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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)**

### **CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS TENANCY AGREEMENTS**

Reference is made to the tenancy agreement relating to Unit Nos. 4901, 4902A, 4902B and 4903 situated at 49th Floor of High Block (COSCO Tower), Grand Millennium Plaza, No. 183 Queen's Road Central, No. 33 Wing Lok Street, Hong Kong (the "**49F Properties**") disclosed in the announcement of the Company dated 28 November 2017 which would expire on 28 November 2020. COSCO SHIPPING Ports Management Company Limited ("**CSP Management**") and Wing Thye Holdings Limited ("**Wing Thye**") entered into a new tenancy agreement in respect of the 49F Properties on 27 November 2020 (the "**49F Tenancy Agreement**"), pursuant to which CSP Management has agreed to rent from Wing Thye the 49F Properties for a term of three years commencing from 29 November 2020. Pursuant to the 49F Tenancy Agreement, (i) the monthly rental of the 49F Properties is HK\$1,404,480 exclusive of government rent, rates, management fees and all other outgoings; and (ii) the monthly management fee is HK\$95,760 (subject to revision by the Incorporated Owners and the Manager).

Apart from the 49F Tenancy Agreement, CSP Management also entered into a tenancy agreement with Malayan Corporations Limited ("**Malayan Corporations**") in respect of Unit No. 4206 situated at 42nd Floor of High Block (COSCO Tower), Grand Millennium Plaza, No. 183 Queen's Road Central, No. 33 Wing Lok Street, Hong Kong (the "**42F Property**") on 27 November 2020 (the "**42F Tenancy Agreement**", together with the 49F Tenancy Agreement, the "**Tenancy Agreements**"). Pursuant to the 42F Tenancy Agreement, CSP Management has agreed to rent from Malayan Corporations the 42F Property for a term of two years nine months and twelve days commencing from 15 February 2021. Pursuant to the 42F Tenancy Agreement, (i) the monthly rental of the 42F Property is HK\$325,512 exclusive of government rent, rates, management fees and all other outgoings; and (ii) the monthly management fee is HK\$22,194 (subject to revision by the Incorporated Owners and the Manager).

Pursuant to the Hong Kong Financial Reporting Standard 16 "Leases" ("**HKFRS 16**"), the monthly rentals of the 42F Property and the 49F Properties leased under the Tenancy Agreements will be recognised as right-of-use assets with the estimated aggregate consideration of approximately HK\$58,291,000 (subject to audit). The right-of-use assets represent the Company's right to use the underlying leased assets over the lease term and the lease liabilities represent its obligation to make lease payments (i.e. the rent). The assets and the liabilities arising from the leases are initially measured on present value basis and calculated by discounting the non-cancellable lease payments under the Tenancy Agreements, using the

incremental borrowing rate as the discount rate. Under HKFRS 16 and in the consolidated financial statements of the Group, the Group shall recognise (i) depreciation charge over the life of the right-of-use assets, and (ii) interest on the lease liabilities over the lease term.

### **LISTING RULES IMPLICATIONS**

Both Wing Thye and Malayan Corporations are wholly-owned subsidiaries of COSCO SHIPPING (Hong Kong). CSP Management is a wholly-owned subsidiary of the Company. COSCO SHIPPING is a controlling shareholder of both COSCO SHIPPING (Hong Kong) and the Company. Accordingly, each of Wing Thye and Malayan Corporations is a connected person of the Company. Under Chapter 14A of the Listing Rules, (a) the payment of the Rent will be regarded as acquisitions of assets by the Group and constitutes connected transactions for the Company; and (b) the payment of the Other Charges constitutes continuing connected transactions for the Company.

In view of the relationships among the parties to the 42F Tenancy Agreement and the 49F Tenancy Agreement and the landlords under the 42F Tenancy Agreement and the 49F Tenancy Agreement are connected persons of the Company, the transactions under the 42F Tenancy Agreement and the 49F Tenancy Agreement are aggregated pursuant to Rules 14A.81 to 14A.83 of the Listing Rules.

As the highest applicable Percentage Ratio in respect of the Right-of-Use Asset (Lease), being the present value of the Rent, exceeds 0.1% but is less than 5%, the payment of the Rent under the Tenancy Agreements is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios with respect to the Other Charges on an annual basis are less than 0.1%, the payment of the Other Charges under the Tenancy Agreements constitutes de minimis transactions pursuant to Rule 14A.76(1)(a) of the Listing Rules and is fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

### **MAJOR TERMS OF THE 49F TENANCY AGREEMENT**

Date	:	27 November 2020
Parties	:	(i) Wing Thye as landlord; and (ii) CSP Management as tenant
Properties	:	the 49F Properties
Gross floor area	:	approximately 21,280 square feet
Term	:	three years commencing from 29 November 2020 and expiring on 28 November 2023 (fixed term and both days inclusive)
Rental and management fee	:	(i) monthly rental of HK\$1,404,480 (exclusive of government rent, rates, management fees and all other outgoings) which is payable in advance clear of all deductions on the first day of each and every calendar month; and

- (ii) monthly management fee is HK\$95,760 payable in advance clear of all deductions on the first day of each and every calendar month (subject to revision by the Incorporated Owners and the Manager)

Use : office

#### **MAJOR TERMS OF THE 42F TENANCY AGREEMENT**

Date : 27 November 2020

Parties : (i) Malayan Corporations as landlord; and  
(ii) CSP Management as tenant

Properties : the 42F Property

Gross floor area : approximately 4,932 square feet

Term : two years nine months and twelve days commencing from 15 February 2021 and expiring on 28 November 2023 (fixed term and both days inclusive)

Rental and management fee : (i) monthly rental of HK\$325,512 (exclusive of government rent, rates, management fees and all other outgoings) which is payable in advance clear of all deductions on the first day of each and every calendar month; and  
(ii) monthly management fee is HK\$22,194 payable in advance clear of all deductions on the first day of each and every calendar month (subject to revision by the Incorporated Owners and the Manager)

Use : office

#### **ACCOUNTING IMPLICATION AND TREATMENT UNDER THE LISTING RULES**

The payments to be made by the Group contemplated under the Tenancy Agreements comprise different components and hence different accounting treatments will apply. Pursuant to HKFRS 16, the monthly rentals of the 42F Property and the 49F Properties leased under the Tenancy Agreements will be recognised as right-of-use assets with the estimated aggregate consideration of approximately HK\$58,291,000 (subject to audit). The right-of-use assets represent the Company's right to use the underlying leased assets over the lease term and the lease liabilities represent its obligation to make lease payments (i.e. the rent). The assets and the liabilities arising from the leases are initially measured on present value basis and calculated by discounting the non-cancellable lease payments under the Tenancy Agreements, using the incremental borrowing rate as the discount rate. Under HKFRS 16 and in the consolidated financial statements of the Group, the Group shall recognise (i) depreciation charge over the life of the right-of-use assets, and (ii) interest on the lease liabilities over the lease term.

Accordingly, the Group will recognise the monthly rentals as acquisitions of right-of-use assets taking into account the aggregate discounted amount of the monthly rentals in accordance with HKFRS 16. Such acquisitions of right-of-use assets will constitute one-off connected transactions for the Company under Chapter 14A of the Listing Rules. The Other Charges will be recognised as expenses in the Group's profit and loss accounts in the periods in which they are incurred, and the payment of such expenses will be regarded as continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTIONS**

The Company has been occupying the 49F Properties for a long period of time as the head office of the Group and as its principal place of business in Hong Kong. The 49F Properties were also previously and are still occupied by CSP Management as its offices. The management of the Company considered it to be beneficial and of administrative convenience to the Group to continue to rent the 49F Properties by saving any unnecessary relocation and administration costs. The management of the Company also considered it necessary and appropriate to rent the 42F Property, which has the advantage of close proximity to the Company's head office at 49th floor of the same building, to cater for the operation and growth of the Group.

The rentals payable under the Tenancy Agreements and the terms of the Tenancy Agreements were arrived at after arm's length negotiations between CSP Management and Wing Thye and Malayan Corporations respectively and conducted through COSCO SHIPPING (Hong Kong) and the Company, and having taken into account the opinion given by Cushman & Wakefield Limited ("**Cushman & Wakefield**"), an independent professional valuer engaged by CSP Management. According to Cushman & Wakefield's reports, both dated 15 October 2020, the current market rental of the 49F Properties is HK\$1,480,000 per month (exclusive of management fees, government rent, rates and other outgoings) and the current market rental of the 42F Property is HK\$349,000 per month (exclusive of management fees, government rent, rates and other outgoings). The rentals payable under the Tenancy Agreements are at market level and are fair and reasonable.

Mr. FENG Boming, chairman of the Board, and Mr. CHEN Dong, non-executive Director, are also directors of COSCO SHIPPING (Hong Kong) and have voluntarily abstained from voting on the relevant Board resolutions of the Company approving the Tenancy Agreements and the transactions contemplated thereunder. None of the other Directors has a material interest in the transactions contemplated under the Tenancy Agreements and is required to abstain from voting on the relevant Board resolutions.

The Directors (including independent non-executive Directors and excluding Mr. FENG Boming and Mr. CHEN Dong who have voluntarily abstained from voting from the relevant Board resolutions approving the Tenancy Agreements and the transactions contemplated thereunder as referred to in the above) considered that the Tenancy Agreements have been entered into in the ordinary and usual course of business of the Group and on normal commercial terms and that the terms of the Tenancy Agreements are fair and reasonable (particularly based on the professional opinion of Cushman & Wakefield) and are in the interests of the Company and its shareholders as a whole.

## **IMPLICATIONS UNDER THE LISTING RULES**

Both Wing Thye and Malayan Corporations are wholly-owned subsidiaries of COSCO SHIPPING (Hong Kong). CSP Management is a wholly-owned subsidiary of the Company. COSCO SHIPPING is a controlling shareholder of both COSCO SHIPPING (Hong Kong) and

the Company. Accordingly, each of Wing Thye and Malayan Corporations is a connected person of the Company. Under Chapter 14A of the Listing Rules, (a) the payment of the Rent will be regarded as acquisitions of assets by the Group and constitutes connected transactions for the Company; and (b) the payment of the Other Charges constitutes continuing connected transactions for the Company.

In view of the relationships among the parties to the 42F Tenancy Agreement and the 49F Tenancy Agreement mentioned above and the landlords under the 42F Tenancy Agreement and the 49F Tenancy Agreement are connected persons of the Company, the transactions under the 42F Tenancy Agreement and the 49F Tenancy Agreement are aggregated pursuant to Rules 14A.81 to 14A.83 of the Listing Rules.

As the highest applicable Percentage Ratio in respect of the Right-of-Use Asset (Lease), being the present value of the Rent, exceeds 0.1% but is less than 5%, the payment of the Rent under the Tenancy Agreements is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios with respect to the Other Charges on an annual basis are less than 0.1%, the payment of the Other Charges under the Tenancy Agreements constitutes de minimis transactions pursuant to Rule 14A.76(1)(a) of the Listing Rules and is fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **INFORMATION ABOUT THE GROUP AND THE LANDLORDS**

### **THE GROUP**

The Group is principally engaged in the businesses of managing and operating terminals, and related businesses. CSP Management is principally engaged in investment holding and provision of management services.

### **WING THYE**

The principal activity of Wing Thye is property investment.

### **MALAYAN CORPORATIONS**

The principal activity of Malayan Corporations is property investment.

## **DEFINITIONS**

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

“Board”	the board of directors of the Company;
“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 the Listing Rules;
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules;
“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 (Hong Kong)”	COSCO SHIPPING (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of COSCO SHIPPING;
“CSP Management”	COSCO SHIPPING Ports Management Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“HKFRS 16”	The Hong Kong Financial Reporting Standard 16 “Leases” issued by the Hong Kong Institute of Certified Public Accountants;
“Incorporated Owners”	the incorporated owners of the building of which the 42F Property and the 49F Properties form part from time to time;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“Manager”	the management company of the building of which the 42F Property and the 49F Properties form part from time to time;
“Other Charges”	the management fees and other outgoings under the Tenancy Agreements in respect of the 42F Property and the 49F Properties payable by CSP Management to Wing Thye and Malayan Corporations respectively as disclosed in this announcement;
“PRC”	the People’s Republic of China;
“42F Property”	Unit No. 4206 situated at 42nd Floor of High Block (COSCO Tower), Grand Millennium Plaza, No. 183 Queen’s Road Central, No. 33 Wing Lok Street, Hong Kong;

“49F Properties”	Unit Nos. 4901, 4902A, 4902B and 4903 situated at 49th Floor of High Block (COSCO Tower), Grand Millennium Plaza, No. 183 Queen’s Road Central, No. 33 Wing Lok Street, Hong Kong;
“Rent”	the rentals under the Tenancy Agreements in respect of the 42F Property and the 49F Properties payable by CSP Management to Wing Thye and Malayan Corporations respectively as disclosed in this announcement;
“Right-of-Use Asset (Lease)”	an asset representing the value of the Group’s right (as lessee) to use the 42F Property and the 49F Properties under the Tenancy Agreements in its consolidated financial statements pursuant to HKFRS 16;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Listing Rules;
“%”	per cent;
“42F Tenancy Agreement”	the tenancy agreement dated 27 November 2020 entered into between CSP Management and Malayan Corporations in respect of the 42F Property; and
“49F Tenancy Agreement”	the tenancy agreement dated 27 November 2020 entered into between CSP Management and Wing Thye in respect of the 49F Properties.

\* For identification purposes only

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

Hong Kong, 27 November 2020

As at the date of this announcement, the Board comprises Mr. FENG Boming<sup>1</sup>(Chairman), Mr. ZHANG Dayu<sup>1</sup> (Managing Director), Mr. DENG Huangjun<sup>1</sup>, Mr. ZHANG Wei<sup>2</sup>, Mr. CHEN Dong<sup>2</sup>, Dr. WONG Tin Yau, Kelvin<sup>1</sup>, Dr. FAN HSU Lai Tai, Rita<sup>3</sup>, Mr. Adrian David LI Man Kiu<sup>3</sup>, Mr. LAM Yiu Kin<sup>3</sup>, Prof. CHAN Ka Lok<sup>3</sup> and Mr. YANG Liang Yee Philip<sup>3</sup>.

<sup>1</sup> Executive Director

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

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