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COSCO SHIPPING Ports Limited
中遠海運港口有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1199)

ANNOUNCEMENT

CONNECTED TRANSACTION
ACQUISITION OF INTEREST IN THE TARGET COMPANY

AND

VOLUNTARY ANNOUNCEMENT

FULLY EXEMPTED CONTINUING CONNECTED TRANSACTIONS
REVISION OF ANNUAL CAPS FOR
LIANYUNGANG TERMINAL SERVICES MASTER AGREEMENT

ACQUISITION OF INTEREST IN THE TARGET COMPANY

The Board is pleased to announce that on 30 December 2022, CSTD (a wholly-owned subsidiary of the Company, as purchaser) entered into the Equity Transfer Agreement with Xiamen Haitou Supply Chain (a wholly-owned subsidiary of Xiamen Haicang Investment, as seller) in relation to the sale and purchase of the Sale Shares, representing 56% of the registered share capital of the Target Company, at a total consideration of RMB628,399,700.

Upon Closing, the Target Company will be owned as to 56% by CSTD and 44% by Xiamen Haitou Supply Chain. The Target Company will become a subsidiary of CSTD and therefore an indirect subsidiary of the Company. CSTD and Xiamen Haitou Supply Chain will also enter into the Joint Venture Agreement upon Closing which will set out the governance structure of the Target Company, and the respective rights of the parties in relation to the Target Company.

As at the date of this announcement, Xiamen Haicang Investment holds a 30% equity interest in Xiamen Ocean Gate (a non-wholly owned subsidiary of the Company). As a result, Xiamen Haicang Investment is a substantial shareholder of Xiamen Ocean Gate and a connected person of the Company at the subsidiary level. Xiamen Haitou Supply Chain, which is a wholly-owned subsidiary of Xiamen Haicang Investment, is also a connected person at the subsidiary level by virtue of being an associate of Xiamen Haicang Investment. Accordingly, the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio in respect of the Transaction exceeds 0.1% but is lower than 5%, the Transaction is only subject to the reporting and announcement requirements, but exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Transaction is subject to the satisfaction or waiver of conditions precedent. There is no assurance that the Transaction will take place or as to when it may take place. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company.

REVISION OF ANNUAL CAPS UNDER THE LIANYUNGANG TERMINAL SERVICES MASTER AGREEMENT

To meet the increased demand for the relevant services by the Lianyungang Port Group, the existing annual caps for the Income Nature Transactions contemplated under the Lianyungang Terminal Services Master Agreement for the period from 1 January 2022 to 31 December 2024 have been revised upwards.

ACQUISITION OF INTEREST IN THE TARGET COMPANY

INTRODUCTION

The Board is pleased to announce that on 30 December 2022, CSTD (a wholly-owned subsidiary of the Company, as purchaser) entered into the Equity Transfer Agreement with Xiamen Haitou Supply Chain (a wholly-owned subsidiary of Xiamen Haicang Investment, as seller) in relation to the sale and purchase of the Sale Shares, representing 56% of the registered share capital of the Target Company.

As at the date of this announcement, the Target Company is a wholly-owned subsidiary of Xiamen Haitou Supply Chain. Upon Closing, the Target Company will be owned as to 56% by CSTD and 44% by Xiamen Haitou Supply Chain. The Target Company will become a subsidiary of CSTD and therefore an indirect subsidiary of the Company. CSTD and Xiamen Haitou Supply Chain will also enter into the Joint Venture Agreement upon Closing which will set out the governance structure of the Target Company, and the respective rights of the parties in relation to the Target Company.

THE EQUITY TRANSFER AGREEMENT

Set out below is a summary of the principal terms of the Equity Transfer Agreement:

Date:

30 December 2022

Parties:

- (1) CSTD, a wholly-owned subsidiary of the Company, as purchaser;
- (2) Xiamen Haitou Supply Chain, a wholly-owned subsidiary of Xiamen Haicang Investment, as seller; and

- (3) the Target Company.

Subject Matter

Pursuant to the Equity Transfer Agreement, Xiamen Haitou Supply Chain agreed to sell and CSTD agreed to purchase the Sale Shares, representing 56% of the registered share capital of the Target Company.

Consideration

The consideration for the Sale Shares (i.e., the Consideration) payable by CSTD to Xiamen Haitou Supply Chain shall be an amount equal to RMB628,399,700. The Consideration was determined after arm's length negotiations between the parties with reference to (i) the valuation of 100% equity interest in the Target Company as at 31 December 2021 prepared by an independent valuer, being RMB1,122,142,300 (with the Consideration being equal to approximately 56% of such appraised value); and (ii) future prospect of the Target Company.

Payment terms

The Consideration shall be paid by CSTD to Xiamen Haitou Supply Chain in one lump sum in cash in RMB within one Business Day after the date on which: (i) all the Closing Conditions (as set out in the section headed "*Conditions precedent to Closing*" below) have been satisfied or waived (if applicable); and (ii) CSTD is presented by Xiamen Haitou Supply Chain or the Target Company with the acknowledgement of receipt by the industrial and commercial registration authority of the application for industrial and commercial registration in respect of the Transaction.

The Consideration will be funded by internal resources of the Group.

Conditions to the effectiveness of the Equity Transfer Agreement

The Equity Transfer Agreement shall become effective upon satisfaction of the following conditions:

- (1) the Equity Transfer Agreement having been signed by the respective legal representatives or authorised representative(s) of the parties, with company seals of the parties affixed thereon;
- (2) the parties having obtained their respective internal approvals at both the entity and group levels in respect of the signing and implementation of the Equity Transfer Agreement pursuant to their constitutional documents and applicable laws; and
- (3) the Transaction having been approved by Haicang SASAC Office.

Conditions precedent to Closing

Closing is conditional upon the satisfaction or waiver (if applicable) of the following Closing Conditions, amongst others:

- (1) the Equity Transfer Agreement having become effective;

- (2) the anti-monopoly law enforcement authorities having approved the concentration of business operators in respect of the Transaction;
- (3) no material adverse change having occurred after the date of the Equity Transfer Agreement until Closing;
- (4) Xiamen Haitou Supply Chain and CSTD having signed the Joint Venture Agreement, articles of associations of the Target Company and the relevant documents required for the industrial and commercial registration in respect of the Transaction; and
- (5) Xiamen Haitou Supply Chain having arranged the resignation of the directors of the Target Company nominated by and the senior management appointed by Xiamen Haitou Supply Chain; and Xiamen Haitou Supply Chain and CSTD having signed the relevant documents in relation to the nomination of the directors and the appointment of the senior management of the Target Company post-Closing, with the relevant resignations and appointments becoming effective upon Closing.

If any of the Closing Conditions has not been satisfied or waived (if applicable) before the Long Stop Date, the parties shall discuss and agree on an extension of the Long Stop Date (failing which the Equity Transfer Agreement shall cease to have effect).

Transitional Period

The audited net profit (or net loss) in respect of the Sale Shares during the Transitional Period shall be enjoyed (or borne) by Xiamen Haitou Supply Chain and CSTD in equal shares. Within five Business Days after Closing, CSTD and Xiamen Haitou Supply Chain shall select, and the Target Company shall engage, a qualified audit firm to audit the net profit (or the net loss) of the Target Company during the Transitional Period, and issue its report within 30 calendar days after Closing. If the Target Company makes a net profit during the Transitional Period, CSTD shall pay an amount which is equal to 28% of such net profit to Xiamen Haitou Supply Chain within one month after the issuance of the report. If the Target Company suffers a net loss during the Transitional Period, Xiamen Haitou Supply Chain shall pay an amount which is equal to 28% of such net loss to CSTD within one month after the issuance of the report.

Closing

CSTD and Xiamen Haitou Supply Chain shall coordinate with the Target Company to submit the application for industrial and commercial registration in respect of the Transaction within ten Business Days from the date on which the last Closing Condition is satisfied or waived (as appropriate), and complete industrial and commercial registration within five Business Days thereafter. The Closing Date shall be the date on which the Target Company completes industrial and commercial registration in respect of the Transaction and a new business license in respect of the Target Company is issued by the industrial and commercial registration authority.

JOINT VENTURE AGREEMENT

Set out below is a summary of the proposed principal terms of the Joint Venture Agreement:

Parties:

- (1) CSTD; and
- (2) Xiamen Haitou Supply Chain.

Governing Bodies

The board of directors of the Target Company shall consist of eight directors, out of which CSTD shall be entitled to nominate four directors (including the chairman) and Xiamen Haitou Supply Chain shall be entitled to nominate three directors (including the vice chairman). The remaining director shall be elected by the Target Company's employees.

Each of CSTD and Xiamen Haitou Supply Chain shall be entitled to nominate one supervisor.

Transfer Restrictions

Subject to certain exemptions for intragroup transfer, any transfer of shares in the Target Company by a shareholder to a third party is subject to a right of first refusal in favour of the other shareholder.

INFORMATION ABOUT THE TARGET COMPANY

The Target Company is a company incorporated under the laws of the PRC with limited liability. It is principally engaged in the provision of supply chain management services, non-residential real estate leasing, import and export agency services, domestic trade agency services and international and domestic logistics agency services in the Haicang Zone of Xiamen, the PRC.

Set out below is the unaudited pro forma consolidated financial information of the Target Company (as prepared in accordance with China Accounting Standards) for the financial years ended 31 December 2020 and 31 December 2021.

	For the year ended 31 December 2020	For the year ended 31 December 2021
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(unaudited)</i>
Net profit / (loss) before taxation	1,611	33,573
Net profit / (loss) after taxation	(1,218)	23,501

The unaudited pro forma consolidated net asset value of the Target Company as at 31 December 2021 was approximately RMB420,097,000.

Xiamen Haitou Supply Chain has informed the Company that the Target Company has been (directly or indirectly) owned by Xiamen Haicang Investment since its incorporation (and was not acquired from another party).

REASONS FOR AND BENEFITS OF THE TRANSACTION

The Company has been actively developing the port supply chain logistics business, expanding the port logistics park projects, building port supply chain platform. On the one hand, this acquisition is conducive to further expanding the service scope and capabilities of Xiamen Ocean Gate, as well as enhancing and maximizing its advantages of a hub port. On the other hand, Xiamen Ocean Gate's berth capacity, sea-rail combined transport function, and technological empowerment will also help provide an abundant and powerful resource support to the Target Company's future business as a positive interaction, so as to enhance the Company's comprehensive logistics service capabilities in Xiamen and its surrounding area as a whole, improve market competitiveness, form a competitive port logistics supply chain network, and provide customers with one-stop high quality services.

This acquisition provides a broad space for the Company to develop its port logistics extension business and enhance its competitiveness, which is of great strategic significance to the Company's long-term development. Through the development of supply chain business, the Company is committed to building a comprehensive network of ports and logistics business with linkage effects, and creating a win-win sharing platform for shipping upstream and downstream industries.

None of the Directors has any material interest in the Transaction. The Directors (including all the independent non-executive Directors) consider that the Transaction is in the ordinary and usual course of business of the Group, on normal commercial terms or better, and that the terms thereof are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INFORMATION ABOUT THE GROUP AND CSTD

The principal business of the Company is investment holding. The Group is principally engaged in the businesses of managing and operating terminals, and related businesses. CSTD is a company incorporated under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in the investment in domestic and overseas terminals, warehousing, financial leasing of port facilities and equipment, international trade of port mechanical equipment and consultancy.

INFORMATION ABOUT XIAMEN HAICANG INVESTMENT AND XIAMEN HAITOU SUPPLY CHAIN

Xiamen Haicang Investment is a wholly state-owned company incorporated under the laws of the PRC with limited liability, with its ultimate beneficial owner being the People's Government of Haicang District, Xiamen. Xiamen Haicang Investment is principally engaged in property services, supply chain complex services, construction, tourism resource development and operation.

Xiamen Haitou Supply Chain is a company incorporated under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Xiamen Haicang Investment. Xiamen Haitou Supply Chain is principally engaged in, including without limitation, supply chain management services, import-export agency, domestic trading agency, import and export of cargoes, international freight forwarding services and domestic freight forwarding services.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, Xiamen Haicang Investment holds a 30% equity interest in Xiamen Ocean Gate (a non-wholly owned subsidiary of the Company). As a result, Xiamen Haicang Investment is a substantial shareholder of Xiamen Ocean Gate and a connected person of the Company at the subsidiary level. Xiamen Haitou Supply Chain, which is a wholly-owned subsidiary of Xiamen Haicang Investment, is also a connected person at the subsidiary level by virtue of being an associate of Xiamen Haicang Investment. Accordingly, the Transaction constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio in respect of the Transaction exceeds 0.1% but is lower than 5%, the Transaction is only subject to the reporting and announcement requirements, but exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Transaction is subject to the satisfaction or waiver of conditions precedent. There is no assurance that the Transaction will take place or as to when it may take place. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company.

REVISION OF ANNUAL CAPS UNDER THE LIANYUNGANG TERMINAL SERVICES MASTER AGREEMENT

Reference is made to the announcement of the Company dated 29 October 2021 in relation to, inter alia, the entering into of the Lianyungang Terminal Services Master Agreement dated 29 October 2021 between Lianyungang New Oriental (a 55% owned subsidiary of the Company) and Lianyungang Port (which holds the other 45% equity interest in Lianyungang New Oriental), pursuant to which (a) Lianyungang Port agreed to provide and to procure members of the Lianyungang Port Group to provide terminal related services to Lianyungang New Oriental (the “**Expense Nature Transactions**”) and (b) Lianyungang New Oriental agreed to provide terminal related services to members of the Lianyungang Port Group (the “**Income Nature Transactions**”) from time to time for a term of 3 years from 1 January 2022 to 31 December 2024. Details of the Lianyungang Terminal Services Master Agreement are disclosed in the said announcement.

In view of Lianyungang New Oriental's venture into new business sectors and expansion of its existing businesses in cargo handling, warehousing and storage, it is able to increase its provision of terminal related services to Lianyungang Port Group and Lianyungang Port Group's demand for and the amount of such transactions have since increased and are expected to continue to increase with time. Therefore, the existing annual caps for the Income Nature Transactions contemplated under the Lianyungang Terminal Services Master Agreement for the period from 1 January 2022 to 31 December 2024 will no longer be sufficient to meet such increased amount of transactions and will need to be revised upwards.

The existing and revised annual caps for the Income Nature Transactions conducted or to be conducted under the Lianyungang Terminal Services Master Agreement for the three years ending 31 December 2024 are as follows:

Period covered	Existing annual cap <i>RMB'000</i>	Revised annual cap <i>RMB'000</i>
Year ending 31 December 2022	633	2,000 ^{Note}
Year ending 31 December 2023	660	3,300
Year ending 31 December 2024	688	4,300

Note: The actual historical transaction amount for the eleven months ended 30 November 2022 was approximately RMB957,000.

Other than the revision of the existing annual caps for the Income Nature Transactions, all the terms of the Lianyungang Terminal Services Master Agreement and the existing annual caps for the Expense Nature Transactions remain unchanged.

Lianyungang Port indirectly holds a 45% equity interest in Lianyungang New Oriental, a subsidiary of the Company. Accordingly, Lianyungang Port is a substantial shareholder of a subsidiary of the Company. With reference to the financial information of the Company and Lianyungang New Oriental for the years 2020 and 2021, Lianyungang New Oriental was at the time of the entering into of the Lianyungang Terminal Services Master Agreement and still is an insignificant subsidiary of the Company, and therefore currently members of the Lianyungang Port Group are not connected persons of the Company. Accordingly, the transactions under the Lianyungang Terminal Services Master Agreement do not constitute continuing connected transactions of the Company and the disclosure of the revision of annual caps for the Income Nature Transactions contemplated thereunder in this announcement is made by the Company on a voluntary basis to provide updates on the information voluntarily disclosed in the announcement of the Company dated 29 October 2021. When Lianyungang New Oriental ceases to qualify as an insignificant subsidiary of the Company, the Company will comply with the reporting and annual review requirements under Chapter 14A of the Listing Rules in respect of the transactions contemplated under the Lianyungang Terminal Services Master Agreement if and when required.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings as respectively ascribed below:

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Business Day”	a day other than a Saturday, Sunday or statutory holiday in the PRC and Hong Kong, subject to the arrangement of public holidays issued by the General Office of the State Council of the PRC

“Closing”	the closing of the sale and purchase of the Sale Shares in accordance with the Equity Transfer Agreement
“Closing Conditions”	the conditions precedent to Closing
“Closing Date”	the date on which the Target Company completes industrial and commercial registration in respect of the Transaction and the new business license is issued by the industrial and commercial registration authority.
“Company”	COSCO SHIPPING Ports Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1199)
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Consideration”	the total consideration for the sale and purchase of Sale Shares pursuant to the Equity Transfer Agreement
“CSTD”	China Shipping Terminal Development Co., Ltd.* 中海碼頭發展有限公司, a company incorporated under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 30 December 2022 entered into between CSTD, Xiamen Haitou Supply Chain and the Target Company in relation to the sale and purchase of the Sale Shares
“Expense Nature Transactions”	has the meaning ascribed to it under the section headed “Revision of annual caps under the Lianyungang Terminal Services Master Agreement” of this announcement
“Group”	the Company and its subsidiaries
“Haicang SASAC Office”	the Leading Group Office of State-owned Assets Supervision and Administration Commission of Haicang District, Xiamen, the PRC* 中國廈門市海滄區國有資產監督管理工作領導小組辦公室
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Income Nature Transactions”	has the meaning ascribed to it under the section headed “Revision of annual caps under the Lianyungang Terminal Services Master Agreement” of this announcement
“Joint Venture Agreement”	the joint venture agreement to be entered into at Closing between CSTD and Xiamen Haitou Supply Chain which will set out the governance structure and the respective rights of the parties in relation to the Target Company

“Lianyungang New Oriental”	Lianyungang New Oriental International Terminals Co., Ltd.* 連雲港新東方國際貨櫃碼頭有限公司, a company established in the PRC and a non-wholly-owned subsidiary of the Company
“Lianyungang Port”	Lianyungang Port Group Co., Ltd* 連雲港港口集團有限公司, a company established in the PRC
“Lianyungang Port Group”	Lianyungang Port and its subsidiaries, branches and associates, but for the purpose of this announcement, exclude Lianyungang New Oriental
“Lianyungang Terminal Services Master Agreement”	the agreement dated 29 October 2021 between Lianyungang New Oriental and Lianyungang Port in relation to the provision of terminal related services which includes the Income Nature Transactions and Expense Nature Transactions
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Date”	31 March 2023
“percentage ratios”	percentage ratios as defined under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this announcement and unless the context suggests otherwise, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Sale Shares”	shares representing 56% of the registered share capital in the Target Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“Target Company”	Xiamen Haicang Free Trade Port Zone Investment and Construction Management Co., Ltd.* 廈門海滄保稅港區投資建設管理有限公司, a company incorporated under the laws of the PRC with limited liability
“Transaction”	the transactions contemplated under the Equity Transfer Agreement
“Transitional Period”	the period from 31 December 2021 to the Closing Date

“Xiamen Haicang Investment”	Xiamen Haicang Investment Group Co., Ltd.* 廈門海滄投資集團有限公司, a wholly state-owned company incorporated under the laws of the PRC with limited liability, with its ultimate beneficial owner being the People’s Government of Haicang District, Xiamen
“Xiamen Haitou Supply Chain”	Xiamen Haitou Supply Chain Operation Co., Ltd.* 廈門海投供應鏈運營有限公司, a company incorporated under the laws of the PRC with limited liability and a wholly-owned subsidiary of Xiamen Haicang Investment
“Xiamen Ocean Gate”	Xiamen Ocean Gate Container Terminal Co., Ltd.* 廈門遠海集裝箱碼頭有限公司, a company incorporated under the laws of the PRC with limited liability and a non-wholly owned subsidiary of the Company
“%”	per cent

For the purposes of this announcement, the English name with an asterisk () is an unofficial English transliteration or translation and is for identification purposes only.*

By Order of the Board
COSCO SHIPPING Ports Limited
YANG Zhijian
Chairman

Hong Kong, 30 December 2022

As at the date of this announcement, the Board comprises Mr. YANG Zhijian¹ (Chairman), Mr. ZHU Tao¹ (Managing Director), Mr. ZHANG Wei², Mr. CHEN Dong², Dr. WONG Tin Yau, Kelvin¹, Dr. FAN HSU Lai Tai, Rita³, Mr. Adrian David LI Man Kiu³, Mr. LAM Yiu Kin³, Prof. CHAN Ka Lok³ and Mr. YANG Liang Yee Philip³.

¹ Executive Director

² Non-executive Director

³ Independent Non-executive Director