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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)

**MAJOR TRANSACTION AND
CONTINUING CONNECTED TRANSACTIONS**

References are made to the announcement and the circular of the Company dated 30 October 2019 and 5 December 2019 respectively, in relation to, among other things, the continuing connected transactions between the Group and the COSCO SHIPPING Group under the COSCO SHIPPING Master Agreements (i.e. the Financial Services Agreement, the Master Shipping Services Agreement, and the Master Port Services Agreement). Each of the Financial Services Agreement, the Master Shipping Services Agreement, and the Master Port Services Agreement has been entered into between the Company and the COSCO SHIPPING on 30 October 2019 for the three years ending 31 December 2022.

REVISION OF ANNUAL CAPS OF THE COSCO SHIPPING MASTER AGREEMENTS

On 30 August 2021, the Company proposed to revise relevant annual caps of the continuing connected transactions contemplated under each of the COSCO SHIPPING Master Agreements (i.e. the Financial Services Agreement, the Master Shipping Services Agreement and the Master Port Services Agreement). Save for the proposed revision of annual caps thereof, all other terms and conditions of each of the COSCO SHIPPING Master Agreements remain unchanged.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

COSCO SHIPPING is the indirect controlling Shareholder and therefore members of the COSCO SHIPPING Group are connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the COSCO SHIPPING Master Agreements constitute connected transactions of the Company.

As one or more of the applicable percentage ratios of the original or revised annual caps in respect of the transactions contemplated under the Master Port Services Agreement exceed 0.1% but are all less than 5%, such transactions and the respective revised annual caps of such transactions for each of the two years ending 31 December 2022 are subject to the reporting, annual review and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios of the original or revised annual caps in respect of the transactions contemplated under the Master Shipping Services Agreement exceed 5%, such transactions and the respective revised annual caps of such transactions for each of the two years ending 31 December 2022 are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios of the original or revised annual caps for the transactions contemplated under the Financial Services Agreement exceed 25% but are all less than 100%, such transactions constitute continuing connected transactions and a major transaction for the Company, and such transactions and the respective revised annual caps of such transactions for each of the two years ending 31 December 2022 are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Hong Kong Listing Rules.

A. INTRODUCTION

References are made to the announcement and the circular of the Company dated 30 October 2019 and 5 December 2019 respectively, in relation to, among other things, the continuing connected transactions between the Group and the COSCO SHIPPING Group under the COSCO SHIPPING Master Agreements (i.e. the Financial Services Agreement, the Master Shipping Services Agreement, and the Master Port Services Agreement). Each of the Financial Services Agreement, the Master Shipping Services Agreement, and the Master Port Services Agreement has been entered into between the Company and the COSCO SHIPPING on 30 October 2019 for the three years ending 31 December 2022.

B. REVISION OF ANNUAL CAPS OF THE COSCO SHIPPING MASTER AGREEMENTS

On 30 August 2021, the Company proposed to revise relevant annual caps of the continuing connected transactions contemplated under each of the COSCO SHIPPING Master Agreements (i.e. the Financial Services Agreement, the Master Shipping Services Agreement and the Master Port Services Agreement). Save for the proposed revision of annual caps thereof, all other terms and conditions of each of the COSCO SHIPPING Master Agreements remain unchanged.

C. DETAILS OF THE COSCO SHIPPING MASTER AGREEMENTS AND THE REVISION OF ANNUAL CAPS

The details of the principal terms of each of the COSCO SHIPPING Master Agreements and the Revision of Annual Caps are set out below:

(1) Financial Services Agreement

Date: 30 October 2019

Parties: (i) the Company; and
(ii) COSCO SHIPPING

Nature of transaction: Pursuant to the Financial Services Agreement, COSCO SHIPPING shall procure COSCO SHIPPING Finance to provide the Company and its subsidiaries and associates with certain financial services, including the following:

- (i) deposit services;
- (ii) loan services;
- (iii) clearing services;
- (iv) foreign exchange services; and
- (v) any other services that COSCO SHIPPING Finance can engage in as permitted by the CBIRC.

The transaction terms of the services under the Financial Services Agreement shall be normal commercial terms and fair and reasonable, and shall not be less favourable to the Company and its subsidiaries than those offered by COSCO SHIPPING Finance to other members of the COSCO SHIPPING Group for the same type of services and shall not be less favourable than the terms offered by other financial institutions to the Company and its subsidiaries and associates for the same type of services.

Pricing policies:

The interest rates for deposits shall be determined with reference to:

- (i) market interest rates, being interest rates determined by independent third party commercial banks providing the same type of deposit services in their ordinary course of business in the same or nearby service area and subject to normal commercial terms, and in accordance with the principle of fairness and reasonableness; and
- (ii) the interest rate offered by COSCO SHIPPING Finance to other parties (i.e. other members of the COSCO SHIPPING Group) for the same type of deposits from other entities.

The interest rates for loans shall be determined with reference to:

- (i) market interest rates, being interest rates determined by independent third party onshore commercial banks providing the same type of loan services in their ordinary course of business in the same or nearby service area and subject to normal commercial terms, and shall be in accordance with the principle of fairness and reasonableness; and
- (ii) the interest rates charged by COSCO SHIPPING Finance to other parties (i.e. other members of the COSCO SHIPPING Group) on the same type of loans provided to other entities.

The clearing services provided by COSCO SHIPPING Finance to the Company and its subsidiaries and associates shall be free of charge for the time being.

The pricing policies for other financial services, including but not limited to foreign exchange services, shall be determined with reference to:

- (i) the handling fees charged by independent third party onshore commercial banks to the Company and its subsidiaries and associates for the same type of services; and
- (ii) the handling fees charged by COSCO SHIPPING Finance to other parties (i.e. others members of the COSCO SHIPPING Group) with the same credit rating for the same type of services.

To ensure that the pricing policies under the Financial Services Agreement are complied with, prior to conducting transactions under the Financial Services Agreement, the Company has enquired or will enquire with independent third party commercial banks and other financial institutions about the interest rates for loans and deposits and the fees for provision of similar financial services in the same or nearby area for the same type of services, to compare with the interest rates for loans and deposits and the fees for other financial services offered by COSCO SHIPPING Finance. The Group shall seek to obtain quotations from at least three independent third party commercial banks or other financial institutions in each case where practicable.

Historical transaction amounts

The table below sets forth the historical transaction amounts of the financial services provided by COSCO SHIPPING Finance to the Company and its subsidiaries for (i) the two years ended 31 December 2019 under the Previous Financial Services Agreement, (ii) the year ended 31 December 2020 and (iii) the six months ended 30 June 2021 under the Financial Services Agreement:

| | For the year ended 31 December 2018 (RMB'000) (audited) | For the year ended 31 December 2019 (RMB'000) (audited) | For the year ended 31 December 2020 (RMB'000) (audited) | For the six months ended 30 June 2021 (RMB'000) (unaudited) |
|--|--|--|--|---|
| Deposit Services | | | | |
| Maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Company and its subsidiaries with COSCO SHIPPING Finance ^{Note} | 9,510,504 | 12,501,879 | 17,188,294 | 28,772,748 |
| Loan Services | | | | |
| Maximum daily outstanding balance of loans (including accrued interest and handling fee) granted by COSCO SHIPPING Finance ^{Note} | 4,310,560 | 4,620,500 | 3,256,800 | 1,544,800 |

| | For the year ended 31 December 2018 (RMB'000) (audited) | For the year ended 31 December 2019 (RMB'000) (audited) | For the year ended 31 December 2020 (RMB'000) (audited) | For the six months ended 30 June 2021 (RMB'000) (unaudited) |
|--|--|--|--|---|
|--|--|--|--|---|

Other Financial Services

Other financial services (including clearing services, foreign exchange services and any other services that COSCO SHIPPING Finance can engage in as permitted by the CBIRC) to be provided by COSCO SHIPPING Finance to the Company and its subsidiaries

– – 17,274 15,247

Note: Completion of the merger by absorption of COSCO Finance by CS Finance (both being the entities providing financial services to the Group under the Existing Financial Services Agreement) took place on 23 October 2018. Upon completion of the merger, (i) CS Finance continued as the surviving company and was renamed as COSCO SHIPPING Finance and (ii) COSCO Finance ceased to exist as a legal entity and became a branch of COSCO SHIPPING Finance, and the assets, liabilities, businesses and employees of which have been succeeded by COSCO SHIPPING Finance.

As far as the Directors are aware, the respective annual caps for the year ending 31 December 2021 under the Financial Services Agreement had not been exceeded as at the date of this announcement.

Revised annual caps and basis of determination

The original annual caps for the continuing connected transactions contemplated under the Financial Services Agreement for the two years ending 31 December 2022 are set out as follows:

| | For the year ending 31 December 2021 (RMB'000) | For the year ending 31 December 2022 (RMB'000) |
|--|--|--|
|--|--|--|

Deposit Services

Maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the Company and its subsidiaries with COSCO SHIPPING Finance

29,000,000 29,000,000

| | For the year ending 31 December 2021 (RMB'000) | For the year ending 31 December 2022 (RMB'000) |
|---|---|---|
| Loan Services | | |
| Maximum daily outstanding balance of loans (including accrued interest and handling fee) to be granted by COSCO SHIPPING Finance to the Company and its subsidiaries | 26,000,000 | 26,000,000 |
| Other Financial Services | | |
| Other financial services (including clearing services, foreign exchange services and any other services that COSCO SHIPPING Finance can engage in as permitted by the CBIRC) to be provided by COSCO SHIPPING Finance to the Company and its subsidiaries | 40,000 | 40,000 |

The following table sets forth the revised annual caps for the deposit services contemplated under the Financial Services Agreement for the two years ending 31 December 2022, while the annual caps for the loan services and the other financial services contemplated thereunder remain unchanged.

| | For the year ending 31 December 2021 (RMB'000) | For the year ending 31 December 2022 (RMB'000) |
|--|---|---|
| Deposit Services | | |
| Maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the Company and its subsidiaries with COSCO SHIPPING Finance | 75,000,000 | 75,000,000 |

The proposed revision of the annual caps for the deposit services contemplated under the Financial Services Agreement was estimated based on the followings:

- (i) the historical transaction amounts;
- (ii) the expected increase in the demand for the deposit services;
- (iii) the expected fluctuation of the RMB exchange rate to USD; and
- (iv) the expansion of the business volume of the Group.

Reasons for and benefits of the Revision of Annual Caps of the Financial Services Agreement

The operations of COSCO SHIPPING Finance are subject to the guidelines and requirements issued by the PBOC and the supervision of the CBIRC. To the best of the Directors' knowledge and belief, COSCO SHIPPING Finance has been in compliance with all the major financial services rules and regulations and has sound internal control systems. As the intra-group financial services provider, COSCO SHIPPING Finance generally has better and more efficient communication with the Company and its subsidiaries compared with independent banks and financial institutions. COSCO SHIPPING Finance can provide financial services, including the foreign exchange deposits and lending services, based on the approval issued by the CBIRC. The Company and its subsidiaries may negotiate more favourable terms with COSCO SHIPPING Finance compared with other commercial banks.

Along with the increasing boost of the container shipping market, the Company has achieved stable growth in its business performance through the measures such as increasing shipping capacity, securing container supplies and enhancing service quality. Therefore, the amount of operating cash flow of the Company increased substantially, and in turn the demand for the deposit services under the Financial Services Agreement is expected to increase in the forthcoming years. As such, the original annual caps for the deposit services under the Financial Services Agreement for each of the two years ending 31 December 2022 shall be increased accordingly.

The terms of the Financial Services Agreement (including the Revision of Annual Caps of the Financial Services Agreement) have been arrived at after arm's length negotiations between the parties. The Directors (excluding all the independent non-executive Directors who will give their opinion based on the recommendations from the Independent Financial Adviser) have confirmed that the terms of the Financial Services Agreement (including the Revision of Annual Caps of the Financial Services Agreement) and the continuing connected transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

Capital risk control measures

Under the Financial Services Agreement, COSCO SHIPPING shall procure COSCO SHIPPING Finance to:

- (i) in order to ensure the security of the funds of the members of the Group, that its funds management information system (a) operates safely; (b) has passed the security test in respect of the interface with online banking of commercial banks; (c) has attained the security standards for commercial banks in the PRC; and (d) has adopted the certification authority security certificate mode;

- (ii) operate strictly in compliance with the risk monitoring indicators guidelines for finance companies issued by the CBIRC, and ensure that its main regulatory indicators such as gearing ratio and liquidity ratio comply with the requirements of the CBIRC and other relevant PRC laws and regulations;
- (iii) submission of each regulatory report to the CBIRC, submit a copy of the same to the Company's senior management and executive Directors for review;
- (iv) (a) submit monthly financial statements to the Company's senior management and executive Directors for review by the fifth business day of the following month; and (b) provide the Company with sufficient information on its various financial indicators and annual financial statements to enable the Group to monitor and review its financial conditions;
- (v) obtain the Company's prior written consent if COSCO SHIPPING Finance makes any long-term equity investment; and
- (vi) notify the Company within two business days upon occurrence of the following events of COSCO SHIPPING Finance and to take measures to prevent the occurrence or aggravation of loss: (a) impending or anticipated bank runs, failure to pay debts when due, funds liquidity problems, large customer loan default or large advance on guarantee; (b) involvement of directors or senior management in criminal cases; (c) material change in its equity or corporate structure or business operations that affects its normal business; (d) material operational risks which affect or may affect its normal operations; (e) loans owing by its shareholders overdue by over 6 months; (f) non-compliance with any gearing ratio requirement under the Measures for the Administration of Finance Companies of Enterprise Groups; (g) administrative penalty and orders for rectification imposed by the CBIRC; (h) judicial, legal or regulatory proceedings or investigations which have a material impact on its financial position; or (i) other matters which may affect or create concerns for the security of the deposits of members of the Group. In such event, COSCO SHIPPING shall procure COSCO SHIPPING Finance to actively adjust its balance sheet to ensure the security of the relevant assets of members of the Group, and members of the Group have the right to adopt appropriate measures (including early withdrawal of deposits or suspension of the making of further deposits) to safeguard their assets. In addition, in the event of emergencies such as payment difficulties of COSCO SHIPPING Finance, pursuant to the Measures for the Administration of Finance Companies of Enterprise Groups and the articles of association of COSCO SHIPPING Finance, COSCO SHIPPING (as the parent company of COSCO SHIPPING Finance) shall increase the capital of COSCO SHIPPING Finance in accordance with its actual needs for resolving its payment difficulties.

In addition, the Group has adopted risk management policy on transactions with COSCO SHIPPING Finance applicable to deposit services, including:

- (i) COSCO SHIPPING Finance is required to comply with risk management protocols and guidelines promulgated by the CBIRC and the relevant laws and regulations;
- (ii) COSCO SHIPPING Finance is required to provide the Company a copy of all relevant licenses;
- (iii) COSCO SHIPPING Finance is required to report to the Company the financial ratios of COSCO SHIPPING Finance as set out in “the Interim Measures for the Assessment of Risk Supervision Indicators of Finance Company of Enterprise Group” (《企業集團財務公司風險監管指標考核暫行辦法》) issued by CBIRC within 15 business days after the end of each quarter;
- (iv) COSCO SHIPPING Finance is required to provide the Company a copy of every regulatory report submitted by COSCO SHIPPING Finance to CBIRC; and
- (v) COSCO SHIPPING Finance is required to provide to the Company a copy of the financial statements of COSCO SHIPPING Finance on a regular basis.

The Board is of the view that the above capital risk control measures will allow the management of the Group to be informed and notified of any material risks which may harm the recoverability of the deposits placed by the Group with COSCO SHIPPING Finance.

(2) Master Shipping Services Agreement

As the all services contemplated under the Previous Shipping Services Agreements are services provided in respect of the principal business of COSCO SHIPPING Lines and OOIL, on 30 October 2019, the Company decided to combine the Previous Shipping Services Agreements by entering into the Master Shipping Services Agreement, the scope of which covers the services contemplated under the Previous Shipping Services Agreements.

Date: 30 October 2019

Parties: (i) the Company; and
(ii) COSCO SHIPPING

Nature of transaction: Mutual provision of the following shipping services between the Group and COSCO SHIPPING Group:

- (i) vessel fuel;
- (ii) vessel materials and related repairing services;
- (iii) vessel safety management, technical consultancy services for vessel and shipbuilding supervision technology services;

- (iv) vessel lubricants, paint for vessel and maintenance of paint and vessel parts;
- (v) vessel repairing and conversion services;
- (vi) radio communication equipment reservation, repairing and installation;
- (vii) provision and repairing of vessel equipment services;
- (viii) brokerage services in respect of vessel trade and vessel insurance and brokerage services;
- (ix) container depot, towage, storage, repairing and disposal services;
- (x) leasing of chassis vehicles and electricity generators;
- (xi) seamen leasing, management, training and related services;
- (xii) freight, slot booking, logistics, vessel agency, cargo canvassing, collections and payments of shipping freights and other related and ancillary services; and
- (xiii) other vessels, containers and shipping-related services (relating to the day-to-day shipping services required for the operation of vessels, which does not involve lease of vessels and containers, which are separately covered under the master vessel and container services agreement).

Pricing policies:

The services fees charged under the Master Shipping Services Agreement shall be determined with reference to the prevailing market price, being the price charged by independent third party service providers providing similar types of services in their ordinary course of business in the same or nearby service area and subject to normal commercial terms, and in accordance with the principle of fairness and reasonableness.

Historical transaction amounts

The table below sets forth the historical transaction amounts of the shipping services for (i) the two years ended 31 December 2019 under the Previous Shipping Services Agreements, (ii) the year ended 31 December 2020 and (iii) the six months ended 30 June 2021 under the Master Shipping Services Agreement:

| | For the year ended 31 December 2018 (RMB'000) (audited) | For the year ended 31 December 2019 (RMB'000) (audited) | For the year ended 31 December 2020 (RMB'000) (audited) | For the six months ended 30 June 2021 (RMB'000) (unaudited) |
|--|--|--|--|--|
| Purchase of shipping services from the COSCO SHIPPING Group | 17,411,910 | 17,947,169 | 16,660,103 | 9,269,955 |
| Provision of shipping services to the COSCO SHIPPING Group | 1,049,643 | 1,482,672 | 2,184,290 | 2,174,691 |

As far as the Directors are aware, the respective annual caps for the year ending 31 December 2021 under the Master Shipping Services Agreement had not been exceeded as at the date of this announcement.

Revised annual caps and basis of determination

The original annual caps for the transactions contemplated under the Master Shipping Services Agreement for the two years ending 31 December 2022 are set out as follows:

| | For the year ending 31 December 2021 (RMB'000) | For the year ending 31 December 2022 (RMB'000) |
|--|--|--|
| Purchase of shipping services from the COSCO SHIPPING Group | 38,000,000 | 42,000,000 |
| Provision of shipping services to the COSCO SHIPPING Group | 3,200,000 | 3,400,000 |

The following table sets forth the revised annual caps for the Group's provision of shipping services to the COSCO SHIPPING Group contemplated under the Master Shipping Services Agreement for the two years ending 31 December 2022, while the annual caps for the Group's purchase of shipping services from the COSCO SHIPPING Group contemplated thereunder remain unchanged.

| | For the year ending 31 December 2021 (RMB'000) | For the year ending 31 December 2022 (RMB'000) |
|---|--|--|
| Provision of shipping services to the COSCO SHIPPING Group | 7,500,000 | 7,500,000 |

The proposed revision of the annual caps for the Group's provision of shipping services to the COSCO SHIPPING Group contemplated under the Master Shipping Services Agreement was estimated based on the followings:

- (i) the historical transaction amounts;
- (ii) the expected growth in the container shipping market;
- (iii) the expected increase in the Group's revenue from the provision of shipping services to the COSCO SHIPPING Group;
- (iv) the expected fluctuation of the RMB exchange rate to USD; and
- (v) the expansion of the business volume of the Group.

Reasons for and benefits of the Revision of Annual Caps of the Master Shipping Services Agreement

The shipping services provided by the Group to COSCO SHIPPING Group mainly include (i) vessels management, (ii) freight forwarding and vessel agency services, and (iii) other shipping related services. As certain members of the Group also provide such shipping services to the self-operated vessels of COSCO SHIPPING Group in certain domestic and overseas regions, the provision of shipping services to the COSCO SHIPPING Group in such areas will enhance the business scope by allowing the Group to diversify its service offerings to different areas, and reduce the operation costs of the Group and improve the operational efficiency through enhanced economies of scale by providing these services to the COSCO SHIPPING Group in addition to the provision of such services within the Group.

The average of the China Containerized Freight Index for the first half of 2021 amounted to 2,066.64, representing a 133.86% increase as compared to that for the same period of last year and a 92.44% increase as compared to that for the second half of last year. Due to the increasing demand for the turnovers of containers in the global market, the prices for empty container reposition services also increased accordingly and the Group's revenue from the provision of freight forwarding and empty container reposition services to the COSCO SHIPPING Group increased significantly. It is expected that the container shipping market will grow constantly and the container shipping fees will continue to increase accordingly. After taking into account of (i) the aforementioned boosting of the container shipping market, (ii) the expected increase in the transportation capacity and business volume of the Company, and (iii) the trend of increase in the Group's revenue from the provision of freight forwarding and empty container reposition services to the COSCO SHIPPING Group as mentioned above, the annual caps of the Group's provision of shipping services to the COSCO SHIPPING Group under the Master Shipping Services Agreement for each of the two years ending 31 December 2022 shall be increased accordingly.

The terms of the Master Shipping Services Agreement (including the Revision of Annual Caps of the Master Shipping Services Agreement) have been arrived at after arm's length negotiations between the parties. The Directors (excluding all the independent non-executive Directors who will give their opinion based on the recommendations from the Independent Financial Adviser) have confirmed that the terms of the Master Shipping Services Agreement (including the Revision of Annual Caps of the Master Shipping Services Agreement) and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

(3) Master Port Services Agreement

On 14 September 2016, the Company and COSCO SHIPPING entered into the Previous Port Services Agreement in relation to the provision of port services by COSCO SHIPPING Group to the Group. On 22 November 2018, the Company and COSCO SHIPPING entered into the Previous Shipping Services and Terminal Services Master Agreement in relation to the provision of shipping and terminal services by the Group to the COSCO SHIPPING Group.

To facilitate the management of provision of port and other related services between the Group and COSCO SHIPPING Group, on 30 October 2019, the Company decided to combine the above two agreements by entering into the Master Port Services Agreement, the scope of which covers the services contemplated under the Previous Port Services Agreement and the Previous Shipping Services and Terminal Services Master Agreement.

Date: 30 October 2019

Parties: (i) the Company; and
(ii) COSCO SHIPPING

Nature of transaction: The mutual provision of the following port and other related services between COSCO SHIPPING Group and the Group:

- (i) containers and goods loading and unloading at port;
- (ii) container port and shipping services;
- (iii) port concession arrangements;
- (iv) leasing and electricity supply in relation to port coastline and port land; and
- (v) other port-related and ancillary services, including but not limited to handling, storage, stevedoring, transshipment, maintenance of cargoes and provision of container storage space and terminal facilities.

Pricing policy: The services fees charged under the Master Port Services Agreement shall be determined with reference to the prevailing market price, being the price charged by independent third party service providers providing similar types of services in their ordinary course of business in the same or nearby service area and subject to normal commercial terms, and in accordance with the principle of fairness and reasonableness.

To ensure that the pricing policies under the Master Port Services Agreement are complied with:

- (i) in respect of the provision of port services by COSCO SHIPPING Group, the Company shall (a) conduct market research to collect market service fees in the same industry; and (b) solicit at least three service providers to provide quotations if there are other appropriate service providers in the same or nearby area available, and selection shall be made primarily based on price offered, but consideration shall also be given to the efficiency of operation of ports, service levels and effectiveness of communication of the service providers.
- (ii) in respect of the provision of other port-related and ancillary services by COSCO SHIPPING Group, the Group shall centralize purchase to obtain discounts, and pricing will also be based on the reference rates published by the Ministry of Transport of the PRC, which the market commonly relies on.
- (iii) in respect of the provision of port and other related services by the Group, the relevant personnel of the Group shall compare the pricing of transactions with independent third parties for similar services in similar quantities and ensure that the terms offered to or by COSCO SHIPPING Group are no less favourable to the Group than those available to or from independent third parties.

Historical transaction amounts

The table below sets forth the historical transaction amounts of the services for (i) the two years ended 31 December 2019 under the Previous Port Services Agreement and the Previous Shipping Services and Terminal Services Master Agreement, (ii) the year ended 31 December 2020 and (iii) the six months ended 30 June 2021 under the Master Port Services Agreement:

| | For the year ended 31 December 2018 (RMB'000) (audited) | For the year ended 31 December 2019 (RMB'000) (audited) | For the year ended 31 December 2020 (RMB'000) (audited) | For the six months ended 30 June 2021 (RMB'000) (unaudited) |
|---|--|--|--|---|
| Purchase of services from COSCO SHIPPING Group | 1,982,610 | 2,249,202 | 2,908,341 | 1,504,990 |
| Provision of services to COSCO SHIPPING Group | – | 19,957 | 132,334 | 70,705 |

As far as the Directors are aware, the respective annual caps for the year ending 31 December 2021 under the Master Port Services Agreement had not been exceeded as at the date of this announcement.

Revised annual caps and basis of determination

The original annual caps for the transactions contemplated under the Master Port Services Agreement for the two years ending 31 December 2022 are set out as follows:

| | For the year ending 31 December 2021 (RMB'000) | For the year ending 31 December 2022 (RMB'000) |
|--|---|---|
| Purchase of services from COSCO SHIPPING Group | 3,500,000 | 3,800,000 |
| Provision of services to COSCO SHIPPING Group | 800,000 | 800,000 |

The following table sets forth the revised annual caps for the Group's purchase of services from the COSCO SHIPPING Group contemplated under the Master Port Services Agreement for the two years ending 31 December 2022, while the annual caps for the Group's provision of services to the COSCO SHIPPING Group contemplated thereunder remain unchanged.

| | For the year ending 31 December 2021 (RMB'000) | For the year ending 31 December 2022 (RMB'000) |
|--|---|---|
| Purchase of services from COSCO SHIPPING Group | 4,500,000 | 4,500,000 |

The proposed revision of the annual caps for the Group's purchase of services from the COSCO SHIPPING Group contemplated under the Master Port Services Agreement was estimated based on the followings:

- (i) the historical transaction amounts;
- (ii) the expected increase in the volume of porting services to be purchased by the Group from the COSCO SHIPPING Group;
- (iii) the expected increase in the prices for port-related services;
- (iv) the expected fluctuation of the RMB exchange rate to USD; and
- (v) the expansion of the business volume of the Group.

Reasons for and benefits of the Revision of Annual Caps of the Master Port Services Agreement

The purchase of services from COSCO SHIPPING Group under the Master Port Services Agreement is consistent with the business and commercial objectives of the Group. In light of the good relationship between COSCO SHIPPING and the Group, the Group had negotiated more favourable terms with COSCO SHIPPING compared with other suppliers historically and is expected to be able to continue to negotiate more favourable terms with COSCO SHIPPING compared with other suppliers. Therefore, the purchase of port services from COSCO SHIPPING Group can allow the Group to leverage on the expertise and scale of the port services offered by the COSCO SHIPPING Group, and reduce the operation costs of the Group.

Due to the boosting of container shipping market and the increase in the shipping vessels of the Group, the Group's demand for loading and discharging services and other port-related services to be provided by the COSCO SHIPPING Group will increase. In addition, the disruption of supply chains and the congestion of ports resulted in the increase of the prices for port-related services. As such, it is expected that the Group's purchase amount in respect of the services to be provided by the COSCO SHIPPING Group will increase, and the annual caps of the Group's purchase of services from the COSCO SHIPPING Group under the Master Port Services Agreement for each of the two years ending 31 December 2022 shall be increased accordingly.

The terms of the Master Port Services Agreement (including the Revision of Annual Caps of the Master Port Services Agreement) have been arrived at after arm's length negotiations between the parties. The Directors have confirmed that the terms of the Master Port Services Agreement (including the Revision of Annual Caps of the Master Port Services Agreement) and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

D. INFORMATION ON THE PARTIES TO THE CONTINUING CONNECTED TRANSACTIONS

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.

COSCO SHIPPING is a state-owned enterprise wholly-owned and controlled by SASAC. 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, maritime engineering etc..

COSCO SHIPPING Finance is a company established in the PRC, and is a non-bank financial institution approved and regulated by the PBOC and the CBIRC. It was established by way of joint capital contribution by COSCO SHIPPING and its subsidiaries as members, with COSCO SHIPPING being the de facto controller. It is principally engaged in providing financial services to the abovementioned members.

E. INTERNAL CONTROL PROCEDURES

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, as part of the Group's internal controls systems to ensure that the transactions between the Group and its connected persons are conducted in accordance with the pricing policy under the COSCO SHIPPING Master Agreements, the Company will implement the following internal control arrangements:

- (i) The Company will regularly examine the pricing of transactions under the COSCO SHIPPING Master Agreements to ensure that the continuing connected transactions under the COSCO SHIPPING Master Agreements 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 from or to independent third parties, as the case may be. The pricing terms for the purchase or provision of similar goods or services from or to independent third parties would be determined by the Group based on arm's length commercial negotiations between the parties, which are generally determined with reference to market prices and conditions and through price enquiries. The transaction records would include documents obtained through price enquiries from independent third parties.
- (ii) The Company may request for written documents to be provided by the connected persons under the COSCO SHIPPING Master Agreements to demonstrate that their transaction pricing complies with the pricing terms as stipulated in the COSCO SHIPPING Master Agreements and that the prices offered to or received from the Group are not less favorable to the Group than the prices offered to or received from other independent third parties for similar types of services or goods.
- (iii) The legal and risk management department, the financial management department and the supervision and audit department of the Company will regularly convene meetings, generally at least every six months, to discuss issues in the transactions under the COSCO SHIPPING Master Agreements and recommendations for improvement. The issues to be discussed at the meetings would include the usage of annual caps under the relevant COSCO SHIPPING Master Agreements.
- (iv) The legal and risk management department of the Company will summarize the transaction amounts incurred under the COSCO SHIPPING Master Agreements regularly on a monthly basis and submit reports to the management of the Company. The management and the competent 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 annual caps. In the event the actual transaction amount reaches 80% of the relevant annual cap, a re-assessment will be conducted. If it is determined after such re-assessment that the annual cap may be exceeded, the legal and risk management department of the Company would initiate the procedures for a board meeting and/or shareholders meeting (as and when required) to increase the annual cap as soon as practicable.

The Board is of the view that the above methods and procedures can ensure that the pricing and other contract terms for the Group's continuing connected transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders and that the continuing connected transactions are conducted as agreed in the relevant COSCO SHIPPING Master Agreements (after the Revision of Annual Caps) and in compliance with Chapter 14A of the Hong Kong Listing Rules.

F. DIRECTORS' CONFIRMATION

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 resolutions of the Board approving the Revision of Annual Caps pursuant to the Articles of Association. Other than the above mentioned Directors, the remaining Directors are the independent non-executive Directors.

Save as disclosed above, none of other Directors has a material interest in the transactions under the COSCO SHIPPING Master Agreements or the Revision of Annual Caps and was required to abstain from voting on the relevant resolutions.

G. IMPLICATIONS UNDER THE HONG KONG LISTING RULES

COSCO SHIPPING is the indirect controlling Shareholder and therefore members of the COSCO SHIPPING Group are connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the COSCO SHIPPING Master Agreements constitute connected transactions of the Company.

As one or more of the applicable percentage ratios of the original or revised annual caps in respect of the transactions contemplated under the Master Port Services Agreement exceed 0.1% but are all less than 5%, such transactions and the respective revised annual caps of such transactions for each of the two years ending 31 December 2022 are subject to the reporting, annual review and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios of the original or revised annual caps in respect of the transactions contemplated under the Master Shipping Services Agreement exceed 5%, such transactions and the respective revised annual caps of such transactions for each of the two years ending 31 December 2022 are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios of the original or revised annual caps in respect of the transactions contemplated under the Financial Services Agreement exceed 25% but are all less than 100%, such transactions constitute continuing connected transactions and a major transaction for the Company, and such transactions and the respective revised annual caps of such transactions for each of the two years ending 31 December 2022 are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Hong Kong Listing Rules.

H. REQUIREMENTS UNDER THE SHANGHAI LISTING RULES

Pursuant to the Shanghai Listing Rules, (i) transaction amounts of all types of related party transactions entered into between the Company and the same related party within a 12-month period shall be aggregated (save for those which have complied with the relevant approval and/or disclosure procedures); (ii) transaction amounts of related party transactions of related categories entered into between the Company and different related parties within a 12-month period shall be aggregated (save for those which have complied with the relevant approval and/or disclosure procedures); and (iii) if the total aggregated transaction amount is more than RMB30 million and exceeds 5% of the latest audited net asset value of the Company and its subsidiaries, such related party transactions shall be presented to a general meeting for independent shareholders' approval. As the continuing connected transactions under the COSCO SHIPPING Master Agreements constitute related party transactions of the Company under the Shanghai Listing Rules and were all entered into between the Company and COSCO SHIPPING, all the additional amounts under the revised annual caps in respect of the continuing connected transactions under the COSCO SHIPPING Master Agreements shall be aggregated pursuant to the requirements under the Shanghai Listing Rules. It is expected that such aggregated amount for the year ending 31 December 2021 would exceed 5% of the net asset value of the Company and its subsidiaries as at 31 December 2020. Accordingly, despite that only the Revision of Annual Caps of the Financial Services Agreement and the Revision of Annual Caps of the Master Shipping Services Agreement are required to be approved by the Shareholders under the Hong Kong Listing Rules, ordinary resolutions will be proposed at the EGM for the Shareholders to consider and, if thought fit, approve all the Revision of Annual Caps of the COSCO SHIPPING Master Agreements.

I. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

Pursuant to the Hong Kong Listing Rules, the Independent Board Committee has been established to advise the Independent Shareholders as to whether (i) the Revision of Annual Caps of the Financial Services Agreement and the Revision of Annual Caps of the Master Shipping Services Agreement are entered into in the ordinary and usual course of business of the Company on normal commercial terms; and (ii) the Revision of Annual Caps of the Financial Services Agreement and the Revision of Annual Caps of the Master Shipping Services Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole, and the Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

J. THE EGM, CIRCULAR AND SUPPLEMENTAL NOTICE OF THE EGM

The EGM will be held at Conference Room, 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong and Ocean Hall, 5th Floor, Shanghai Ocean Hotel, No. 1171, Dong Da Ming Road, Shanghai, the PRC on Friday, 29 October 2021 at 9:30 a.m. for the Shareholders to consider and, if thought fit, approve the resolution contained in the Original Notice of EGM.

A circular including, among other things, (i) further details of the COSCO SHIPPING Master Agreements and the Revision of Annual Caps; (ii) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders on the Revision of Annual Caps of the Financial Services Agreement and the Revision of Annual Caps of the Master Shipping Services Agreement; (iii) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Revision of Annual Caps of the Financial Services Agreement and the Revision of Annual Caps of the Master Shipping Services Agreement; (iv) a supplemental notice of the EGM containing the resolutions in respect of the Revision of Annual Caps and (v) other information as required under the Hong Kong Listing Rules is proposed to be despatched to the Shareholders on or around 24 September 2021 as additional time is required to prepare certain information in the circular.

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:

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| “Articles of Association” | the articles of association of the Company as amended, revised or supplemented from time to time |
| “associate(s)” | has the meaning ascribed to it under the Hong Kong Listing Rules |
| “Board” | the board of Directors |
| “CBIRC” | China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) |
| “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 Hong Kong Listing Rules |
| “COSCO” | China Ocean Shipping Co., Ltd.* (中國遠洋運輸有限公司), a PRC state-owned enterprise, the controlling Shareholder, and a wholly-owned subsidiary of COSCO SHIPPING |
| “COSCO Finance” | COSCO Finance Co., Ltd.* (中遠財務有限責任公司), which ceased to exist as a legal entity and became a branch of COSCO SHIPPING Finance after merger by absorption of COSCO Finance by CS Finance |

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| “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 the indirect controlling shareholder of the Company |
| “COSCO SHIPPING Finance” | COSCO SHIPPING Finance Company Limited* (中遠海運集團財務有限責任公司), a company established under the laws of the PRC with limited liability |
| “COSCO SHIPPING Group” | COSCO SHIPPING and its subsidiaries and associates (as defined under the Hong Kong Listing Rules) |
| “COSCO SHIPPING Lines” | COSCO SHIPPING Lines Co, Ltd.* (中遠海運集裝箱運輸有限公司), a company incorporated in the PRC and a subsidiary of the Company |
| “COSCO SHIPPING Master Agreements” | collectively, (i) the Financial Services Agreement, (ii) the Master Shipping Services Agreement, and (iii) the Master Port Services Agreement |
| “CS Finance” | China Shipping Finance Company Limited* (中海集團財務有限責任公司), currently known as COSCO SHIPPING Finance |
| “Director(s)” | director(s) of the Company |
| “EGM” | the extraordinary general meeting of the Company proposed to be held on Friday, 29 October 2021 to, among other things, consider and if thought fit, approve the Revision of Annual Caps of the COSCO SHIPPING Master Agreements |
| “Financial Services Agreement” | the financial services agreement dated 30 October 2019 entered into between COSCO SHIPPING and the Company for the provision of certain financial services by COSCO SHIPPING Finance to the Company and its subsidiaries |
| “Group” | the Company and its subsidiaries and associates |
| “Hong Kong” | Hong Kong Special Administrative Region of the People’s Republic of China |
| “Hong Kong Listing Rules” | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited |
| “Independent Board Committee” | the independent board committee of the Board consisting of all the independent non-executive Directors |

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| “Independent Financial Adviser” | Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on (i) the Revision of Annual Caps of the Financial Services Agreement and (ii) the Revision of Annual Caps of the Master Shipping Services Agreement |
| “Independent Shareholders” | the Shareholders other than the COSCO SHIPPING Group and its associates |
| “Master Port Services Agreement” | the master port services agreement dated 30 October 2019 entered into between the Company and COSCO SHIPPING in relation to mutual provision of port services between the COSCO SHIPPING Group and the Group |
| “Master Shipping Services Agreement” | the master shipping services agreement dated 30 October 2019 entered into between the Company and COSCO SHIPPING in relation to mutual provision of shipping services between the Group and the COSCO SHIPPING Group |
| “OOIL” | Orient Overseas (International) Limited, a company incorporated in Bermuda with limited liability and listed on the Main Board of the Stock Exchange (Stock Code: 316) and a non-wholly owned subsidiary of the Company |
| “Original Notice of EGM” | the notice of the EGM dated 5 August 2021, which was despatched to the Shareholders on 5 August 2021 |
| “PBOC” | the People’s Bank of China, the central bank of the PRC |
| “PRC” | the People’s Republic of China which, for the purpose of this circular and for geographical reference only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan |
| “Previous Financial Services Agreement” | the financial services agreement entered into between the Company and COSCO SHIPPING on 14 September 2016 and expired on 31 December 2019, the details of which are contained in the announcement and the circular of the Company dated 14 September 2016 and 29 October 2016 respectively |
| “Previous Port Services Agreement” | the port services agreement entered into between the Company and COSCO SHIPPING on 14 September 2016 and expired on 31 December 2019, the details of which are contained in the announcement and the circular of the Company dated 14 September 2016 and 29 October 2016 respectively |

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| “Previous Shipping Services Agreements” | the agreements comprising (i) the master vessel services agreement, (ii) the master container services agreement, (iii) the master seamen leasing agreement, and (iv) the freight forwarding master agreement entered into between the Company and COSCO SHIPPING on 14 September 2016 and expired on 31 December 2019, the details of which are contained in the announcement and the circular of the Company dated 14 September 2016 and 29 October 2016 respectively |
| “Previous Shipping Services and Terminal Services Master Agreement” | the shipping services and terminal services master agreement entered into between the Company and COSCO SHIPPING on 22 November 2018 in relation to the provision of shipping and terminal services by the Group to the COSCO SHIPPING Group |
| “Revision of Annual Caps” | the proposed revision of relevant annual caps of the continuing connected transactions contemplated under each of (i) the Financial Services Agreement, (ii) the Master Shipping Services Agreement, and (iii) the Master Port Services Agreement for each of the two years ending 31 December 2022 |
| “Revision of Annual Caps of the Financial Services Agreement” | the proposed revision of annual caps of the continuing connected transactions of deposit services contemplated under the Financial Services Agreement for each of the two years ending 31 December 2022 |
| “Revision of Annual Caps of the Master Port Services Agreement” | the proposed revision of annual caps of the continuing connected transactions of the Group’s purchase of services from COSCO SHIPPING Group contemplated under the Master Port Services Agreement for each of the two years ending 31 December 2022 |
| “Revision of Annual Caps of the Master Shipping Services Agreement” | the proposed revision of annual caps of the continuing connected transactions of the Group’s provision of shipping services to the COSCO SHIPPING Group contemplated under the Master Shipping Services Agreement for each of the two years ending 31 December 2022 |
| “RMB” | Renminbi yuan, the lawful currency of the PRC |
| “SASAC” | State-owned Assets Supervision and Administration Commission of the State Council of the PRC (國務院國有資產監督管理委員會) |
| “SFO” | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |

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| “Shareholder(s)” | holder(s) of the share(s) of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “USD” | United States dollars, the lawful currency of the United States of America |
| “%” | per cent |

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

Shanghai, the People’s Republic of China
30 August 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*