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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
REVISION OF ANNUAL CAP FOR
MASTER INSURANCE BROKERAGE SERVICES AGREEMENT

REVISION OF ANNUAL CAP

The Board anticipates that the Existing Annual Cap would not be sufficient to meet the expected transaction amounts for the provision of insurance brokerage services by the CS Development Group to the COSCO SHIPPING Group under the Master Insurance Brokerage Services Agreement for the year ending 31 December 2019.

The Board therefore proposes to revise the Existing Annual Cap to the Proposed Revised Annual Cap.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As at the date of this announcement, 4,458,195,175 A Shares, representing approximately 38.41% of the total issued share capital of the Company, is held by China Shipping Group Company Limited* (中國海運集團有限公司), a wholly-owned subsidiary of COSCO SHIPPING, and 100,944,000 H Shares, representing approximately 0.87% of the total issued share capital of the Company, is held by Ocean Fortune Investment Limited, an indirect wholly-owned subsidiary of COSCO SHIPPING. Therefore, 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 39.28% 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.

Pursuant to Rule 14A.54 of the Hong Kong Listing Rules, the Company is required to re-comply with the applicable requirements under Chapter 14A of the Hong Kong Listing Rules due to the revision of the Existing Annual Cap.

As one or more applicable percentage ratios in respect of the Proposed Revised Annual Cap are expected to exceed 0.1% but are less than 5%, the revision of the Existing Annual Cap is subject to the reporting, announcement and annual review requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, all being executive Directors, and Mr. Feng Boming, Mr. Huang Jian and Mr. Liang Yanfeng, all being non-executive Directors, hold directorship(s) or act as senior management in COSCO SHIPPING and/or its associates, and were nominated by COSCO SHIPPING to the Board. Accordingly, Mr. Wang Daxiong, Mr. Liu Chong, Mr. Xu Hui, Mr. Feng Boming, Mr. Huang Jian and Mr. Liang Yanfeng have therefore abstained from voting on the relevant Board resolution approving the Proposed Revised Annual Cap. Save as aforementioned, none of the other Directors has a material interest in the transactions contemplated under the Master Insurance Brokerage Services Agreement and the Proposed Revised Annual Cap. Therefore, no other Director has abstained from voting on such Board resolution.

INTRODUCTION

Reference is made to the announcement of the Company dated 5 December 2016, in relation to, among other things, the provision of insurance brokerage services by the CS Development Group to the COSCO SHIPPING Group under the Master Insurance Brokerage Services Agreement.

On 6 December 2019, the Board proposes to revise the Existing Annual Cap to the Proposed Revised Annual Cap for the provision of insurance brokerage services by the CS Development Group to the COSCO SHIPPING Group under the Master Insurance Brokerage Services Agreement for the year ending 31 December 2019.

MASTER INSURANCE BROKERAGE SERVICES AGREEMENT

The principal terms of the Master Insurance Brokerage Services Agreement are set out below.

Parties:	(i) The Company; and (ii) COSCO SHIPPING.
Nature of transactions:	Pursuant to the Master Insurance Brokerage Services Agreement, the CS Development Group agreed to provide insurance brokerage services to the COSCO SHIPPING Group. The CS Development Group will assist the COSCO SHIPPING Group in procuring insurance policies to be taken out by third party insurers.
Pricing policies:	Prices for the provision of insurance brokerage services by the CS Development Group to the COSCO SHIPPING Group under the Master Insurance Brokerage Services Agreement are determined according to the General Pricing Principles and the General Pricing Determination Procedures. In particular, the Company will determine the relevant prices by taking into account the service fees for comparable insurance brokerage services charged by at least two independent third party insurance brokers.

REVISION OF ANNUAL CAP

Existing Annual Cap and Proposed Revised Annual Cap

In light of the rapid expansion of the COSCO SHIPPING Group and its increasing demand for insurance brokerage services, the Board anticipates that the Existing Annual Cap would not be sufficient to meet the expected transaction amounts for the provision of insurance brokerage services by the CS Development Group to the COSCO SHIPPING Group under the Master Insurance Brokerage Services Agreement for the year ending 31 December 2019. Accordingly, the Board proposes to revise the Existing Annual Cap in order to support the insurance brokerage business and satisfy the daily operational needs.

The following table sets out the historical transaction amounts and the relevant annual caps for the provision of insurance brokerage services by the CS Development Group to the COSCO SHIPPING Group under the Master Insurance Brokerage Services Agreement for the two years ending 31 December 2019:

For the year ended 31 December 2018		For the year ending 31 December 2019	
Historical transaction amount (RMB'000)	Annual cap (RMB'000)	Historical transaction amount up to 30 September 2019 (RMB'000)	Annual cap (RMB'000)
24,871	25,000	22,467	26,000

The Board therefore proposes to revise the Existing Annual Cap to the Proposed Revised Annual Cap as set out in the table below:

	For the year ending 31 December 2019 (RMB'000)
Existing Annual Cap:	26,000
Proposed Revised Annual Cap:	33,000

In arriving at the Proposed Revised Annual Cap for the provision of insurance brokerage services by the CS Development Group to the COSCO SHIPPING Group under the Master Insurance Brokerage Services Agreement, the Directors have considered:

- (i) the historical transaction amounts for the provision of insurance brokerage services by the CS Development Group to the COSCO SHIPPING Group under the Master Insurance Brokerage Services Agreement for the year ended 31 December 2018 and the nine months ended 30 September 2019;
- (ii) the existing scale and the estimated growth of the operation of the COSCO SHIPPING Group;

- (iii) the estimated increase in demand for insurance brokerage services by the COSCO SHIPPING Group;
- (iv) the prevailing market conditions of the insurance market, including the prevailing market rates of insurance brokerage for comparable insurance products; and
- (v) the current insurance coverage of the COSCO SHIPPING Group.

The Board confirms that, as at the date of this announcement, the Existing Annual Cap for the year ending 31 December 2019 has not been exceeded.

REASONS FOR AND BENEFITS OF THE REVISION OF THE EXISTING ANNUAL CAP

The Directors have been carefully monitoring the historical transaction amounts of and the estimated demand for the continuing connected transactions of the Group.

With the rapid expansion of the COSCO SHIPPING Group and its increasing demand for insurance brokerage services, the CS Development Group endeavors to seize the opportunities to vigorously develop its insurance brokerage business, thereby leading to an increase in the expected transaction amounts for the provision of insurance brokerage services by the CS Development Group to the COSCO SHIPPING Group under the Master Insurance Brokerage Services Agreement. As such, the Board anticipates that the Existing Annual Cap would not be sufficient to meet the expected transaction amounts for the provision of insurance brokerage services by the CS Development Group to the COSCO SHIPPING Group under the Master Insurance Brokerage Services Agreement for the year ending 31 December 2019. Accordingly, the Board proposes to revise the Existing Annual Cap in order to support the insurance brokerage business and satisfy the daily operational needs.

The Directors (including the independent non-executive Directors) consider that the transactions contemplated under the Master Insurance Brokerage Services Agreement have been conducted and will continue to be conducted in the ordinary and usual course of business of the Group and are on normal commercial terms, and that the terms of the Master Insurance Brokerage Services Agreement and the Proposed Revised Annual Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON PARTIES TO THE MASTER INSURANCE BROKERAGE SERVICES AGREEMENT

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 shipping and industry-related leasing businesses, manufacturing of containers and provision of investment and financial services.

Information on COSCO SHIPPING

COSCO SHIPPING is a company incorporated under the laws of the PRC, and is a state-owned enterprise wholly-owned and controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

The scope of business of COSCO SHIPPING includes international shipping, ancillary business in international maritime transportation, import and export of goods and technologies, international freight agency business, leasing of self-owned vessels, sales of vessels, containers and steel and maritime engineering.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

As at the date of this announcement, 4,458,195,175 A Shares, representing approximately 38.41% of the total issued share capital of the Company, is held by China Shipping Group Company Limited[#] (中國海運集團有限公司), a wholly-owned subsidiary of COSCO SHIPPING, and 100,944,000 H Shares, representing approximately 0.87% of the total issued share capital of the Company, is held by Ocean Fortune Investment Limited, an indirect wholly-owned subsidiary of COSCO SHIPPING. Therefore, 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 39.28% 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.

Pursuant to Rule 14A.54 of the Hong Kong Listing Rules, the Company is required to re-comply with the applicable requirements under Chapter 14A of the Hong Kong Listing Rules due to the revision of the Existing Annual Cap.

As one or more applicable percentage ratios in respect of the Proposed Revised Annual Cap are expected to exceed 0.1% but are less than 5%, the revision of the Existing Annual Cap is subject to the reporting, announcement and annual review requirements, but is exempt from the independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, all being executive Directors, and Mr. Feng Boming, Mr. Huang Jian and Mr. Liang Yanfeng, all being non-executive Directors, hold directorship(s) or act as senior management in COSCO SHIPPING and/or its associates, and were nominated by COSCO SHIPPING to the Board. Accordingly, Mr. Wang Daxiong, Mr. Liu Chong, Mr. Xu Hui, Mr. Feng Boming, Mr. Huang Jian and Mr. Liang Yanfeng have therefore abstained from voting on the relevant Board resolution approving the Proposed Revised Annual Cap. Save as aforementioned, none of the other Directors has a material interest in the transactions contemplated under the Master Insurance Brokerage Services Agreement and the Proposed Revised Annual Cap. Therefore, no other Director has abstained from voting on such Board resolution.

INTERNAL CONTROL PROCEDURES FOR THE GROUP

Pursuant to the terms of the continuing connected transaction framework agreements of the Group, the Group may, from time to time and as necessary, enter into separate implementation agreements for each of the specific transactions contemplated under the continuing connected transaction framework agreements of the Group.

Each implementation agreement shall set out the specific terms and other relevant conditions for the particular transaction, including but not limited to rights and benefits of the parties, coordination of the parties, fees and expenses, payments, use of information, breach of agreement and exclusion of liabilities. Any execution and amendments of such implementation agreements shall not contravene the relevant continuing connected transaction framework agreements.

In addition to the annual review by the auditors and independent non-executive Directors pursuant to the requirements of Chapter 14A of the Hong Kong Listing Rules, the Company has implemented the following internal control procedures to ensure that the terms offered by the relevant connected parties are no less favourable than those available to or from independent third parties (as the case may be) and the continuing connected transactions of the Group are conducted in accordance with the pricing policy under the respective continuing connected transaction framework agreements:

- (i) the Company has prepared and implemented the Methods for Management of Connected Transactions (關連交易管理辦法) which sets out, among other things, the relevant requirements for and identification of connected transactions, the responsibilities of relevant departments in the conduct and management of connected transactions, reporting procedures and ongoing monitoring, with a view to ensuring compliance of the Group with applicable laws and regulations (including the Hong Kong Listing Rules) in relation to connected transactions;
- (ii) before entering into any implementation agreements pursuant to the continuing connected transaction framework agreements, the relevant executives of the relevant departments of the Company will review contemporaneous prices and other relevant terms offered by at least two independent third parties operating at the same or nearby area before the commencement of the relevant transaction, and ensure that the terms offered by the relevant connected persons are fair and reasonable and comparable to those offered by independent third parties. In case where the offers made by independent third parties are more favourable to the Company, the Company would take up those offers of the independent third parties;
- (iii) following the entering into of the implementation agreements pursuant to the continuing connected transaction framework agreements, the Company will regularly examine the pricing of the transactions under the continuing connected transaction framework agreements to ensure that they are conducted in accordance with the pricing terms thereof, including reviewing the transaction records of the Company for the purchase or provision of similar goods or services to or from independent third parties, as the case may be;
- (iv) the Company will regularly convene meetings to discuss any issues in the transactions under the continuing connected transaction framework agreements and recommendations for improvement;
- (v) the Company will regularly summarise the transaction amounts incurred under the respective continuing connected transaction framework agreements and submit periodic reports which sets out, among other things, the historical transaction amounts, the estimated future transaction amounts and the applicable annual caps, to the management of the Company. If the aforementioned transaction amount incurred reach 80% of the respective applicable annual cap, immediate reporting will be made to the management of the Company. In doing so, the management and the relevant departments of the Company can be informed of the status of the continuing connected transactions in a timely manner such that the transactions can be conducted within the applicable annual caps;

- (vi) if it is anticipated that the existing annual caps may be exceeded in the event that the Company continues to conduct the continuing connected transactions, the relevant business departments shall report to the management of the Company at least two months in advance, the Company will then take all appropriate steps in advance to revise the relevant annual caps in accordance with the relevant requirements of the Hong Kong Listing Rules and if necessary, the Company will refrain from further conducting the relevant continuing connected transactions until the revised annual caps are approved; and
- (vii) the supervision department of the Company will periodically review and inspect the process of the relevant continuing connected transactions.

By implementing the above procedures, the Directors consider that the Company has established sufficient internal control measures to ensure that the pricing basis of each of the continuing connected transaction agreements of the Group will be on normal commercial terms (or better to the Group), fair and reasonable, in accordance with the pricing policy of the Company and in the interests of the Company and the Shareholders as a whole.

The relevant departments of the Company will also collect statistics of each of the continuing connected transaction agreements of the Group on a quarterly basis to ensure that the annual caps approved by the independent Shareholders or as announced are not exceeded.

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
“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 the 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
“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 Group”	COSCO SHIPPING, its subsidiaries and/or its associates (excluding the CS Development Group)

“CS Development Group”	the Company, its subsidiaries and/or its associates
“Director(s)”	director(s) of the Company
“Existing Annual Cap”	the existing annual cap in the amount of RMB26,000,000 for the provision of insurance brokerage services by the CS Development Group to the COSCO SHIPPING Group under the Master Insurance Brokerage Services Agreement for the year ending 31 December 2019
“General Pricing Determination Procedures”	<p>the general procedures and mechanism for determination of the state-prescribed price and the market price as follows:</p> <ul style="list-style-type: none"> (i) when determining the state-prescribed price (subject to adjustment by the relevant authorities or regulators from time to time and is generally publicly available): <ul style="list-style-type: none"> (a) the CS Development Group refers to the guidelines for the relevant prices from the relevant authorities or regulators in the PRC, such as price control authorities and industry regulators, if applicable; (b) if a fixed state-prescribed price is available, the Company will apply such fixed price; and (c) if a range of state-prescribed prices is available, the relevant parties will agree on the price within such range of state-prescribed prices; (ii) when determining the market price: <ul style="list-style-type: none"> (a) the relevant department of the Company will collect applicable data and market information (including quotes from independent third parties and reference materials from independent third party entities) and prepare draft proposal; (b) the relevant department will seek advice (such as conditions of facilities and quality of products or services) from the relevant department and the relevant agents and submit revised proposal for the review of its supervising department; (c) the relevant department will then negotiate with transaction counterparties (including the relevant connected persons) based on such reviewed proposal; (d) the Group will then enter into implementation agreement based on the results of negotiation; and

	(e) the executed implementation agreement will be forwarded to the relevant department of the Company and the relevant agents for recording and implementation
“General Pricing Principles”	the general principles for determination of relevant prices as follows: <ul style="list-style-type: none"> (i) the state-prescribed price, being the price set by the relevant laws, regulations and other governmental regulatory documents issued by the relevant authorities of the PRC government; (ii) where there is no state-prescribed price, then according to the relevant market price, the price which independent third parties may obtain for the same or comparable type of transaction in the ordinary and usual course of business, or based on the principle of fairness and reasonableness; or (iii) where there is no market price, then according to the contracted price, being the relevant cost for that particular transaction plus a profit margin ranging from 0% to 12.25%
“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 the Main Board of the Hong Kong Stock Exchange
“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
“Master Insurance Brokerage Services Agreement”	the master insurance brokerage services agreement dated 5 December 2016 entered into between the Company and COSCO SHIPPING in respect of the provision of insurance brokerage services by the CS Development Group to the COSCO SHIPPING Group
“percentage ratios”	has the meaning ascribed to it under the Hong Kong Listing Rules
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes the Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China and the region of Taiwan

“Proposed Revised Annual Cap”	the proposed revised annual cap in the amount of RMB33,000,000 for the provision of insurance brokerage services by the CS Development Group to the COSCO SHIPPING Group under the Master Insurance Brokerage Services Agreement for the year ending 31 December 2019
“RMB”	Renminbi, the lawful currency of the PRC
“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 PRC
6 December 2019

As at the date of this announcement, the Board comprises Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, being executive Directors, Mr. Feng Boming, Mr. Huang Jian and Mr. Liang Yanfeng, being non-executive Directors, and Mr. Cai Hongping, Ms. Hai Chi Yuet, Mr. Graeme Jack, Mr. Lu Jianzhong and Ms. Zhang Weihua, 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 Development Co., Ltd.”.*

For identification purposes only.