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中遠海運國際(香港)有限公司

COSCO SHIPPING INTERNATIONAL (HONG KONG) CO., LTD.

(Incorporated in Bermuda with limited liability)

(Stock Code: 00517)

**DISCLOSEABLE AND CONNECTED TRANSACTION
ACQUISITION OF THE ENTIRE ISSUED SHARE CAPITAL OF
HELEN INSURANCE BROKERS LIMITED**

THE ACQUISITION

On 10 November 2023, the Company entered into the Share Transfer Agreement with the Vendor, pursuant to which the Company has agreed to purchase and the Vendor has agreed to sell the Target Shares at a consideration of HK\$270,980,600. Upon Completion, the Target Company will become a direct wholly-owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

Discloseable transaction

As the relevant percentage ratio(s) calculated under Chapter 14 of the Listing Rules in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

Connected transaction

Being the ultimate holding company and immediate holding company of the Company respectively, COSCO SHIPPING and COSCO SHIPPING (Hong Kong) together with their respective associates are connected persons of the Company under the Listing Rules. In addition, as at the date of this announcement, COSCO SHIPPING together with its associates are interested in approximately 45.85% equity interest in COSCO SHIPPING Development, both COSCO SHIPPING Development and the Vendor (a direct wholly-owned subsidiary of COSCO SHIPPING Development) are therefore associates of COSCO SHIPPING and also connected persons of the Company as defined in the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A SGM will be convened by the Company for the Independent Shareholders to approve the Acquisition. COSCO SHIPPING (Hong Kong), being an indirect subsidiary of COSCO SHIPPING (a fellow associate of the Vendor), will abstain from voting on the resolution to approve the Acquisition. To the extent the Company is aware, having made all reasonable enquiries, as at the date of this announcement, COSCO SHIPPING (Hong Kong) holds approximately 71.70% of the Shares, and will be expected to abstain from voting in respect of its entire holding in Shares in compliance with the Listing Rules.

The Independent Board Committee has been established to make recommendations to the Independent Shareholders in relation to the fairness and reasonableness of the Acquisition.

Ballas Capital Limited, has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Acquisition is fair and reasonable and to advise the proposed resolution in respect thereof at the SGM.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further information regarding the details of the Acquisition; (ii) a letter of recommendation of the Independent Board Committee to the Independent Shareholders; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice of the SGM and other information as required under the Listing Rules will be despatched to the Shareholders on or before 1 December 2023.

ATTENTION: Shareholders and potential investors of the Company should note that the Acquisition is subject to certain conditions and therefore may not be proceeded. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and actions that they should take.

INTRODUCTION

On 10 November 2023, the Company entered into the Share Transfer Agreement with the Vendor, pursuant to which the Company has agreed to purchase and the Vendor has agreed to sell the Target Shares at a consideration of HK\$270,980,600. The principal terms of the Share Transfer Agreement are set out below:

THE SHARE TRANSFER AGREEMENT

Date

10 November 2023

Parties

- (1) COSCO SHIPPING Development (Hong Kong) Co., Limited, as Vendor; and
- (2) The Company, as purchaser.

Assets to be acquired

The Target Shares, being the entire issued share capital of the Target Company.

Consideration and payment terms

The consideration payable by the Company to the Vendor is HK\$270,980,600, which is determined by the parties at arm's length with reference to the appraisal value of the Target Company and the dividends distributed subsequent to the appraisal date according to the management accounts of the Target Company.

Such consideration will be paid by the Company in cash and in full to the designated account of the Vendor from the Group's internal resources on the Completion Date.

Conditions precedent

Unless otherwise agreed in writing by the parties to the Share Transfer Agreement, Completion shall take place on the Completion Date and shall be conditional upon the following Conditions being satisfied:

- (a) no significant adverse changes in the business, operations, assets, debts and other circumstances of the Target Company (except for those directly caused by matters which have been specifically disclosed to the Company in writing by the Vendor before entering into of the Share Transfer Agreement), and that all representations, warranties and undertakings made by the Vendor under the Share Transfer Agreement are true, accurate and continuously valid, without any breach of any clauses under the Share Transfer Agreement;

- (b) the Vendor has completed the relevant approval procedures in connection with the Acquisition in accordance with its articles of association and the applicable laws, including obtaining all necessary consents, approvals, exemptions, orders or authorisations from all necessary regulatory authorities; completing all necessary registrations, declarations, or filings required by all necessary regulatory authorities; and complying with any procedures under the regulatory authorities; and
- (c) the Company has obtained the relevant approval in connection with the Acquisition in accordance with its Bye-laws and the applicable regulations, including the approval of the Independent Shareholders for the Acquisition and satisfied the relevant requirements under the Listing Rules.

Completion

Completion shall, subject to the fulfilment of the Conditions, take place on the Completion Date.

Upon Completion, the Target Company will become a direct wholly-owned subsidiary of the Company.

REASONS FOR AND BENEFITS OF THE ACQUISITION

The provision of insurance brokerage is one of the core shipping services provided by the Group. Currently, the Group's insurance brokerage services business is primarily engaged in the insurance and reinsurance intermediary services of marine and non-marine insurance. For the six months ended 30 June 2023, the insurance brokerage segment had been a key contributor to the gross profit increase of the Group, with a significant increase in the segment's revenue (2023: HK\$76,870,000 as compared with 2022: HK\$56,453,000) and profit before income tax (2023: HK\$57,861,000 as compared with 2022: HK\$41,852,000), mainly attributable to the gradual expansion of business varieties, business expansion in the PRC, higher protection and indemnity insurance and war risks insurance premium rates, as well as expansion of new business development and new customers. The Acquisition is expected to further expand the Group's client base and market share and enhance commission income and revenue. The Target Company has active business operations and sound financial positions, together with its marketing resources and customer base, the Acquisition can expand the business scale of the Group and create synergy with resource sharing to better achieve economies of scale and optimise the relevant operations of the Group. By virtue of the Acquisition, the market share of the Group's insurance brokerage business will expand, which will help strengthen its influence and enhance its competitiveness in the industry. Overall, the Target Company's established operations once infused and reorganised into the Group could enhance the Group's existing business and enable the cost savings by eliminating duplicate functions and streamlining its operations to create value.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) consider that the terms of the Acquisition and the entering into of the Share Transfer Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

None of the Directors is considered to have any material interest in the Acquisition or required to abstain from voting on the relevant board resolution approving the Acquisition. For good corporate governance practices, Mr. Chen Dong, the non-executive Director, has voluntarily chosen to abstain from voting in view of his concurrent position as a general manager of the finance and accounting division of COSCO SHIPPING.

INFORMATION ON THE TARGET COMPANY

The Target Company is a company incorporated in Hong Kong with limited liability and its principal business is provision of marine insurance brokerage services.

According to the audited financial statements of the Target Company for the respective financial years ended 31 December 2021 and 31 December 2022 provided by the Vendor, the financial highlights of the Target Company are set out below:

	For the year ended 31 December	
	2022	2021
	<i>HK\$'000</i>	<i>HK\$'000</i>
	(audited)	(audited)
Profit before tax	34,036	28,866
Profit after tax	28,648	24,112

The audited book net asset value of the Target Company as at 31 December 2022 amounted to approximately HK\$32,133,200. According to the Valuation Report, the entire equity of the Target Company was appraised at HK\$299,630,600 as at 31 March 2023 using the market approach. The dividends distributed by the Target Company subsequent to the appraisal date amounted to HK\$28,650,000 according to its latest unaudited accounts for the nine months ended 30 September 2023.

The Vendor acquired the entire issued share capital of the Target Company in 2016 at the original acquisition cost of approximately RMB162,347,300.

VALUATION REPORT OF THE TARGET COMPANY

Although the conclusion of the Valuation Report was made based on the market approach, as both income approach and market approach were referenced in the Valuation Report, such may constitute as “profit forecast” under Rule 14.61 of the Listing Rules. Accordingly, the Company has applied to the Stock Exchange for waivers from strict compliance with the requirements under the Rules 14.62, 14.66(2), 14A.68(7), 14A.70(13) and paragraph 29(2) of Appendix 1B of the Listing Rules.

INFORMATION ON THE PARTIES

The Group is principally engaged in the provision of shipping services and general trading. As at the date of this announcement, the Company is indirectly held as to approximately 71.70% by COSCO SHIPPING, which is principally engaged in shipping, terminal, logistics, shipping finance, equipment manufacturing and shipping services etc..

The Vendor is principally engaged in vessel chartering and container leasing.

LISTING RULES IMPLICATIONS

Discloseable transaction

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Connected transaction

Being the ultimate holding company and immediate holding company of the Company respectively, COSCO SHIPPING and COSCO SHIPPING (Hong Kong) together with their respective associates are connected persons of the Company under the Listing Rules. In addition, as at the date of this announcement, COSCO SHIPPING together with its associates are interested in approximately 45.85% equity interest in COSCO SHIPPING Development, both COSCO SHIPPING Development and the Vendor (a direct wholly-owned subsidiary of COSCO SHIPPING Development) are therefore associates of COSCO SHIPPING and also connected persons of the Company as defined in the Listing Rules. Accordingly, the Acquisition also constitutes a connected transaction of the Company and is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

A SGM will be convened by the Company for the Independent Shareholders to approve the Acquisition. COSCO SHIPPING (Hong Kong), being an indirect wholly-owned subsidiary of COSCO SHIPPING (a fellow associate of the Vendor), will abstain from voting on the resolution to approve the Acquisition. To the extent the Company is aware, having made all reasonable enquiries, as at the date of this announcement, COSCO SHIPPING (Hong Kong) holds approximately 71.70% of the Shares and will be expected to abstain from voting in respect of its entire holding in Shares in compliance with the Listing Rules.

The Independent Board Committee has been established to make recommendations to the Independent Shareholders in relation to the fairness and reasonableness of the Acquisition.

Ballas Capital Limited, has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the Acquisition is fair and reasonable and to advise the proposed resolution in respect thereof at the SGM.

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ATTENTION: Shareholders and potential investors of the Company should note that the Acquisition is subject to certain conditions and therefore may not be proceeded. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company, and are recommended to consult their professional advisers if they are in any doubt about their position and actions that they should take.

DEFINITIONS

The following expressions shall have the meanings set out below unless the context requires otherwise:

“Acquisition”	the acquisition of the entire issued share capital of the Target Company by the Company from the Vendor in accordance with the Share Transfer Agreement and the transactions contemplated thereunder;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Board”	the board of Directors;
“Business Day(s)”	a day (other than Saturday, Sunday, a public holiday as defined in the General Holidays Ordinance (Cap 149) of the laws of Hong Kong and a gale warning day or a black rainstorm warning day as defined in section 71(2) of the Interpretation and General Clauses Ordinance (Cap 1) of the laws of Hong Kong);
“Bye-laws”	the bye-laws of the Company as may be amended from time to time;
“Company”	COSCO SHIPPING International (Hong Kong) Co., Ltd., a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 00517);
“Completion”	completion of the Acquisition under the Share Transfer Agreement;
“Completion Date”	within 3 Business Days after all Conditions are met and no later than 30 March 2024;
“Conditions”	the conditions precedent to Completion as set out under the paragraph headed “Conditions precedent” in this announcement;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;

“COSCO SHIPPING”	中國遠洋海運集團有限公司 (China COSCO Shipping Corporation Limited*), a state-owned enterprise established in the PRC and the ultimate holding company of the Vendor and the Company;
“COSCO SHIPPING Development”	中遠海運發展有限公司 (COSCO SHIPPING Development Co., Ltd*), a joint stock limited company established in the PRC, the H shares and A shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 02866) and the Shanghai Stock Exchange (Stock Code: 601866) respectively, and the immediate holding company of the Vendor;
“COSCO SHIPPING Group”	COSCO SHIPPING and its subsidiaries;
“COSCO SHIPPING (Hong Kong)”	COSCO SHIPPING (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability and the immediate holding company of the Company;
“Directors”	the directors of the Company;
“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 Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Kwong Che Keung, Gordon (all being independent non-executive Directors) to advise the Independent Shareholders, taking into account the recommendations of the independent financial adviser, in relation to the Acquisition;
“Independent Shareholders”	the Shareholders other than those who are required under the Listing Rules to abstain from voting at the SGM on the resolution approving the Acquisition;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules;
“PRC”	the People’s Republic of China;
“RMB”	Renminbi, the lawful currency of the PRC;
“SGM”	a special general meeting to be convened by the Company for the purpose of considering, and if thought fit, approving the Acquisition by the Independent Shareholders;

“Share Transfer Agreement”	the share transfer agreement dated 10 November 2023 entered into between the Company and the Vendor in relation to the Acquisition;
“Share(s)”	ordinary share(s) in the issued capital of the Company;
“Shareholder(s)”	holder(s) of Share(s) in the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Listing Rules;
“Target Company”	Helen Insurance Brokers Limited, a company incorporated in Hong Kong with limited liability and a direct wholly-owned subsidiary of the Vendor;
“Target Shares”	3,000,000 paid-up shares of HK\$1.00 each representing the entire issued share capital of the Target Company;
“Valuation Report”	the valuation report of the Target Company prepared by China Tong Cheng Assets Appraisal Co., Ltd., an independent asset appraisal company in the PRC, using the market approach with 31 March 2023 as the appraisal reference date;
“Vendor”	COSCO SHIPPING Development (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability and the immediate holding company of the Target Company; and
“%”	per cent.

By Order of the Board
COSCO SHIPPING International (Hong Kong) Co., Ltd.
Zhu Changyu
Chairman and Managing Director

10 November 2023

As at the date of this announcement, the Board of the Company consists of Mr. Zhu Changyu¹ (Chairman and Managing Director), Mr. Chen Dong², Ms. Meng Xin¹, Mr. Tsui Yiu Wa, Alec³, Mr. Jiang, Simon X.³ and Mr. Kwong Che Keung, Gordon³.

¹ *Executive Director*

² *Non-executive Director*

³ *Independent non-executive Director*

* *for identification purposes only*