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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION
ASSIGNMENT AND NOVATION AGREEMENTS
AND
SHIPBUILDING CONTRACTS**

ASSIGNMENT AND NOVATION AGREEMENTS AND SHIPBUILDING CONTRACTS

The Board is pleased to announce that on 21 October 2020:

- (i) COSCOL HK and Oriental Fleet Pulp 01 entered into the Memoranda of Agreement, pursuant to which, COSCOL HK agrees to transfer and Oriental Fleet Pulp 01 agrees to take over all rights, responsibilities and liabilities under the Existing Shipbuilding Contracts at the aggregate consideration of US\$20,560,000;
- (ii) COSCOL HK, Oriental Fleet Pulp 01 and COSCO SHIPPING Heavy Industry entered into the Deeds of Novation in relation to the novation of the Existing Shipbuilding Contracts in accordance with the Memoranda of Agreement;
- (iii) Oriental Fleet Pulp 01 and COSCO SHIPPING Heavy Industry entered into the HK Shipbuilding Contracts in relation to the construction of four 62,000 DWT HK Multi-Purpose Vessels at the aggregate contract price of US\$134,720,000; and
- (iv) CS Development Hainan and COSCO SHIPPING Heavy Industry entered into the PRC Shipbuilding Contracts in relation to the construction of four 62,000 DWT PRC Multi-Purpose Vessels at the aggregate contract price of RMB1,072,000,000.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rules 14.22 and 14A.81 of the Listing Rules, the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder should be aggregated.

As one or more of the applicable percentages ratios calculated in accordance with the Listing Rules in respect of the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder exceed 5% but are less than 25%, the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder constitute discloseable transactions of the Company which are subject to the reporting and announcement requirements under Chapter 14 of the 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, are held by China Shipping, 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, are 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.

As COSCO SHIPPING Heavy Industry is a wholly-owned subsidiary of COSCO SHIPPING and COSCO SHIPPING is the indirect controlling shareholder of COSCO SHIPPING Specialized Carriers, and COSCOL HK is a wholly-owned subsidiary of COSCO SHIPPING Specialized Carriers, each of COSCO SHIPPING Heavy Industry and COSCOL HK is an associate of COSCO SHIPPING and therefore a connected person of the Company. Accordingly, the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder constitute connected transactions of the Company which are subject to the reporting, announcement, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

GENERAL

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder.

In this connection, an Independent Financial Adviser will be appointed by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder.

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve, among other things, the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder.

A circular containing, among other things, (i) further details of the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its recommendation in respect of the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 30 October 2020.

INTRODUCTION

The Board is pleased to announce that the Group proposes to acquire ten 62,000 DWT Multi-Purpose Vessels and immediately after delivery of which, the COSCO SHIPPING Specialized Group will charter-in the ten 62,000 DWT Multi-Purpose Vessels from the Group. Among the ten 62,000 DWT Multi-Purpose Vessels, two of which (being the 62,000 DWT Multi-Purpose Vessels under Construction) will be acquired from COSCOL HK through the Assignment and Novation Agreements and eight of which (being the four 62,000 DWT HK Multi-Purpose Vessels and the four 62,000 DWT PRC Multi-Purpose Vessels) will be acquired by way of new construction by COSCO SHIPPING Heavy Industry pursuant to the Shipbuilding Contracts. The four 62,000 DWT HK Multi-Purpose Vessels and the four 62,000 DWT PRC Multi-Purpose Vessels were the subject of the terminated shipbuilding contracts previously entered into between the COSCO SHIPPING Specialized Carriers Group and COSCO SHIPPING Heavy Industry.

In this connection, on 21 October 2020:

- (i) COSCOL HK and Oriental Fleet Pulp 01 entered into the Memoranda of Agreement, pursuant to which, COSCOL HK agrees to transfer and Oriental Fleet Pulp 01 agrees to take over all rights, responsibilities and liabilities under the Existing Shipbuilding Contracts at the aggregate consideration of US\$20,560,000 (which was determined based on the aggregate Assessment Price of the two 62,000 DWT Multi-Purpose Vessels under Construction of US\$62,000,000 and the unpaid instalment under the Existing Shipbuilding Contracts);

- (ii) COSCOL HK, Oriental Fleet Pulp 01 and COSCO SHIPPING Heavy Industry entered into the Deeds of Novation in relation to the novation of the Existing Shipbuilding Contracts in accordance with the Memoranda of Agreement;
- (iii) Oriental Fleet Pulp 01 and COSCO SHIPPING Heavy Industry entered into the HK Shipbuilding Contracts in relation to the construction of four 62,000 DWT HK Multi-Purpose Vessels at the aggregate contract price of US\$134,720,000; and
- (iv) CS Development Hainan and COSCO SHIPPING Heavy Industry entered into the PRC Shipbuilding Contracts in relation to the construction of four 62,000 DWT PRC Multi-Purpose Vessels at the aggregate contract price of RMB1,072,000,000.

ASSIGNMENT AND NOVATION AGREEMENTS

The principal terms of the Memoranda of Agreement are as follows:

Date: 21 October 2020

Parties: (1) COSCOL HK, as assignor; and
(2) Oriental Fleet Pulp 01, as assignee.

Subject matter: Pursuant to the Memoranda of Agreement, COSCOL HK agrees to transfer and Oriental Fleet Pulp 01 agrees to take over all rights, responsibilities and liabilities under the Existing Shipbuilding Contracts in respect of two 62,000 DWT Multi-Purpose Vessels under Construction, which are expected to be delivered by COSCO SHIPPING Heavy Industry on or around 16 November 2020 and 26 December 2020, respectively.

Purchase price: The purchase price payable under each of the Memoranda of Agreement shall be the amount of (i) the Assessment Price, being US\$31,000,000; less (ii) the amount of the unpaid fifth instalment under the respective Existing Shipbuilding Contract, being US\$20,720,000, which will be payable upon delivery of the 62,000 DWT Multi-Purpose Vessels under Construction under the Existing Shipbuilding Contracts.

Accordingly, the aggregate purchase price payable under the two Memoranda of Agreement is US\$20,560,000, which was determined after arm's length negotiation between COSCOL HK and Oriental Fleet Pulp 01 with reference to the Assessment Report issued by Shanghai Orient Appraisal Co., Ltd., an independent valuer, and the unpaid instalment under the Existing Shipbuilding Contracts. According to the Assessment Report, the aggregate Assessment Price of the two 62,000 DWT Multi-Purpose Vessels under Construction as at the benchmark date of 31 August 2020 was US\$62,000,000, which was determined based on the cost approach by calculating the cost of replacing the vessels.

The purchase price payable by Oriental Fleet Pulp 01 under the Memoranda of Agreement will be funded by the internal resources of the Group.

Payment:	Within five banking days from the effective date of the Memoranda of Agreement, the purchase price shall be remitted free of bank charges, withholdings or any other deductions whatsoever by Oriental Fleet Pulp 01 to COSCOL HK.
Transfer of rights and obligations:	All the rights of COSCOL HK under or in relation to the Existing Shipbuilding Contracts shall be assigned and transferred to, and enjoyed by Oriental Fleet Pulp 01 from the actual receipt date of the purchase price, except that the rights, costs, obligations and liabilities of supervision and inspection under the Existing Shipbuilding Contracts shall not be transferred to Oriental Fleet Pulp 01 but still be undertaken by COSCOL HK.
Time charter party:	COSCOL HK will charter-in the 62,000 DWT Multi-Purpose Vessels under Construction from Oriental Fleet Pulp 01 immediately after the delivery of the 62,000 DWT Multi-Purpose Vessels under Construction by COSCO SHIPPING Heavy Industry to Oriental Fleet Pulp 01, and the fees which shall be paid for COSCOL HK's use and hire of each of the 62,000 DWT Multi-Purpose Vessels under Construction shall be US\$11,530 per day pro rata, which was determined with reference to the construction price and costs of each of the 62,000 DWT Multi-Purpose Vessels under Construction and in accordance with the general pricing principles and the general pricing determination procedures under the Master Vessel Charter Agreement approved by the Independent Shareholders at the extraordinary general meeting of the Company dated 23 December 2019.
Effectiveness:	<p>Unless otherwise agreed in writing between the parties, the Memoranda of Agreement shall come into effect provided all the conditions below are satisfied:</p> <ol style="list-style-type: none"> (1) the authorized representative of COSCOL HK having signed the Memoranda of Agreement; (2) the authorized representative of Oriental Fleet Pulp 01 having signed the Memoranda of Agreement; (3) the approval of the Memoranda of Agreement and the transactions thereunder from the board of directors of COSCOL HK having been obtained; (4) the approval of the Memoranda of Agreement and the transactions thereunder at a general meeting of COSCO SHIPPING Specialized Carriers having been obtained; and (5) the approval of the Memoranda of Agreement and the transactions thereunder from the Independent Shareholders at an extraordinary general meeting of the Company having been obtained.

The principal terms of the Deeds of Novation are as follows:

Date: 21 October 2020

Parties:

- (1) COSCOL HK, as original buyer;
- (2) Oriental Fleet Pulp 01, as new buyer; and
- (3) COSCO SHIPPING Heavy Industry, as seller.

Subject matter: Pursuant to the Deeds of Novation, the parties agree that all rights, benefits, obligations and liabilities of COSCOL HK under the Existing Shipbuilding Contract shall be transferred to Oriental Fleet Pulp 01 as if Oriental Fleet Pulp 01 had originally been a party thereto, provided that: (i) the Deeds of Novation come into effect; and (ii) the full amount of the purchase price in relation to the novation of the Existing Shipbuilding Contract in accordance with the Memoranda of Agreement between COSCOL HK and Oriental Fleet Pulp 01 is received by COSCOL HK from Oriental Fleet Pulp 01.

Effectiveness: The Deeds of Novation shall become effective when the following conditions have been duly fulfilled:

- (1) the due execution of the Deeds of Novation by the authorized representatives of the parties thereto;
- (2) the approval of the Deeds of Novation and the transactions thereunder from the board of directors of COSCOL HK having been obtained; and
- (3) the obtaining of approval of the Deeds of Novation and the transactions contemplated thereunder from the Independent Shareholders at an extraordinary general meeting of the Company and the obtaining of approval of the Deeds of Novation and the transactions contemplated thereunder from the shareholders at a general meeting of COSCO SHIPPING Specialized Carriers, respectively.

SHIPBUILDING CONTRACTS

The principal terms of the Shipbuilding Contracts are as follows:

Date: 21 October 2020

Parties: With respect to the HK Shipbuilding Contracts:

- (1) Oriental Fleet Pulp 01, as buyer; and
- (2) COSCO SHIPPING Heavy Industry, as seller.

With respect to the PRC Shipbuilding Contracts:

- (1) CS Development Hainan, as buyer; and
- (2) COSCO SHIPPING Heavy Industry, as seller.

Subject matter: Pursuant to the Shipbuilding Contracts:

- (1) COSCO SHIPPING Heavy Industry agrees to build, launch, equip and complete at its shipyard and to sell and deliver to Oriental Fleet Pulp 01, and Oriental Fleet Pulp 01 agrees to purchase and take delivery of, four 62,000 DWT HK Multi-Purpose Vessels, which are expected to be delivered on or before 31 March 2022, 31 May 2022, 15 August 2022 and 20 October 2022, respectively; and
- (2) COSCO SHIPPING Heavy Industry agrees to build, launch, equip and complete at its shipyard and to sell and deliver to CS Development Hainan, and CS Development Hainan agrees to purchase and take delivery of, four 62,000 DWT PRC Multi-Purpose Vessels, which are expected to be delivered on or before 25 December 2022, 25 February 2023, 15 April 2023 and 31 May 2023, respectively.

Contract price and payment: The aggregate contract price for the four 62,000 DWT HK Multi-Purpose Vessels is US\$134,720,000 and the aggregate contract price for the four 62,000 DWT PRC Multi-Purpose Vessels is RMB1,072,000,000 (inclusive of applicable value-added tax), subject to adjustments in accordance with the terms of the Shipbuilding Contracts as set out below.

The abovementioned contract price was determined after arm's length negotiation between Oriental Fleet Pulp 01, CS Development Hainan and COSCO SHIPPING Heavy Industry with reference to the result of tender conducted by the COSCO SHIPPING Specialized Carriers Group for the construction of the 62,000 DWT HK Multi-Purpose Vessels and the 62,000 DWT PRC Multi-Purpose Vessels, where two independent third party shipbuilders were involved and COSCO SHIPPING Heavy Industry was selected as the successful tenderer based on its competitive terms as to price and delivery.

The contract price of the 62,000 DWT HK Multi-Purpose Vessels and the 62,000 DWT PRC Multi-Purpose Vessels shall be payable in five instalments, being approximately 5%, 5%, 10%, 10% and 70% of the contract price, at the relevant stages of their construction, respectively.

The contract price payable by Oriental Fleet Pulp 01 and CS Development Hainan under the Shipbuilding Contracts will be funded by the internal resources and/or external debt financing of the Group.

Adjustment to contract price:

The contract price payable under the Shipbuilding Contracts is subject to downward adjustments, or Oriental Fleet Pulp 01 and CS Development Hainan shall be entitled to reject the vessel(s) and rescind the relevant Shipbuilding Contracts, in the event that (i) the construction elements of the relevant vessel, being its speed, DWTs and fuel consumption rate, fall below certain agreed benchmarks under the relevant Shipbuilding Contract; or (ii) the delay in delivery of the relevant vessel exceeds certain agreed time limits under the relevant Shipbuilding Contract.

In the event that Oriental Fleet Pulp 01 and/or CS Development Hainan reject the vessel(s) and rescind the Shipbuilding Contracts, COSCO SHIPPING Heavy Industry shall refund the full amount of all sums already paid by Oriental Fleet Pulp 01 or CS Development Hainan (as the case may be) under the Shipbuilding Contracts, together with interest accrued at the rate of 5% per annum, from the respective payment date to the date of such refund.

Supervision and inspection:

Oriental Fleet Pulp 01 or CS Development Hainan (as the case may be) shall send in good time to and maintain at COSCO SHIPPING Heavy Industry's shipyard, at its own cost and expense, one or more representative(s) to supervise and survey the construction by COSCO SHIPPING Heavy Industry of the vessels, their engines and accessories.

Modifications:

The specifications and plans in accordance with which the vessel is constructed, may be modified and/or changed at any time after the date of the Shipbuilding Contracts by written agreement of the parties hereto, provided that such modifications and/or changes or an accumulation thereof will not, in the COSCO SHIPPING Heavy Industry's reasonable judgment, adversely affect its other commitments and provided further that Oriental Fleet Pulp 01 or CS Development Hainan (as the case may be) shall assent to adjustment of the contract price (whether increase or decrease), time of delivery of the vessel and other terms of the Shipbuilding Contracts, if any.

Effectiveness:

The Shipbuilding Contracts shall only take effect upon:

- (1) the due execution of the Shipbuilding Contracts by the authorized representatives of the parties thereto; and
- (2) the obtaining of approval of the Shipbuilding Contracts and the transactions contemplated thereunder from the Independent Shareholders at an extraordinary general meeting of the Company.

REASONS FOR AND BENEFITS OF THE ASSIGNMENT AND NOVATION AGREEMENTS AND THE SHIPBUILDING CONTRACTS

The Group is principally engaged in shipping and industry-related leasing businesses, manufacturing of containers and provision of investment and financial services.

As the Group strives to develop its vessel leasing business in the long run in an attempt to become China's leading and the world's first-class integrated supply chain financial service provider with distinct shipping logistics features, the entering into of the Assignment and Novation Agreements and Shipbuilding Contracts will expand the scale of the vessel leasing business and increase the proportion of the self-owned vessels of the Group. The proposed time charter party of the vessels between the Group and the COSCO SHIPPING Specialized Carriers Group following delivery of the vessels will also provide a stable income stream for the Group.

It is proposed that immediately after the delivery of the 62,000 DWT Multi-Purpose Vessels to be constructed under the Existing Shipbuilding Contracts and the Shipbuilding Contracts, the COSCO SHIPPING Specialized Group will charter-in the 62,000 DWT Multi-Purpose Vessels from the Group pursuant to the Master Vessel Charter Agreement. The proposed term of the time charter party in respect of the 62,000 DWT Multi-Purpose Vessels is 15 years and the fees for the use and hire of the 62,000 DWT Multi-Purpose Vessels were determined with reference to the construction price and costs of the 62,000 DWT Multi-Purpose Vessels and in accordance with the general pricing principles and the general pricing determination procedures under the Master Vessel Charter Agreement approved by the Independent Shareholders at the extraordinary general meeting of the Company dated 23 December 2019. As set out in the sub-section headed "Assignment and Novation Agreement - Time charter party", the fees payable by COSCOL HK for its use and hire of each of the 62,000 DWT Multi-Purpose Vessels under Construction shall be US\$11,530 per day pro rata. The fees for the use and hire of each of the 62,000 DWT HK Multi-Purpose Vessels and each of the 62,000 DWT PRC Multi-Purpose Vessels are proposed to be US\$12,480 per day pro rata and RMB97,480 per day pro rata, respectively. The Group will ensure that the aforementioned time charter party will be conducted within the applicable annual caps for the provision of vessel chartering services under the Master Vessel Charter Agreement as approved by the Independent Shareholders at the extraordinary general meeting of the Company dated 23 December 2019.

The Directors (other than the independent non-executive Directors who will express their views after considering the advice from the Independent Financial Adviser) consider that the Assignment and Novation Agreements and the Shipbuilding Contracts were entered into in the ordinary and usual course of business of the Group and are on normal commercial terms, and that the terms of the Assignment and Novation Agreements and the Shipbuilding Contracts are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP AND THE PARTIES TO THE ASSIGNMENT AND NOVATION AGREEMENTS AND THE SHIPBUILDING CONTRACTS

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 Oriental Fleet Pulp 01

Oriental Fleet Pulp 01 is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company. It is principally engaged in ship-holding and management, financing and leasing services.

Information on CS Development Hainan

CS Development Hainan is a company established in the PRC with limited liability and is a wholly-owned subsidiary of the Company. It is principally engaged in international container vessel and cargo ship transportation and vessel management.

Information on COSCOL HK

COSCOL HK is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of COSCO SHIPPING Specialized Carriers. It is principally engaged in offshore financing and the purchasing of offshore shipbuilding platforms.

COSCO SHIPPING Specialized Carriers is a joint stock company established under the laws of the PRC with limited liability, the A shares of which are listed on the Shanghai Stock Exchange, and a non-wholly owned subsidiary of COSCO SHIPPING. COSCO SHIPPING Specialized Carriers and its subsidiaries are principally engaged in the operations and management of vessels and carriers and cargo transportation.

Information on COSCO SHIPPING Heavy Industry

COSCO SHIPPING Heavy Industry is a company established in the PRC with limited liability and is a wholly-owned subsidiary of COSCO SHIPPING. It is principally engaged in ship and marine equipment manufacturing, repair and modifications and auxiliary services.

IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rules 14.22 and 14A.81 of the Listing Rules, the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder should be aggregated.

As one or more of the applicable percentages ratios calculated in accordance with the Listing Rules in respect of the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder exceed 5% but are less than 25%, the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder constitute discloseable transactions of the Company which are subject to the reporting and announcement requirements under Chapter 14 of the 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, are held by China Shipping, 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, are 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.

As COSCO SHIPPING Heavy Industry is a wholly-owned subsidiary of COSCO SHIPPING and COSCO SHIPPING is the indirect controlling shareholder of COSCO SHIPPING Specialized Carriers, and COSCOL HK is a wholly-owned subsidiary of COSCO SHIPPING Specialized Carriers, each of COSCO SHIPPING Heavy Industry and COSCOL HK is an associate of COSCO SHIPPING and therefore a connected person of the Company. Accordingly, the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder constitute connected transactions of the Company which are subject to the reporting, announcement, and Independent Shareholders' approval requirements under Chapter 14A of the 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 resolutions approving the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder. Save as aforementioned, none of the other Directors has a material interest in the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder. Therefore, no other Director has abstained from voting on such Board resolutions.

GENERAL

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder.

In this connection, an Independent Financial Adviser will be appointed by the Company with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder.

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve, among other things, the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder.

COSCO SHIPPING and its associates and those who are interested in the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder will be required to abstain from voting on the resolutions in relation to the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder. Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder had a material interest in the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder and therefore no Shareholder is required to abstain from voting at the EGM for the relevant resolutions.

A circular containing, among other things, (i) further details of the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its recommendation in respect of the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 30 October 2020.

DEFINITIONS

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

“62,000 DWT Multi-Purpose Vessels”	collectively, the 62,000 DWT Multi-Purpose Vessels under Construction, the 62,000 DWT HK Multi-Purpose Vessels and the 62,000 DWT PRC Multi-Purpose Vessels
“62,000 DWT Multi-Purpose Vessels under Construction”	two 62,000 DWT multi-purpose vessels (Hull No. N1006 and N1007) under construction by COSCO SHIPPING Heavy Industry and to be registered under the laws of Hong Kong pursuant to the Existing Shipbuilding Contracts
“62,000 DWT HK Multi-Purpose Vessels”	four 62,000 DWT multi-purpose vessels (Hull No. N1039, N1040, N1041 and N1042) to be constructed by COSCO SHIPPING Heavy Industry and to be registered under the laws of Hong Kong
“62,000 DWT PRC Multi-Purpose Vessels”	four 62,000 DWT multi-purpose vessels (Hull No. N1043, N1044, N1045 and N1046) to be constructed by COSCO SHIPPING Heavy Industry and to be registered under the laws of the PRC
“Assessment Price”	the assessed value, being US\$31,000,000, of each of the 62,000 DWT Multi-Purpose Vessels under Construction (on the basis of the completed status) as at 31 August 2020 as set out in the Assessment Report
“Assessment Report”	the assessment report dated 21 October 2020 issued by Shanghai Orient Appraisal Co., Ltd. in respect of, among other things, the two 62,000 DWT Multi-Purpose Vessels under Construction

“Assignment and Novation Agreements”	collectively, the Memoranda of Agreement and the Deeds of Novation
“associate”	has the meaning ascribed to it under the Listing Rules
“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
“Board”	the board of directors of the Company
“China Shipping”	China Shipping (Group) Company Limited* (中國海運集團有限公司), a PRC state-owned enterprise and the controlling shareholder 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 the A Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 02866) and the Shanghai Stock Exchange (Stock Code: 601866), respectively
“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 Heavy Industry”	COSCO SHIPPING Heavy Industry (Dalian) Co., Ltd. (大連中遠海運重工有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of COSCO SHIPPING
“COSCO SHIPPING Specialized Carriers”	COSCO SHIPPING Specialized Carriers Co., Ltd.* (中遠海運特種運輸股份有限公司), a joint stock company established under the laws of the PRC with limited liability and the A shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600428)
“COSCO SHIPPING Specialized Carriers Group”	COSCO SHIPPING Specialized Carriers and its subsidiaries
“COSCOL HK”	COSCOL (HK) Investment & Development Co., Ltd., a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of COSCO SHIPPING Specialized Carriers
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules

“CS Development Hainan”	COSCO SHIPPING Development (Hainan) Co., Ltd. (海南中遠海運發展有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Deeds of Novation”	collectively, the two deeds of novation dated 21 October 2020 entered into among COSCOL HK, Oriental Fleet Pulp 01 and COSCO SHIPPING Heavy Industry in relation to the novation of the Existing Shipbuilding Contracts in accordance with the Memoranda of Agreement
“Director(s)”	director(s) of the Company
“DWT”	deadweight tonnage, a standard unit of measurement of the maximum weight a ship can carry
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder
“Existing Shipbuilding Contracts”	collectively, the two shipbuilding contracts dated 1 March 2019 entered into between COSCOL HK (as buyer) and COSCO SHIPPING Heavy Industry (as seller) in relation to the construction of the two 62,000 DWT Multi-Purpose Vessels under Construction
“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
“HK Shipbuilding Contracts”	collectively, the four shipbuilding contracts dated 21 October 2020 entered into between Oriental Fleet Pulp 01 (as buyer) and COSCO SHIPPING Heavy Industry (as seller) in relation to the construction of the four 62,000 DWT HK Multi-Purpose Vessels
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited

“Independent Board Committee”	the independent board committee of the Company comprising Mr. Cai Hongping, Ms. Hai Chi Yuet, Mr. Graeme Jack, Mr. Lu Jianzhong and Ms. Zhang Weihua, being all the independent non-executive Directors, which is formed to advise the Independent Shareholders on the Assignment and Novation Agreements and Shipbuilding Contracts and the transactions contemplated thereunder in accordance with the Listing Rules
“Independent Financial Adviser”	the independent financial adviser to be appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Assignment and Novation Agreements and Shipbuilding Contracts and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders other than (i) COSCO SHIPPING and its associates and (ii) all other parties (if any) who are involved or interested in the Assignment and Novation Agreements and Shipbuilding Contracts and the transactions contemplated thereunder
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Master Vessel Charter Agreement”	the master vessel charter agreement dated 5 December 2016 entered into between the Company and COSCO SHIPPING in respect of the provision of vessel chartering services by the Company, its subsidiaries and/or its associates to COSCO SHIPPING, its subsidiaries and/or its associates (excluding the Company, its subsidiaries and/or its associates), further details of which are set out in the circular of the Company dated 6 December 2019
“Memoranda of Agreement”	collectively, the two memoranda of agreement dated 21 October 2020 entered into between COSCOL HK and Oriental Fleet Pulp 01 in relation to the assignment and novation of the Existing Shipbuilding Contracts
“Oriental Fleet Pulp 01”	Oriental Fleet Pulp 01 Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“percentage ratios”	has the meaning ascribed to such term under the 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

“PRC Shipbuilding Contracts”	collectively, the four shipbuilding contracts dated 21 October 2020 entered into between CS Development Hainan (as buyer) and COSCO SHIPPING Heavy Industry (as seller) in relation to the construction of the four 62,000 DWT PRC Multi-Purpose Vessels
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	A Share(s) and H Shares(s)
“Shareholder(s)”	holder(s) of the Share(s)
“Shipbuilding Contracts”	collectively, the HK Shipbuilding Contracts and the PRC Shipbuilding Contracts
“US\$”	United States dollar, the lawful currency of the United States of America
“%”	per cent

By order of the Board
COSCO SHIPPING Development Co., Ltd.
Cai Lei
Joint Company Secretary

Shanghai, the People’s Republic of China
21 October 2020

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.”.*