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**中遠海運國際(香港)有限公司**

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

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00517)**

## **CONTINUING CONNECTED TRANSACTIONS — REVISION OF ANNUAL CAPS OF NEW MASTER SUPPLY AGREEMENT**

Reference is made to the Previous Announcement and the Previous Circular in relation to, among other things, the New Master Supply Agreement.

On 18 November 2019, the Company and COSCO SHIPPING (Hong Kong) entered into the New Master Supply Agreement in relation to (i) the provision of marine and general insurance brokerage services and other services; and (ii) the provision of shipping services and sale of shipping related and other materials and products by the Group to COSCO SHIPPING Group. On 6 September 2021, the Company and COSCO SHIPPING (Hong Kong) entered into the Supplemental Agreement to revise the Caps of the New Master Supply Agreement for the financial years ending 31 December 2021 and 2022.

Being the ultimate holding company and immediate holding company of the Company respectively, COSCO SHIPPING and COSCO SHIPPING (Hong Kong) together with their respective associates are connected persons of the Company. Accordingly, the New Master Supply Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

As the applicable percentage ratios for the Revised Caps are expected to be higher than 5% on an annual basis, the transactions contemplated under the New Master Supply Agreement (as amended by the Supplemental Agreement) and the Revised Caps are subject to the reporting, announcement, shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules. The SGM will be convened for the Independent Shareholders to approve the Supplemental Agreement and the Revised Caps.

## **THE SUPPLEMENTAL AGREEMENT TO THE NEW MASTER SUPPLY AGREEMENT**

Reference is made to the announcement (the **"Previous Announcement"**) and circular (the **"Previous Circular"**) of COSCO SHIPPING International (Hong Kong) Co., Ltd (the **"Company"**) dated 18 November 2019 and 9 December 2019 respectively in relation to, among other things, the New Master Supply Agreement. Unless otherwise stated, capitalized terms used herein shall have the same meanings as defined in the Previous Announcement and the Previous Circular.

As stated in the Previous Announcement and the Previous Circular, the Company and COSCO SHIPPING (Hong Kong) entered into the New Master Supply Agreement on 18 November 2019 in relation to (i) the provision of marine and general insurance brokerage services and other services; and (ii) the provision of shipping services and sale of shipping related and other materials and products by the Group to COSCO SHIPPING Group.

### Revision of the Caps and basis of determination of the Revised Caps

As disclosed in the Previous Announcement and the Previous Circular, the Caps of the transactions contemplated under the New Master Supply Agreement are set out as follows:

	Caps for the year ending 31 December		
	2020	2021	2022
	HK\$	HK\$	HK\$
Aggregate amount receivable by the Group for transactions contemplated under the New Master Supply Agreement	1,600,000,000	1,690,000,000	1,780,000,000

Since the second half of 2020, the surge in the market's transportation demand has been spurring the growth of shipping services business of the Group with COSCO SHIPPING Group. It is expected that the Caps of the transactions contemplated under the New Master Supply Agreement for the financial years ending 31 December 2021 and 2022 may be insufficient. Accordingly, the Company and COSCO SHIPPING (Hong Kong) entered into the Supplemental Agreement on 6 September 2021 (the “**Supplemental Agreement**”) to revise such Caps (the “**Revised Caps**”) for the financial years ending 31 December 2021 and 2022 respectively as follows:

	Revised Caps for the year ending 31 December	
	2021	2022
	HK\$	HK\$
Aggregate amount receivable by the Group for transactions contemplated under the New Master Supply Agreement (as amended by the Supplemental Agreement)	2,150,000,000	2,420,000,000

Save for the Revised Caps, all other terms of the New Master Supply Agreement will remain unchanged and in full force and effect.

In determining the Revised Caps, the Company has (a) made reference to the historical transaction amounts of the relevant member(s) of the Group derived under the New Master Supply Agreement for the period from 1 January 2021 to 31 July 2021; (b) interviewed the management of the relevant member(s) of the Group to obtain opinion on the forecasts of the transactions contemplated under the New Master Supply Agreement for the years 2021 and 2022; and (c) considered the growth trend of the relevant businesses, the market conditions and in particular the following factors:

- (i) the increase in particular in the first seven months of 2021 and expected growth in demand for marine equipment and spare parts business from members of COSCO SHIPPING Group;

- (ii) the expected demand for ship trading agency services from members of COSCO SHIPPING Group with consideration of recent price movement of the vessels and the trend of shipping market in the forthcoming years;
- (iii) the increase in particular in the first seven months of 2021 and expected growth in demand for insurance brokerage services from members of COSCO SHIPPING Group for marine and non-marine insurance products; and
- (iv) the increase in particular in the first seven months of 2021 and expected growth in demand for coatings from members of COSCO SHIPPING Group as a result of enlarged capacity in container manufacturing since fall of 2019.

**Condition:**

The Supplemental Agreement shall take effect from the date of approval of the Supplemental Agreement and the Revised Caps by the Independent Shareholders at a special general meeting of the Company.

**Pricing policies:**

As disclosed in the Previous Announcement and the Previous Circular, the amount of service fees payable by COSCO SHIPPING Group under the New Master Supply Agreement will be mainly determined by pre-determined formulae adopted by the Group (for example, insurance brokerage services and shipping agency services will be charged at certain fixed percentages of the value of the subject matter with reference to market price of comparable services).

The prices offered to COSCO SHIPPING Group for services provided by the Group and the sale of shipping related materials and products and sale of other materials and products in connection with the general trading business of the Group shall be at market rates or rates no less favourable to the relevant member(s) of the Group than those available to independent third party customers for comparable services and similar materials and products (based on similar amount and similar specifications) respectively.

For the purpose of determining the market rates for services fees and the prices for sale of materials and products, the Group will consider the certain fixed percentages of the value of the subject matter and prices offered to independent third party customers of comparable services and similar materials and products (based on similar amount and similar specifications) respectively and compare to those offered to COSCO SHIPPING Group. In particular, the relevant sales department of the related companies within the Group will compare the services fees and selling price offered to different customers (including COSCO SHIPPING Group and at least three independent third party customers) in respect of comparable service and a similar type of materials or products (based on similar amount and similar specifications) respectively.

**Historical amounts**

The aggregate amounts recognised by the Group for the transactions contemplated under the New Master Supply Agreement in respect of the financial year ended 31 December 2020 and the seven months ended 31 July 2021 were HK\$1,554,506,726 and HK\$1,210,084,466 respectively.

## **Reasons for and benefits of the Revised Caps**

The reasons for and benefits of entering into the New Master Supply Agreement have been set out in the Previous Announcement and the Previous Circular.

Along with the growth of shipping services business of the Group and the growth of the business of the members of COSCO SHIPPING Group, the demand from COSCO SHIPPING Group for shipping services provided by the Group will increase which will facilitate the Group's increase in sales and profit. As the anticipated total transaction amount between the Group and COSCO SHIPPING Group under the New Master Supply Agreement is expected to increase, it is necessary to enter into the Supplemental Agreement to increase the Caps for the financial years ending 31 December 2021 and 2022 under the terms of the New Master Supply Agreement.

The Directors (excluding the independent non-executive Directors whose views will be given after taking into account the advice from the independent financial adviser) consider that the terms of the New Master Supply Agreement (as amended by the Supplemental Agreement) and the Revised Caps are fair and reasonable and the transactions contemplated thereunder are and will be entered into in the ordinary and usual course of business of the Group, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

While some of the Directors (none of whom is an independent non-executive Director) are also directors of COSCO SHIPPING (Hong Kong), none of the Directors will be involved in the negotiation of the individual agreements contemplated under the New Master Supply Agreement (as amended by the Supplemental Agreement) nor derive personal gains from the Group entering into the transactions contemplated under the New Master Supply Agreement (as amended by the Supplemental Agreement). As such, none of the Directors has a material interest in the New Master Supply Agreement (as amended by the Supplemental Agreement). Accordingly, none of them is required to abstain from voting on the relevant board resolutions to approve the execution of the Supplemental Agreement and the Revised Caps under the Bye-laws or the Listing Rules.

## **INFORMATION ON THE GROUP AND THE CONNECTED PERSONS**

The Group is principally engaged in the provision of shipping services and general trading.

Being the ultimate holding company and immediate holding company of the Company respectively, COSCO SHIPPING and COSCO SHIPPING (Hong Kong) together with their respective associates are connected persons of the Company. Accordingly, the New Master Supply Agreement (as amended by the Supplemental Agreement) and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

COSCO SHIPPING Group is one of the largest shipowners in the world.

COSCO SHIPPING is principally engaged in shipping, terminal, logistics, shipping finance, equipment manufacturing and shipping services etc..

COSCO SHIPPING (Hong Kong) is principally engaged in shipping services, expressways investment, property investment and management, information technology, industrial manufacturing and marine fuel oil trading, etc..

## **IMPLICATIONS OF THE LISTING RULES**

Pursuant to the Listing Rules, if any listed issuer proposes to revise its annual caps for continuing connected transactions, such listed issuer has to re-comply with the provisions of Chapter 14A of the Listing Rules applicable to the relevant continuing connected transactions.

As the applicable percentage ratios for the Revised Caps are expected to be higher than 5% on an annual basis, the transactions contemplated under the New Master Supply Agreement (as amended by the Supplemental Agreement) and the Revised Caps are subject to the reporting, announcement, shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules. A special general meeting of the Company will be convened for the Independent Shareholders to approve the Supplemental Agreement and the Revised Caps by poll (the "SGM").

In view of the interests of COSCO SHIPPING and COSCO SHIPPING (Hong Kong) in the Company, COSCO SHIPPING, COSCO SHIPPING (Hong Kong) and their respective associates will abstain from voting in relation to the resolution to approve the Supplemental Agreement and the Revised Caps.

Ballas Capital Limited has been appointed as the independent financial adviser to advise the independent board committee of the Company and the Independent Shareholders regarding the Supplemental Agreement and the Revised Caps. An independent board committee of the Company has been appointed to advise the Independent Shareholders on, among other things, whether or not the Supplemental Agreement and the Revised Caps are in the interest of the Company and are fair and reasonable so far as the Independent Shareholders are concerned.

If the Supplemental Agreement and the Revised Caps are not approved by the Independent Shareholders at the SGM, the Supplemental Agreement shall automatically be terminated and of no further effect and the Revised Caps will not apply. In such circumstances, the New Master Supply Agreement and the original Caps thereof shall remain unaffected and shall continue to have full force and effect in accordance with the terms and conditions of the New Master Supply Agreement.

## **INTERNAL CONTROL PROCEDURES FOR THE GROUP**

In addition to the annual review by the auditors and independent non-executive Directors pursuant to the requirements of Chapter 14A of the 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 New Master Supply Agreement (as amended by the Supplemental Agreement), the Company will continue to implement the following internal control arrangements as set out in the Previous Announcement and the Previous Circular:

- (a) The Company has formulated "Connected Transaction Management Method" which was incorporated into the rules and regulations of the Company. All divisions of the Company and its subsidiaries must follow the requirements under "Connected Transaction Management Method".

- (b) The internal audit team of the Company will regularly examine the pricing of the connected transactions including reviewing the transaction records of the Company for the purchase or provision of similar goods or services from or to independent third parties.
- (c) The Working Team, comprising, among others, responsible persons of various functional divisions of the Company, was set up. Any proposed new connected transaction would be reported to the Working Team in order to carry out all necessary compliance procedures before entering into such connected transaction.
- (d) Connected transaction amounts incurred with 2 months forecast would be updated on monthly basis by the colleagues of subsidiaries of the Company and various functional divisions through an intranet system. Members of the Working Team are responsible for overseeing the connected transaction amounts incurred in a timely manner such that the transactions can be conducted within the annual caps.

The Directors are 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 the Shareholders and that the continuing connected transactions are conducted as agreed in the New Master Supply Agreement (as amended by the Supplemental Agreement) and in compliance with Chapter 14A of the Listing Rules.

## GENERAL

A circular containing, among other things, (a) further information on the Supplemental Agreement and the Revised Caps; (b) the recommendation from the independent board committee of the Company; (c) the letter of advice from the independent financial adviser to the independent board committee of the Company and the Independent Shareholders; and (d) a notice of the SGM will be dispatched to the Shareholders on or before 28 September 2021 in accordance with the Listing Rules.

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

Hong Kong, 6 September 2021

*As at the date of this announcement, the Board comprises seven Directors with Mr. Zhu Jianhui<sup>1</sup> (Chairman and Managing Director), Mr. Ma Jianhua<sup>1</sup>, Mr. Feng Boming<sup>2</sup>, Mr. Chen Dong<sup>2</sup>, Mr. Tsui Yiu Wa, Alec<sup>3</sup>, Mr. Jiang, Simon X.<sup>3</sup> and Mr. Kwong Che Keung, Gordon<sup>3</sup>.*

<sup>1</sup> *Executive Director*

<sup>2</sup> *Non-executive Director*

<sup>3</sup> *Independent Non-executive Director*