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中遠海運發展股份有限公司

COSCO SHIPPING Development Co., Ltd.*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 02866)

CONTINUING CONNECTED TRANSACTIONS

INSURANCE SERVICES AGREEMENT

THE INSURANCE SERVICES AGREEMENT

The Board is pleased to announce that, on 11 July 2017, the Company and COSCO SHIPPING Insurance entered into the Insurance Services Agreement, pursuant to which COSCO SHIPPING Insurance has agreed to provide insurance services to the COSCO SHIPPING Development Group.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As at the date of this announcement, COSCO SHIPPING and its associates control or are entitled to exercise control over the voting rights in respect of 4,458,195,175 A Shares and 100,944,000 H Shares, representing approximately 39.02% of the total issued share capital of the Company. Accordingly, COSCO SHIPPING is an indirect controlling shareholder of the Company and therefore a connected person of the Company. As COSCO SHIPPING Insurance is a wholly-owned subsidiary of COSCO SHIPPING, COSCO SHIPPING Insurance is an associate of COSCO SHIPPING and therefore a connected person of the Company.

As one or more applicable percentage ratios in respect of each of the proposed annual caps for the three years ending 31 December 2019 under the Insurance Services Agreement are expected to be more than 0.1% but less than 5%, the transactions contemplated under the Insurance Services Agreement, together with the proposed annual caps for the three years ending 31 December 2019, are subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

INTRODUCTION

The Board is pleased to announce that, on 11 July 2017, the Company and COSCO SHIPPING Insurance entered into the Insurance Services Agreement, pursuant to which COSCO SHIPPING Insurance has agreed to provide insurance services to the COSCO SHIPPING Development Group.

INSURANCE SERVICES AGREEMENT

The principal terms of the Insurance Services Agreement are as follows:

Date

11 July 2017

Parties

- (1) the Company; and
- (2) COSCO SHIPPING Insurance.

Insurance services

Pursuant to the Insurance Services Agreement, the scope of the insurance services to be provided by COSCO SHIPPING Insurance to the COSCO SHIPPING Development Group includes, among other things:

- (1) vessel insurance;
- (2) non-vessel insurance; and
- (3) other business as approved by the China Insurance Regulatory Commission (中國保險監督管理委員會).

COSCO SHIPPING Insurance undertakes and warrants that the quality of services to be provided shall be satisfactory to the COSCO SHIPPING Development Group, and the terms of the Insurance Service Agreement shall be no less favourable than the terms available to or from independent third parties in respect of the COSCO SHIPPING Development Group (as the case may be).

Term and termination

The Insurance Services Agreement shall become effective upon due execution by both parties and the approval by the empowered bodies (including the Board) in respect of the Insurance Services Agreement and the annual caps pursuant to the Insurance Services Agreement, the articles of association of the parties and applicable laws, regulations and rules of stock exchanges.

The initial term of the Insurance Services Agreement shall commence on the effective date of the Insurance Services Agreement and shall expire on 31 December 2019. Subject to the compliance with the Hong Kong Listing Rules and Shanghai Listing Rules, and upon the written agreements of the parties, the Insurance Services Agreement may be renewed for a further term of three years upon the expiry of the initial term, unless either party serves to the other party a written notice of termination three months prior to such expiry date.

Pricing policy

Pursuant to the Insurance Services Agreement, the price of the insurance services shall be determined with reference to the fair market price, namely the price of the same or comparable type of services provided by independent third parties on normal commercial terms and in ordinary and usual course of business in same locality. The price shall not be higher than (i) the price charged by an independent third party for the provision of comparable services and (ii) the price charged by COSCO SHIPPING Insurance for the provision of comparable services to an independent third party.

Implementation agreements

Pursuant to the Insurance Services Agreement, the COSCO SHIPPING Development Group and COSCO SHIPPING Insurance shall enter into separate implementation agreements (being insurance agreements and/or insurance policies) in respect of specific insurance services and other relevant matters. The terms of the insurance agreement and/or insurance policy shall include, among other things, rights and obligations, coordination and communication between parties, fees and payment, and liabilities and exemptions.

PROPOSED ANNUAL CAPS

There had been no historical transaction in respect of any insurance services provided by COSCO SHIPPING Insurance to the COSCO SHIPPING Development Group for the three years ended 31 December 2016.

The table below sets out the proposed annual caps for the transactions contemplated under the Insurance Services Agreement for the three years ending 31 December 2019:

	Annual caps
For the year ending 31 December 2017	RMB100,000,000 (approximately HK\$115,000,000)
For the year ending 31 December 2018	RMB200,000,000 (approximately HK\$230,000,000)
For the year ending 31 December 2019	RMB200,000,000 (approximately HK\$230,000,000)

In arriving at the proposed annual caps for the transactions contemplated under the Insurance Services Agreement, the Directors have considered (i) the expected demand of the COSCO SHIPPING Development Group for vessel insurance, container insurance and other property insurance; and (ii) the historical amounts paid by the COSCO SHIPPING Development Group for the relevant insurance services.

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

Given COSCO SHIPPING Insurance's familiarity in the business operation of the Group, variety in service offerings and prospects for future development, the Board considered that the insurance services to be provided by COSCO SHIPPING Insurance would enhance the risk management capability of the Company and therefore facilitate the sustainable and continued business operation of the Group.

GENERAL INFORMATION

Information on the Group

The Company is a joint stock company established under the laws of the PRC with limited liability, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange and the A Shares of which are listed on the Shanghai Stock Exchange.

The Group is principally engaged in providing integrated financial services with diversified leasing businesses such as vessel leasing, container leasing and non-shipping finance leasing, supply chain finance, shipping insurance, logistic infrastructure investment and other financial assets investment services.

Information on COSCO SHIPPING Insurance

COSCO SHIPPING Insurance is a company established under the laws of the PRC with limited liability and is a wholly-owned subsidiary of COSCO SHIPPING. It is principally engaged in the provision of insurance services and reinsurance businesses.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As at the date of this announcement, COSCO SHIPPING and its associates control or are entitled to exercise control over the voting rights in respect of 4,458,195,175 A Shares and 100,944,000 H Shares, representing approximately 39.02% of the total issued share capital of the Company. Accordingly, COSCO SHIPPING is an indirect controlling shareholder of the Company and therefore a connected person of the Company. As COSCO SHIPPING Insurance is a wholly-owned subsidiary of COSCO SHIPPING, COSCO SHIPPING Insurance is an associate of COSCO SHIPPING and therefore a connected person of the Company.

As one or more applicable percentage ratios in respect of each of the proposed annual caps for the three years ending 31 December 2019 under the Insurance Services Agreement are expected to be more than 0.1% but less than 5%, the transactions contemplated under the Insurance Services Agreement, together with the proposed annual caps for the three years ending 31 December 2019, are subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

CONFIRMATIONS OF THE BOARD

Ms. Sun Yueying, Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, all being executive Directors, hold directorship(s) or act as senior management in China Shipping and its associates, and Mr. Feng Boming, Mr. Chen Dong and Mr. Huang Jian, all being non-executive Directors were nominated by China Shipping to the Board. Accordingly, Ms. Sun Yueying, Mr. Wang Daxiong, Mr. Liu Chong, Mr. Xu Hui, Mr. Feng Boming, Mr. Chen Dong and Mr. Huang Jian have therefore abstained from voting on the relevant Board resolutions approving the transactions contemplated under the Insurance Services Agreement. Save as aforementioned, none of the other Directors has a material interest in the transactions contemplated under the Insurance Services Agreement and hence no other Director has abstained from voting on such Board resolutions.

The Board (including the independent non-executive Directors) considers that the Insurance Services Agreement is entered into in the ordinary and usual course of business of the Company, and the terms of the Insurance Services Agreement are fair and reasonable and on normal commercial terms. Accordingly, the transactions contemplated under the Insurance Services Agreement and the proposed annual caps for the three years ending 31 December 2019 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

DEFINITIONS

Unless the context requires otherwise, capitalised terms used in this announcement shall have the meanings as follow:

“A Share(s)”	the domestic share(s) in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
“associate”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Board”	the board of directors of the Company
“China Shipping”	China Shipping (Group) Company Limited# (中國海運(集團)總公司), a PRC state-owned enterprise and the controlling shareholder of the Company
“COSCO SHIPPING Development Group”	the Company, its subsidiaries and its associates
“COSCO SHIPPING”	China COSCO SHIPPING Corporation Limited# (中國遠洋海運集團有限公司), a PRC state-owned enterprise and an indirect controlling shareholder of the Company
“COSCO SHIPPING Insurance”	COSCO SHIPPING Captive Insurance Co., Ltd# (中遠海運財產保險自保有限公司), a company established under the laws of the PRC with limited liability and is a wholly-owned subsidiary of COSCO SHIPPING
“Company”	COSCO SHIPPING Development Co., Ltd.* (中遠海運發展股份有限公司), a joint stock limited company established in the PRC, the H Shares and A Shares of which are listed on Main Board of the Hong Kong Stock Exchange (Stock Code: 2866) and the Shanghai Stock Exchange (Stock Code: 601866), respectively
“connected person”	has the meaning ascribed to it under the Hong Kong Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries

“H Share(s)”	the overseas listed foreign shares in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on Main Board of the Hong Kong Stock Exchange
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Insurance Services Agreement”	the insurance services agreement entered into between the Company and COSCO SHIPPING Insurance on 11 July 2017 in relation to the provision of insurance services to the COSCO SHIPPING Development Group by COSCO SHIPPING Insurance
“percentage ratios”	has the meaning ascribed to it under the Hong Kong Listing Rules
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Listing Rules”	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“%”	per cent

By order of the Board
COSCO SHIPPING Development Co., Ltd.
Yu Zhen
Company Secretary

Shanghai, the People’s Republic of China
11 July 2017

For the purpose of this announcement, translations of RMB into HK\$ or vice versa have been calculated by using an exchange rate of RMB1.00 equal to HK\$1.15. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.

As at the date of this announcement, the Board comprises Ms. Sun Yueying, Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, being executive Directors, Mr. Feng Boming, Mr. Huang Jian and Mr. Chen Dong, being non-executive Directors, and Mr. Cai Hongping, Ms. Hai Chi Yuet and Mr. Graeme Jack, being independent non-executive Directors.

* *The Company is a registered non-Hong Kong company as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and it is registered under its Chinese name and under the English name "COSCO SHIPPING Developments Co., Ltd."*

For identification purposes only.