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COSCO SHIPPING Ports Limited

中遠海運港口有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

ANNOUNCEMENT

DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS

NEW FINANCIAL SERVICES MASTER AGREEMENT

Reference is made to the announcement of the Company dated 25 August 2016 in relation to the continuing connected transactions between the Group and COSCO Finance under the Existing Financial Services Agreement which is due to expire on 31 December 2019.

The Board is pleased to announce that the Company entered into the New Financial Services Master Agreement on 30 October 2019 with COSCO SHIPPING in respect of the Transactions to be conducted between COSCO SHIPPING Finance and the Group. As COSCO SHIPPING is the ultimate controlling Shareholder and COSCO SHIPPING Finance is a subsidiary of COSCO SHIPPING, they are therefore connected persons of the Company. Accordingly, the Transactions will constitute continuing connected transactions of the Company.

As the highest of the percentage ratios in respect of the Deposit Transactions exceeds 5% (but is below 25%), the Deposit Transactions will also constitute a discloseable transaction of the Company. Accordingly, the Deposit Transactions and the proposed transaction caps thereof will be subject to the announcement requirements under Chapter 14 and Chapter 14A of the Listing Rules and the notification, reporting, annual review, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Circular containing (i) further information on the Deposit Transactions; (ii) the recommendation from the Independent Board Committee; (iii) the advice from the Joint Independent Financial Advisers to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the SGM is expected to be despatched to the Shareholders on or before 20 November 2019.

As the Loan Transactions will be conducted on normal commercial terms or on terms which are more favourable to the Group and any loan to be provided by COSCO SHIPPING Finance to the Group under the New Financial Services Master Agreement will not be secured by the assets of the Group, and no service fee will be charged by COSCO SHIPPING Finance in relation to the Clearing Transactions (unless otherwise required by the CBIRC), the Loan Transactions and the Clearing Transactions will be fully exempt from the requirements under Chapter 14A of the Listing Rules and the relevant disclosures are included herein to keep the Shareholders apprised.

As each of the applicable percentage ratios in respect of the Other Financial Transactions is expected to be less than 0.1%, the Other Financial Transactions constitute de minimis transactions pursuant to Rule 14A.76(1) of the Listing Rules and will be fully exempt from the requirements under Chapter 14A of the Listing Rules and the relevant disclosures are included herein to keep the Shareholders apprised.

Reference is made to the announcement of the Company dated 25 August 2016 in relation to the continuing connected transactions between the Group and COSCO Finance under the Existing Financial Services Agreement which is due to expire on 31 December 2019.

NEW FINANCIAL SERVICES MASTER AGREEMENT

The Board is pleased to announce that the Company and COSCO SHIPPING entered into the New Financial Services Master Agreement on 30 October 2019.

Term: 1 January 2020 to 31 December 2022.

Effectiveness: The New Financial Services Master Agreement will take effect upon the obtaining of the independent shareholders' approval at the general meeting of the Company and the general meeting of COSCO SHIPPING Holdings (if required).

Subject matter: COSCO SHIPPING will procure COSCO SHIPPING Finance to provide certain financial services to the Group, including the Deposit Transactions, the Loan Transactions, the Clearing Transactions and Other Financial Transactions which COSCO SHIPPING Finance is permitted by the CBIRC to provide.

Transactions and pricing principle:

The transaction terms of the services to be provided under the New Financial Services Master Agreement shall be on normal commercial terms and fair and reasonable, and shall be no less favourable to the Group than (a) the terms offered by COSCO SHIPPING Finance to other members of the COSCO SHIPPING Group for the same type of services; and (b) the terms offered by other financial institutions to the Group for the same type of services, and in particular:

(A) Deposit Transactions

Transactions:

COSCO SHIPPING Finance will accept deposits from members of the Group.

Pricing terms:

The rate of interest which will accrue on any deposit will be determined with reference to:

- (a) market interest rates, being the interest rates determined by independent third party commercial banks providing the same type of deposit services on normal commercial terms in their ordinary course of business in the same or nearby service area, and in accordance with the principle of fairness and reasonableness; and
- (b) the interest rates offered by COSCO SHIPPING Finance to other parties for the same type of deposit services.

Proposed transaction caps and basis:

The daily maximum aggregate amount of deposits to be placed by the Group with COSCO SHIPPING Finance (including the amount of any interest accrued thereon) for each of the financial years during the term of the New Financial Services Master Agreement are estimated to be:

| | <i>For the financial year ending 31 December 2020 RMB million</i> | <i>For the financial year ending 31 December 2021 RMB million</i> | <i>For the financial year ending 31 December 2022 RMB million</i> |
|--|---|---|---|
| Proposed daily maximum aggregate deposit amount (including any interest accrued) | 3,000 | 3,000 | 3,000 |

Such proposed transaction caps are determined with reference to (i) the historical levels and changes in the Group's cash and bank deposits balances; (ii) the anticipated cash flow demand based on the current scale and operation of the business of the Group and the business plans of the Group for the next three years; (iii) the need to maintain necessary capital expenditures in order to meet the Group's needs arising from the expected year on year expansion of the scale and development of the business of the Group, which is anticipated to lead to a corresponding increase in demand for deposit services; (iv) the expected increase in interest income generated from the Group's deposits balances with COSCO SHIPPING Finance in the next three years; and (v) the expected growing demand of the Group for deposit services provided by COSCO SHIPPING Finance as a result of its competitive edge over other financial services providers becoming more apparent arising from continuing improvement in its services which can better serve the development needs of the Group.

Historical transaction amounts:

The historical highest daily aggregate amount of deposits placed by the Group with COSCO Finance (including the amount of any interest accrued thereon) pursuant to the Existing Financial Services Agreement are set out below:

| | <i>For the financial year ended 31 December 2017 RMB million</i> | <i>For the financial year ended 31 December 2018 RMB million</i> | <i>For the nine months ended 30 September 2019 RMB million</i> |
|---|--|--|--|
| Highest daily aggregate deposit amount (including any interest accrued) | 1,613 | 2,144 | 2,395 |

(B) Loan Transactions

Transactions:

COSCO SHIPPING Finance will provide loans to members of the Group.

Pricing terms:

The rate of interest which will accrue on any loan will be determined with reference to:

- (a) market interest rates, being the interest rates determined by independent third party commercial banks providing the same type of loan services on normal commercial terms in their ordinary course of business in the same or nearby service area, and in accordance with the principle of fairness and reasonableness; and
- (b) the interest rates charged by COSCO SHIPPING Finance to other parties for the same type of loan services.

(C) Clearing Transactions

COSCO SHIPPING Finance will provide clearing services to members of the Group, for which no service fee will be charged (unless otherwise required by the CBIRC) for the time being.

(D) Other Financial Transactions

COSCO SHIPPING Finance will also provide to members of the Group with foreign exchange services and other financial services which COSCO SHIPPING Finance is permitted by the CBIRC to provide. The charges for such services which will be determined with reference to:

- (a) the handling fees charged by independent third party commercial banks for the same type of services provided to the Group; and
- (b) the handling fees charged by COSCO SHIPPING Finance for the same type of services provided to other third party entities of the same credit rating.

REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The New Financial Services Master Agreement was entered into in the ordinary and usual course of business of the parties. Any interest amounts in respect of the Deposit Transactions will be automatically paid into the relevant deposit accounts. Any interest amounts and fees payable in respect of the Loan Transactions and Clearing Transactions (if any) will be paid out of the Group's designated COSCO SHIPPING Finance account(s).

The deposit interest rates offered by COSCO SHIPPING Finance to the Group will be no less favourable to the Group than those offered by independent third party commercial banks in the PRC for comparable deposits. The New Financial Services Master Agreement is expected to provide the Group with additional means of financing and improve the efficiency of the use of its funds through favourable interest income and costs of financing.

The New Financial Services Master Agreement will not preclude the Group from using the services of other financial institutions as it thinks fit and appropriate for the benefit of the Group. Where required, the Group will solicit other reference quotations, where available, from independent third party financial institutions in respect of similar transactions for comparison and consideration.

CAPITAL RISK CONTROL MEASURES

Under the New Financial Services Master 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) within 3 business days after submission of each regulatory report to the CBIRC, submit a copy 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 2 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.

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.

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 Listing Rules, as part of the Group's internal control systems to ensure that the transactions between the Group and its connected persons are conducted in accordance with the terms of the New Financial Services Master Agreement, the Company will implement the following internal control arrangements:

- (i) The Finance Department of the Company will periodically monitor the market interest rates with independent third parties in respect of comparable types of financial services.
- (ii) The Finance Department of the Company and each member of the Group has a designated person to record the entering into of continuing connected transactions.
- (iii) The Finance Department of the Company will prepare a "Summary for Continuing Connected Transactions" each quarter and organise meetings regularly to review and assess whether the relevant continuing connected transactions are conducted in accordance with the terms of their respective continuing connected transaction master agreements. After the "Summary for Continuing Connected Transactions" is reviewed by the relevant departments of the Company and the management, it will be submitted to the Audit Committee of the Company and the Board for further review.
- (iv) The Audit and Supervision Department will check the accounting records and supporting documents from time to time to ensure the prices are in compliance with the pricing principle under the New Financial Services Master Agreement.
- (v) Each relevant member of the Group shall monitor its own utilisation of the portion of the annual transaction cap amount allocated to it by the Company (the "**Designated Amount**"). If the annual transaction amount of a relevant member of the Group reaches 80% of its Designated Amount, or is expected to exceed its Designated Amount within three months, such member shall inform the relevant personnel in the Finance Department and Legal Department of the Company immediately and the Company shall determine the appropriate actions to be taken, such as (a) require such member not to enter any further transactions which would cause the Designated Amount to be exceeded; (b) increase the Designated Amount allocated to such member by reducing the Designated Amount(s) allocated to other member(s); or (c) if the accumulative annual transaction amount of the Group will exceed the relevant annual cap, the relevant member(s) of the Group shall provide sufficient reasons and cooperate with the Company to revise the annual cap and comply with the relevant requirements of the Listing Rules.

The Board is of the view that the Group has implemented effective internal control procedures as set out above to ensure that the pricing and other contract terms of the transactions under the New Financial Services Master Agreement will be conducted on normal commercial terms and no less favourable to the Group than the terms available from independent third parties in accordance with the New Financial Services Master Agreement.

INFORMATION ON THE PARTIES

The Group

The Group is principally engaged in the businesses of managing and operating terminals, and related businesses.

COSCO SHIPPING

COSCO SHIPPING is a company incorporated under the laws of the PRC, and is a state-owned enterprise wholly-owned and controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. The scope of business of COSCO SHIPPING and its subsidiaries includes international shipping, ancillary business in international maritime transportation, import and export of goods and technologies, international freight agency business, leasing of self-owned vessels, sales of vessels, containers and steel and maritime engineering.

COSCO SHIPPING Finance

COSCO SHIPPING Finance is a non-bank financial institution approved and regulated by the PBOC and the CBIRC and is principally engaged in providing financial services to the COSCO SHIPPING Group.

IMPLICATIONS UNDER THE LISTING RULES

As COSCO SHIPPING is the ultimate controlling Shareholder and COSCO SHIPPING Finance is a subsidiary of COSCO SHIPPING, they are therefore connected persons of the Company. Accordingly, the Transactions will constitute continuing connected transactions of the Company.

As the highest of the percentage ratios in respect of the Deposit Transactions under the New Financial Services Master Agreement exceeds 5% (but is below 25%), the Deposit Transactions will also constitute a discloseable transaction of the Company. Accordingly, the Deposit Transactions and the proposed transaction caps thereof will be subject to the announcement requirements under Chapter 14 and Chapter 14A of the Listing Rules and the notification, reporting, annual review, circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules. The Circular containing (i) further information on the Deposit Transactions; (ii) the recommendation from the Independent Board Committee; (iii) the advice from the Joint Independent Financial Advisers to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the SGM is expected to be despatched to the Shareholders on or before 20 November 2019.

As the Loan Transactions will be conducted on normal commercial terms or on terms which are more favourable to the Group and any loan to be provided by COSCO SHIPPING Finance to the Group under the New Financial Services Master Agreement will not be secured by the assets of the Group, and no service fee will be charged by COSCO SHIPPING Finance in relation to the Clearing Transactions (unless otherwise required by the CBIRC), the Loan Transactions and the Clearing Transactions will be fully exempt from the requirements under Chapter 14A of the Listing Rules and the relevant disclosures are included herein to keep the Shareholders apprised.

As each of the applicable percentage ratios in respect of the Other Financial Transactions is expected to be less than 0.1%, the Other Financial Transactions constitute de minimis transactions pursuant to Rule 14A.76(1) of the Listing Rules and will be fully exempt from the requirements under Chapter 14A of the Listing Rules and the relevant disclosures are included herein to keep the Shareholders apprised.

GENERAL

The Independent Board Committee, comprising of Dr. FAN HSU Lai Tai, Rita, Mr. Adrian David LI Man Kiu, Mr. FAN Ergang, Mr. LAM Yiu Kin and Prof. CHAN Ka Lok, has been established to advise the Independent Shareholders as to the terms of the Deposit Transactions and to advise the Independent Shareholders on how to vote, taking into account the recommendation of the Joint Independent Financial Advisers, in respect of such matters at the SGM. Challenge Capital and Opus Capital have been appointed as the joint independent financial advisers to advise the Independent Board Committee and the Independent Shareholders in such regard.

None of the Directors has a material interest in the New Financial Services Master Agreement. Nevertheless, Mr. WANG Haimin (a non-executive Director) has voluntarily abstained from voting on the relevant Board resolutions of the Company for the reason that he is a senior management of COSCO SHIPPING.

The Directors (other than the Director who abstained from voting on the relevant Board resolutions of the Company, and in respect of the Deposit Transactions the members of the Independent Board Committee whose views will be expressed in the Circular) have provided their views that the New Financial Services Master Agreement and the transactions contemplated thereunder are in the ordinary and usual course of business of the Group, on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

DEFINITIONS

In this announcement, the following expressions shall have the following meanings unless the context requires otherwise:

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| “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 |

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|--------------------------|--|
| “Challenge Capital” | Challenge Capital Management Limited, a corporation licensed to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, one of the joint independent financial advisers to the Independent Board Committee and the Independent Shareholders in respect of the Deposit Transactions as contemplated under the New Financial Services Master Agreement and the proposed transaction caps thereof |
| “Circular” | the circular to be despatched to the Shareholders in respect of the Deposit Transactions |
| “Clearing Transactions” | the transactions to be conducted pursuant to the New Financial Services Master Agreement as disclosed in section (C) of this announcement |
| “Company” | COSCO SHIPPING Ports Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1199) |
| “connected person” | has the meaning ascribed to it under Chapter 14A of the Listing Rules |
| “COSCO Finance” | COSCO Finance Co. Ltd.* (中遠財務有限責任公司), a limited liability company established in the PRC and a subsidiary of COSCO SHIPPING before 23 October 2018; which ceased to exist as a legal entity and became a branch of COSCO SHIPPING Finance on 23 October 2018 |
| “COSCO SHIPPING” | China COSCO Shipping Corporation Limited * (中國遠洋海運集團有限公司), the ultimate controlling shareholder of the Company and a state-owned enterprise in the PRC |
| “COSCO SHIPPING Finance” | COSCO SHIPPING Finance Co., Ltd.* (中遠海運集團財務有限責任公司), a limited liability company established in the PRC and a non-wholly owned subsidiary of COSCO SHIPPING |
| “COSCO SHIPPING Group” | COSCO SHIPPING and subsidiaries held by COSCO SHIPPING as to more than 51%, companies held by COSCO SHIPPING and such subsidiaries (individually or jointly) as to more than 20% (or as to less than 20% but with COSCO SHIPPING and such subsidiaries (individually or jointly) being the largest shareholder), and enterprise legal entities (事業單位法人) and social organisation legal entities (社會團體法人) under COSCO SHIPPING or such subsidiaries |

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| “COSCO SHIPPING Holdings” | 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 in the PRC (Stock Code: 601919), and an intermediate controlling shareholder of the Company |
| “Deposit Transactions” | the transactions to be conducted pursuant to the New Financial Services Master Agreement as disclosed in section (A) of this announcement |
| “Director(s)” | the director(s) of the Company |
| “discloseable transaction” | has the meaning ascribed to it under Chapter 14 of the Listing Rules |
| “Existing Financial Services Agreement” | the financial services agreement dated 25 August 2016 entered into between COSCO Finance and the Company for the provision of certain financial services by COSCO Finance to the Group for the period from 1 January 2017 to 31 December 2019 |
| “Group” | the Company and its subsidiaries |
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Independent Board Committee” | an independent committee of the Board appointed to advise the Independent Shareholders comprising Dr. FAN HSU Lai Tai, Rita, Mr. Adrian David LI Man Kiu, Mr. FAN Ergang, Mr. LAM Yiu Kin and Prof. CHAN Ka Lok |
| “Independent Shareholders” | Shareholders who are not prohibited from voting under the Listing Rules to approve the relevant transactions at the SGM |
| “Joint Independent Financial Advisers” | Challenge Capital and Opus Capital |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Loan Transactions” | the transactions to be conducted pursuant to the New Financial Services Master Agreement as disclosed in section (B) of this announcement |
| “New Financial Services Master Agreement” | the financial services master agreement entered into between the Company and COSCO SHIPPING on 30 October 2019 |

| | |
|--------------------------------|---|
| “Opus Capital” | Opus Capital Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, one of the joint independent financial advisers to the Independent Board Committee and the Independent Shareholders in respect of the Deposit Transactions as contemplated under the New Financial Services Master Agreement and the proposed transaction caps thereof |
| “Other Financial Transactions” | transactions to be conducted pursuant to the New Financial Services Master Agreement (other than the Deposit Transactions, the Loan Transactions and the Clearing Transactions) as disclosed in section (D) of this announcement |
| “PBOC” | People’s Bank of China 中國人民銀行, the central bank of the PRC |
| “percentage ratios” | has the meaning ascribed to it under Rule 14.07 of the Listing Rules |
| “PRC” | the People’s Republic of China, which for the purpose of this announcement and unless the context suggests otherwise, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan |
| “SFO” | Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| “SGM” | the special general meeting of the Company to be held for considering and, if thought fit, approving the Deposit Transactions and the proposed transaction caps thereof |
| “Shareholder(s)” | the shareholder(s) of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Transactions” | the Deposit Transactions, the Loan Transactions, the Clearing Transactions and the Other Financial Transactions to be conducted pursuant to the New Financial Services Master Agreement |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “%” | per cent |

For the purposes of this announcement, the English or Chinese name with an asterisk () is an unofficial English or Chinese (as the case maybe) transliteration or translation and is for identification purposes only.*

By Order of the Board
COSCO SHIPPING Ports Limited
FENG Boming
Chairman

Hong Kong, 30 October 2019

As at the date of this announcement, the Board comprises of Mr. FENG Boming¹ (Chairman), Mr. ZHANG Dayu¹ (Managing Director), Mr. DENG Huangjun¹, Mr. ZHANG Wei², Mr. CHEN Dong², Mr. WANG Haimin², Dr. WONG Tin Yau, Kelvin¹, Dr. FAN HSU Lai Tai, Rita³, Mr. Adrian David LI Man Kiu³, Mr. FAN Ergang³, Mr. LAM Yiu Kin³ and Prof. CHAN Ka Lok³.

¹ Executive Director

² Non-executive Director

³ Independent Non-executive Director