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:

<b>Name of Director</b>	<b>Name of substantial shareholder entity</b>	<b>Position held</b>
Mr. Liu Guanghui	CKSE	Director
Mr. Wu Qiang	CKSE	Director
Ms. Zhong Yan	CKSE	Director

### **3. DIRECTORS' INTEREST IN COMPETING BUSINESS**

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors and their respective associates were to considered to have any interest in a business which competes or is likely to compete, either directly or indirectly, with the business of the Group which would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them were treated as a controlling shareholder.

### **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 2020, 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 experts mentioned in this circular and their qualifications.

<b>Name</b>	<b>Qualification</b>
Frontpage Capital Limited	a corporation licensed under the SFO to conduct type 1 (dealing in securities) and type 6 (advising in corporate finance) regulated activities under 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 2020 (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 Sale and Purchase Agreement.



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## NOTICE OF GENERAL MEETING

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### 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 Friday, 31 December 2021 at 10:00 a.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 Sale and Purchase Agreement (as defined and described in the circular dated 15 December 2021 (the “**Circular**”)) be and are hereby confirmed, ratified and approved and the transactions contemplated thereunder 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 Sale and Purchase Agreement and completing the transactions contemplated thereby.”

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

Hong Kong, 15 December 2021

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## NOTICE OF GENERAL MEETING

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*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. In light of the epidemic situation of COVID-19, shareholders may consider appointing the chairman of the General Meeting as his/her proxy to vote on the resolution, instead of attending the General Meeting in person.
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 Level 54, Hopewell Centre, 183 Queen's Road East, 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 Wednesday, 29 December 2021 10:00 a.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 Tuesday, 28 December 2021 to Friday, 31 December 2021, 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 Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Friday, 24 December 2021 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. Wu Qiang, 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.