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中遠海運控股股份有限公司
COSCO SHIPPING Holdings Co., Ltd.*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1919)

DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION
CONSTRUCTION OF TEN VESSELS

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On 15 July 2021, the Buyer entered into ten Shipbuilding Contracts with the Builder, comprising (1) six 14,092 TEU Container Vessel Shipbuilding Contracts for the construction of six units of 14,092 TEU container vessels at an aggregate consideration of US\$876 million (equivalent to approximately HK\$6,833 million) and (2) four 16,180 TEU Container Vessel Shipbuilding Contracts for the construction of four units of 16,180 TEU container vessels at an aggregate consideration of US\$620 million (equivalent to approximately HK\$4,836 million). The total consideration under the ten Shipbuilding Contracts is US\$1,496 million (equivalent to approximately HK\$11,669 million).

LISTING RULES IMPLICATIONS

As at the date of this announcement, COSCO SHIPPING and its associates control or are entitled to exercise control over approximately 48.18% of the entire issued share capital of the Company. Therefore, COSCO SHIPPING is a controlling shareholder of the Company and a connected person of the Company. The Builder is an indirect wholly-owned subsidiary of COSCO SHIPPING. Accordingly, the Builder is a connected person of the Company under Chapter 14A of the Listing Rules, and the Shipbuilding Transaction constitutes a connected transaction of the Company.

The Shipbuilding Transaction and the 2020 Transaction constitute a series of transactions made within a 12-month period and shall be aggregated pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Shipbuilding Transaction (when aggregated with the 2020 Transaction) exceeds 5% but are all less than 25%, the Shipbuilding Transaction constitutes a discloseable transaction and a connected transaction of the Company subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on, among other things, the terms of the Shipbuilding Transaction and on how to vote on the resolution in respect of the Shipbuilding Transaction at the EGM. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, further details of the Shipbuilding Transaction, a letter from the Independent Board Committee and a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, will be despatched to the Shareholders on or around 5 August 2021.

BACKGROUND

On 15 July 2021, the Buyer entered into ten Shipbuilding Contracts with the Builder, comprising (1) six 14,092 TEU Container Vessel Shipbuilding Contracts for the construction of six units of 14,092 TEU container vessels at an aggregate consideration of US\$876 million (equivalent to approximately HK\$6,833 million) and (2) four 16,180 TEU Container Vessel Shipbuilding Contracts for the construction of four units of 16,180 TEU container vessels at an aggregate consideration of US\$620 million (equivalent to approximately HK\$4,836 million). The total consideration under the ten Shipbuilding Contracts is US\$1,496 million (equivalent to approximately HK\$11,669 million).

CONTRACT TERMS

The terms of the Shipbuilding Contracts (including the consideration and the time of delivery for each Vessel) were determined on an arm's length basis and on normal commercial terms (based on price comparable to market price agreed between a willing buyer and a willing seller, payment terms, technical terms and delivery dates that meet the requirements of the Buyer).

Under each of the 14,092 TEU Container Vessel Shipbuilding Contracts, the Buyer shall pay the consideration of US\$146 million (equivalent to approximately HK\$1,139 million) in cash in five instalments based on progress intervals on the construction of each Vessel with smaller proportion of contract price payable in the first four instalments and the larger proportion of the payment payable upon delivery of the Vessel. The consideration shall be subject to adjustments in cases of (i) delay in delivery of the Vessel, (ii) insufficient speed of the Vessel, (iii) excessive fuel consumption by the Vessel, (iv) deadweight of the Vessel, (v) deficiency in container's capacity, or (vi) insufficient number of 14 Ton container loading.

Under each of the 16,180 TEU Container Vessel Shipbuilding Contracts, the Buyer shall pay the consideration of US\$155 million (equivalent to approximately HK\$1,209 million) in cash in five instalments based on progress intervals on the construction of each Vessel with smaller proportion of contract price payable in the first four instalments and the larger proportion of the payment payable upon delivery of the Vessel. The consideration shall be subject to adjustments in cases of (i) delay in delivery of the Vessel, (ii) insufficient speed of the Vessel, (iii) excessive fuel consumption by the Vessel, (iv) deadweight of the Vessel, (v) deficiency in container's capacity, or (vi) insufficient number of 14 Ton container loading.

The relevant Vessels under the 14,092 TEU Container Vessel Shipbuilding Contracts are expected to be delivered during the period from December 2023 to September 2024, subject to any early delivery or delay in delivery (subject to a maximum liquidated damages of appropriately US\$7.20 million) as provided in each of the 14,092 TEU Container Vessel Shipbuilding Contracts.

The relevant Vessels under the 16,180 TEU Container Vessel Shipbuilding Contracts are expected to be delivered during the period from June 2025 to December 2025, subject to any early delivery or delay in delivery (subject to a maximum liquidated damages of appropriately US\$7.56 million) as provided in each of the 16,180 TEU Container Vessel Shipbuilding Contracts.

In the event that the Shipbuilding Contract(s) is rescinded or canceled by the Buyer in accordance with the specific terms thereof, the Builder shall refund to the Buyer in US Dollars the full amount already paid by the Buyer to the Builder, together with interest incurred thereof.

The Company will finance at least 40% of the total consideration payable under the Shipbuilding Contracts from its internal resources, and the remaining part of the total consideration will be settled by bank borrowings.

REASONS FOR AND BENEFITS OF THE SHIPBUILDING TRANSACTION

The Shipbuilding Transaction is in line with the 14th Five Year Plan of the Group. The Group can benefit from the Shipbuilding Transaction to maintain its first-tier position in the industry and corresponding transportation capacity, and the Shipbuilding Transaction can also increase the competitive advantage of the Group and compel the Group's expansion of new markets. In addition, the Shipbuilding Transaction can lower the cost of the transportation network and increase the core competitiveness of the Group.

The terms of the Shipbuilding Contracts (including the consideration and time of delivery for each Vessel) were determined on an arm's length basis and on normal commercial terms (based on price comparable to market price agreed between a willing buyer and a willing seller, payment terms, technical terms and delivery dates that meet the requirements of the Buyer). The Directors (including the independent non-executive Directors) consider that the terms of the Shipbuilding Contracts are fair and reasonable, and the Shipbuilding Transaction is on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

The executive Directors, namely, Mr. Xu Lirong, Mr. Huang Xiaowen, Mr. Yang Zhijian and Mr. Feng Boming, as Directors nominated by COSCO (a controlling shareholder of the Company and a wholly-owned subsidiary of COSCO SHIPPING), have abstained from voting on the resolution for the approval of the Shipbuilding Transaction by the Board according to the Company's articles of association. Other than the abovementioned Directors, none of the Directors has a material interest in the Shipbuilding Transaction. The independent non-executive Directors (namely, Mr. Wu Dawei, Mr. Zhou Zhonghui, Mr. Teo Siong Seng and Prof. Ma, Si Hang Frederick) will express their views on the Shipbuilding Transaction in the circular after considering the advice of the Independent Financial Adviser.

LISTING RULES IMPLICATIONS

As at the date of this announcement, COSCO SHIPPING and its associates control or are entitled exercise control over the voting rights in respect of 7,252,988,702 A shares and 87,635,000 H shares of the Company, representing approximately 48.18% of the entire issued share capital of the Company. Therefore, COSCO SHIPPING is a controlling shareholder of the Company and a connected person of the Company. The Builder is an indirect wholly-owned subsidiary of COSCO SHIPPING. Accordingly, the Builder is a connected person of the Company under Chapter 14A of the Listing Rules, and the Shipbuilding Transaction constitutes a connected transaction of the Company.

The Shipbuilding Transaction and the 2020 Transaction constitute a series of transactions made within a 12-month period and shall be aggregated pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Shipbuilding Transaction (when aggregated with the 2020 Transaction) exceeds 5% but all are less than 25%, the Shipbuilding Transaction constitutes a discloseable transaction and a connected transaction of the Company subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on, among other things, the terms of the Shipbuilding Transaction and on how to vote on the resolution in respect of the Shipbuilding Transaction at the EGM. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among others, further details of the Shipbuilding Transaction, a letter from the Independent Board Committee and a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, will be despatched to the Shareholders on or around 5 August 2021.

COSCO SHIPPING and its associates will abstain from voting on the resolution in respect of the Shipbuilding Transaction at the EGM.

INFORMATION ON THE GROUP AND THE BUILDER

The Company was established in the PRC on 3 March 2005. The Group provides a wide range of container shipping and terminal services covering the whole shipping value chain for both international and domestic customers.

The Builder, an indirect wholly-owned subsidiary of COSCO SHIPPING, is established in the PRC with limited liability and is principally engaged in the business of float installation and ship designing and manufacturing. To the best of the Directors' knowledge, information and belief, 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, sale of vessels, containers and steel, and maritime engineering.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings set out below, and words in plural shall include the singular and vice versa, as applicable:

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Builder”	Cosco Shipping Heavy Industry (yangzhou) Co., Ltd. (揚州中遠海運重工有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of COSCO SHIPPING
“Buyer”	COSCO (CAYMAN) Mercury Co., Ltd., a company incorporated in the Cayman Islands with limited liability and is a wholly-owned subsidiary of the Company, or its nominee
“Company”	COSCO SHIPPING Holdings Co., Ltd.* (中遠海運控股股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange (stock code: 1919) and the A shares of which are listed on the Shanghai Stock Exchange (stock code: 601919)
“connected person”	has the meaning ascribed to it under the Listing Rules
“COSCO”	China Ocean Shipping Company Limited* (中國遠洋運輸有限公司), a PRC state-owned enterprise, the direct controlling shareholder of the Company and a wholly-owned subsidiary of COSCO SHIPPING
“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 and its subsidiaries and associates (as defined under the Listing Rules)
“Directors”	the directors of the Company
“EGM”	the extraordinary general meeting of the Company to be held to consider, and if thought fit, approve, among other things, the Shipbuilding Transaction
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong

“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors, who have no material interests in the Shipbuilding Transaction
“Independent Financial Adviser”	First Shanghai Capital Limited (第一上海融資有限公司), being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on, among other things, the terms of the Shipbuilding Transaction
“Independent Shareholders”	Shareholders other than those who are COSCO SHIPPING and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“PRC”	the People’s Republic of China
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Shipbuilding Contracts”	the six 14,092 TEU Container Vessel Shipbuilding Contracts and four 16,180 TEU Container Vessel Shipbuilding Contracts
“Shipbuilding Transaction”	the transactions contemplated under the Shipbuilding Contracts
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“TEU”	twenty-foot equivalent container unit
“US\$” or “US Dollars”	United States Dollars, the lawful currency of the United States
“Vessels”	six units of 14,092 TEU container vessels and four units of 16,180 TEU container vessels according to the Shipbuilding Contracts, and “Vessel” means any of them
“14,092 TEU Container Vessel Shipbuilding Contracts”	the six shipbuilding contracts all dated 15 July 2021 entered into by and between the Buyer and the Builder, each of which relates to one 14,092 TEU container vessel and contains substantially the same terms
“16,180 TEU Container Vessel Shipbuilding Contracts”	the four shipbuilding contracts all dated 15 July 2021 entered into by and between the Buyer and the Builder, each of which relates to one 16,180 TEU container vessel and contains substantially the same terms

“2020 Transaction”

the transactions comprising (1) the transactions under the shipbuilding contracts with the members of the COSCO SHIPPING Group on 10 March 2020 for the construction of vessels, which constituted discloseable transaction and connected transactions of the Company, and the details of which are contained in the announcement and the circular of the Company dated 11 March 2020 and 27 April 2020 respectively, and (2) the transactions under the shipbuilding contracts with the members of the COSCO SHIPPING Group on 30 October 2020 for the construction of vessels, which also constituted discloseable transaction and connected transactions of the Company, and the details of which are contained in the announcement and the circular of the Company dated 30 October 2020 and 16 November 2020 respectively

“%”

per cent.

The exchange rate used for reference purpose in this announcement is US\$1.00 to HK\$7.8.

By Order of the Board
COSCO SHIPPING Holdings Co., Ltd.
Guo Huawei
Company Secretary

Shanghai, the People's Republic of China
15 July 2021

As at the date of this announcement, the Directors are Mr. XU Lirong¹ (Chairman), Mr. HUANG Xiaowen¹ (vice chairman), Mr. YANG Zhijian¹, Mr. FENG Boming¹, Mr. WU Dawei², Mr. ZHOU Zhonghui², Mr. TEO Siong Seng² and Prof. MA, Si Hang Frederick².

¹ *Executive Director*

² *Independent non-executive Director*

* *For identification purpose only*