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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)**

## **DISCLOSEABLE TRANSACTION**

### **ACQUISITION OF SHARES IN RED SEA GATEWAY TERMINAL COMPANY LIMITED**

The Board is pleased to announce that on 27 January 2021, the Sellers, Sound Joyce (a wholly-owned subsidiary of the Company) and Red Sea Ports entered into the Share Purchase Agreement pursuant to which, the Sellers have conditionally agreed to sell, and Sound Joyce has conditionally agreed to purchase, the Sale Shares (which represent approximately 20.00% of the total issued share capital of RSGT as at the date of this announcement) at a total consideration of US\$140,000,000.

Upon Completion,

- (i) and, if applicable, the completion of the Proposed PIF Acquisition, RSGT will be owned as to approximately 60.00% by Red Sea Ports, 20.00% by Sound Joyce and 20.00% by PIF, respectively. In order to regulate the management and operation of RSGT, Red Sea Ports, Sound Joyce, PIF and RSGT propose to enter into the Shareholders Agreement;
- (ii) and, if applicable, the completion of the Proposed PIF Acquisition, SISCO, City Island, Xenel, Tusdeer, Xenel Maintenance (if it remains as a shareholder of Red Sea Ports upon Completion), Red Sea Ports, Sound Joyce and PIF propose to enter into the Red Sea Ports Agreement on certain ancillary rights and obligations in relation to Red Sea Ports and RSGT; and
- (iii) the Company and RSGT will enter into the Marketing Agreement in relation to the provision of marketing services by the Company to RSGT, including but not limited to procurement of directing transshipment volume and gateway volume in relevant regions.

### **IMPLICATIONS UNDER THE LISTING RULES**

As the highest of the applicable percentage ratios in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The Board is pleased to announce that on 27 January 2021, the Sellers, Sound Joyce (a wholly-owned subsidiary of the Company) and Red Sea Ports entered into the Share Purchase Agreement pursuant to which, the Sellers have conditionally agreed to sell, and Sound Joyce has conditionally agreed to purchase, the Sale Shares (which represent approximately 20.00% of the total issued share capital of RSGT as at the date of this announcement) at a total consideration of US\$140,000,000.

## **THE SHARE PURCHASE AGREEMENT**

Set out below is a summary of the key terms of the Share Purchase Agreement:

### **Date**

27 January 2021

### **Parties**

- (1) SISCO (as a Seller);
- (2) City Island (as a Seller);
- (3) Xenel (as a Seller);
- (4) Tusdeer (as a Seller);
- (5) Sound Joyce (a wholly-owned subsidiary of the Company)(as the purchaser); and
- (6) Red Sea Ports (as the parent company of RSGT).

### **Subject Matter**

Pursuant to the terms and conditions of the Share Purchase Agreement, the Sellers have conditionally agreed to sell, and Sound Joyce has conditionally agreed to purchase the Sale Shares, being 111,041 RSGT Shares (which represent approximately 20.00% of the total issued share capital of RSGT as at the date of this announcement) at a total consideration of US\$140,000,000.

As at the date of this announcement, RSGT is owned as to approximately 60.00%, 21.20%, 8.00%, 6.80% and 4.00% by Red Sea Ports, SISCO, City Island, Xenel and Tusdeer, respectively.

### **Consideration and Payment**

The total consideration of the Sale Shares payable by Sound Joyce to the Sellers under the Share Purchase Agreement is US\$140,000,000, a breakdown of which is set out as follows:

- (i) SISCO has conditionally agreed to sell 58,852 RSGT Shares (representing approximately 10.60% of the total issued share capital of RSGT as at the date of this announcement) at a consideration of US\$74,200,000;
- (ii) City Island has conditionally agreed to sell 22,208 RSGT Shares (representing approximately 4.00% of the total issued share capital of RSGT as at the date of this announcement) at a consideration of US\$28,000,000;

- (iii) Xenel has conditionally agreed to sell 18,877 RSGT Shares (representing approximately 3.40% of the total issued share capital of RSGT as at the date of this announcement) at a consideration of US\$23,800,000; and
- (iv) Tusdeer has conditionally agreed to sell 11,104 RSGT Shares (representing approximately 2.00% of the total issued share capital of RSGT as at the date of this announcement) at a consideration of US\$14,000,000.

The total consideration of the Sale Shares was arrived at after arm's length negotiations between the parties to the Share Purchase Agreement, after taking into consideration the financial and operational conditions of RSGT (including its historical audited financial information) as well as future prospect of RSGT.

The total consideration of the Sale Shares will be funded by internal resources of the Group.

Pursuant to the terms and conditions of the Share Purchase Agreement, within six Business Days following the Last Condition Date, Sound Joyce shall transfer an amount equal to the total consideration of US\$140,000,000 to an escrow account. The parties to the Share Purchase Agreement have agreed that the funds held in the escrow account will be released from the escrow account in accordance with the terms of the Escrow Agreement.

The transfer of the funds held in the escrow account to the Sellers in accordance with the terms of the Escrow Agreement shall be a full and effective discharge of the obligation of Sound Joyce to pay the total consideration to the Sellers.

### **Conditions**

Completion is conditional on the satisfaction, or waiver (as applicable) of, the usual and customary commercial conditions (including but not limited to consent from third party lenders and no material adverse change having occurred) and the following regulatory conditions by the Long Stop Time:

- (i) MOC having approved the text of the Amendment, in a form acceptable to Sound Joyce and the Sellers;
- (ii) Mawani having approved the relevant transactions contemplated pursuant to the terms of the Concession Agreement;
- (iii) MISA having issued an amended foreign investment license permitting the ownership by Sound Joyce of approximately 20.00% of the share capital of RSGT;
- (iv) completion of the filing with the State-owned Assets Supervision and Administration Commission of the PRC in respect of the Acquisition; and
- (v) the General Authority for Competition of Saudi Arabia having expressly or tacitly authorised the Acquisition without conditions or subject to conditions acceptable to Sound Joyce and the Sellers, pursuant to the provisions of the Competition Law set out in Royal Decree No. M 75- 29/6/1440H of 6 March 2019, within 90 calendar days from the date of receipt of written confirmation from the General Authority for Competition of Saudi Arabia that the respective file is complete and the respective filing fee has been paid in full.

None of conditions (i) to (v) above may be waived in whole or part by any party, unless Sound Joyce and the Sellers agree in writing.

### **Completion**

Completion shall take place on the Completion Date, being the date the Sellers, Sound Joyce and Red Sea Ports or their duly authorised representatives sign and execute the Amendment before a competent officer of MOC, which date shall be agreed between such parties in advance, in writing, provided that such date shall be no later than the 12th Business Day after the Last Condition Date or such later date as the Sellers and Sound Joyce may agree in writing.

## **THE SHAREHOLDERS AGREEMENT**

The Company has been informed that PIF proposes to purchase and the Sellers propose to sell 111,041 RSGT Shares held by the Sellers, which represent approximately 20.00% of the total issued share capital of RSGT as at the date of this announcement. The Acquisition is not conditional upon the Proposed PIF Acquisition. As at the date of this announcement, the Proposed PIF Acquisition has not been completed.

Upon Completion and, if applicable, the completion of the Proposed PIF Acquisition, RSGT will be owned as to approximately 60.00% by Red Sea Ports, 20.00% by Sound Joyce and 20.00% by PIF, respectively. In order to regulate the management and operation of RSGT, Red Sea Ports, Sound Joyce, PIF and RSGT propose to enter into the Shareholders Agreement. Assuming that the completion of the Proposed PIF Acquisition and the Completion could not take place simultaneously, a shareholders agreement will be entered into between Sound Joyce, Red Sea Ports, the Sellers and RSGT, or between Sound Joyce, Red Sea Ports and RSGT, as the case may be, in each case in a form to be separately agreed between the relevant parties upon Completion.

The key terms of the Shareholders Agreement are summarised below:

### **Board Composition of RSGT**

RSGT shall be managed by the RSGT Board which is to be comprised of nine members. The members of the RSGT Board shall be appointed as follows:

- (i) five members shall be appointed by Red Sea Ports;
- (ii) two members shall be appointed by Sound Joyce; and
- (iii) two members shall be appointed by PIF.

## **Restrictions on Disposal of the Sale Shares**

During a 7.5-year period beginning on the date of the Shareholders Agreement, Sound Joyce shall not sell, transfer, charge, encumber, grant options over or otherwise dispose of any of the Sale Shares held by it or any beneficial interest in the Sale Shares to any person, except to another RSGT Shareholder or to an affiliate in accordance with the terms of the Shareholders Agreement.

## **Right of First Refusal**

Under the Shareholders Agreement, any sale or other transfer by a RSGT Shareholder of all (but not some only) of its shares in RSGT to a person (other than to another RSGT Shareholder or to an affiliate of the RSGT Shareholder who proposes to sell such RSGT Shares) shall be subject to a right of first refusal of other RSGT Shareholders.

## **Tag-Along Right**

In the event that Red Sea Ports proposes to transfer the RSGT Shares which are subject to the right of first refusal, and Sound Joyce and/or PIF reject, or are deemed to have rejected, the offer in relation to the right of first refusal within the relevant offer period, then prior to the transfer by Red Sea Ports of such shares to a third party, Sound Joyce and PIF shall be entitled to exercise the tag-along right to sell all (but not some only) of their RSGT Shares.

## **THE RED SEA PORTS AGREEMENT**

Upon Completion and, if applicable, the completion of the Proposed PIF Acquisition, SISCO, City Island, Xenel, Tusdeer, Xenel Maintenance (if it remains as a shareholder of Red Sea Ports upon Completion), Red Sea Ports, Sound Joyce and PIF propose to enter into the Red Sea Ports Agreement on certain ancillary rights and obligations in relation to Red Sea Ports and RSGT. Assuming that the completion of the Proposed PIF Acquisition and the Completion could not take place simultaneously, a similar agreement will be entered into between SISCO, City Island, Xenel, Tusdeer, Xenel Maintenance (if applicable), Red Sea Ports and Sound Joyce in a form to be separately agreed between the relevant parties upon Completion.

The key terms of the Red Sea Ports Agreement are summarised below:

## **Right of First Refusal**

Under the Red Sea Ports Agreement, any sale or other transfer by a shareholder of Red Sea Ports of all (but not some only) of its shares in Red Sea Ports to a person (other than to an affiliate of such shareholder of Red Sea Ports who proposes to sell such shares in Red Sea Ports) shall be subject to a right of first refusal of the other shareholders of Red Sea Ports, PIF and Sound Joyce; provided that if (i) any of the other shareholders of Red Sea Ports, and (ii) PIF and/or Sound Joyce accept the right of first refusal offer, then only the other shareholders of Red Sea Ports who have accepted the right of first refusal offer shall be deemed to have accepted the right of first refusal offer, and PIF and/or Sound Joyce (as relevant) shall be deemed to have rejected the right of first refusal offer.

## Tag-Along Right

In the event that SISCO proposes to transfer the shares in Red Sea Ports which are subject to the right of first refusal, and all of the offeree shareholders reject, or are deemed to have rejected, the offer in relation to the right of first refusal within the relevant offer period, then prior to the transfer by SISCO of such shares to a third party, Sound Joyce and PIF shall be entitled to exercise the tag-along right to sell all (but not some only) of their RSGT Shares to such third party.

## THE MARKETING AGREEMENT

Upon Completion, the Company and RSGT will enter into the Marketing Agreement in relation to the provision of marketing services by the Company to RSGT, including but not limited to procurement of directing transshipment volume and gateway volume in relevant regions.

## INFORMATION ON RSGT

RSGT is a company incorporated under the laws of Saudi Arabia. It is a privately-owned, independent international terminal operator representing a partnership between SISCO and MMC Corporation Berhad. RSGT is committed to Red Sea regional and global infrastructure and facility investment to better serve the growing requirements of domestic cargo and container services, as well as assuming a larger role in the global logistics chain through targeted international expansion. The major asset of RSGT is Red Sea Gateway Terminal, which is a container terminal at the Jeddah Islamic Port in Jeddah, Saudi Arabia managed and operated by RSGT. Red Sea Gateway Terminal took over the operations in the northern section of the Jeddah Islamic Port (previously known as North Container Terminal) in April 2020, under the newly signed 30-year Concession Agreement. Red Sea Gateway Terminal currently has an annual container throughput capacity of 5.2 million TEU.

Set out below is the audited financial information for the financial years ended 31 December 2018 and 31 December 2019 and the six months ended 30 June 2020, and the audited net assets as at 31 December 2019 and 30 June 2020, of RSGT prepared in accordance with International Financial Reporting Standards that are endorsed by Saudi Organization for Certified Public Accountants:

	<b>For the year ended 31 December 2018</b> <i>SAR'000</i>	<b>For the year ended 31 December 2019</b> <i>SAR'000</i>	<b>For the six months ended 30 June 2020</b> <i>SAR'000</i>
Net profit before taxation	24,842	58,288	144,693
Net profit after taxation	25,828	52,678	137,641
		<b>As at 31 December 2019</b> <i>SAR'000</i>	<b>As at 30 June 2020</b> <i>SAR'000</i>
Net assets		868,823	948,313

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Company adopts “The Ports for ALL” as the guiding vision for future development and places an emphasis on the strategy of globalisation. Red Sea Gateway Terminal is the largest terminal at the Jeddah Islamic Port, which is also the largest port in Saudi Arabia. The Jeddah Islamic Port is strategically located in the Red Sea region and is close to the major shipping routes. It has a wide coverage of container market in the Middle East and East Africa. With the growth of maritime trade in the future, the Board believes that the container throughput at the Jeddah Islamic Port and Red Sea Gateway Terminal will keep growing in the future. In addition, after consolidation with the adjacent container terminal at the Jeddah Islamic Port in April 2020, Red Sea Gateway Terminal will upgrade and increase the berth capacity while modernising the terminal yard and other supporting facilities. The Board believes that the new infrastructure and facilities will firmly establish Red Sea Gateway Terminal as the largest logistics gateway, and the busiest container terminal, in Saudi Arabia, and on the Red Sea. Benefiting from a stable source of container volume, the Acquisition is expected to boost the Company's throughput and profitability.

The Directors believe that the terms of the Share Purchase Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

## **INFORMATION ON THE PARTIES TO THE SHARE PURCHASE AGREEMENT, THE SHAREHOLDERS AGREEMENT AND THE RED SEA PORTS AGREEMENT**

### **The Group**

The principal business of the Company is investment holding. The Group is principally engaged in the businesses of managing and operating terminals, and related businesses. Sound Joyce is a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

### **SISCO**

SISCO is a company incorporated in Saudi Arabia and listed on the Saudi Stock Exchange (Tadawul). It is a diversified strategic investment company focusing primarily on ports and container terminals, logistics and water sectors. As at the date of this announcement, it is owned by Xenel, the single largest shareholder of SISCO, as to approximately 14.69%.

### **City Island**

City Island is a company incorporated under the laws of the British Virgin Islands. The principal activity of City Island is as an investment holding company. As at the date of this announcement, City Island is a wholly-owned subsidiary of MMC International Holdings Limited, which in turn is a wholly-owned subsidiary of MMC Corporation Berhad (a company listed on Bursa Malaysia).

## **Xenel and Xenel Maintenance**

Xenel is a family led diversified holding company incorporated under the laws of Saudi Arabia. It is principally engaged in activities such as logistics, healthcare, power and water sectors. As at the date of this announcement, it is wholly owned by individuals from the Xenel family.

Xenel Maintenance is a company incorporated under the laws of Saudi Arabia. It is principally engaged in investment holding. As at the date of this announcement, it is wholly owned by individuals from the Xenel family.

## **Tusdeer**

Tusdeer is a company incorporated under the laws of Saudi Arabia and is principally engaged in developing and operating Logistics Parks and providing logistics services. As at the date of this announcement, it is owned by SISCO and Xenel as to 76% and 24%.

## **Red Sea Ports**

Red Sea Ports is a company incorporated under the laws of Saudi Arabia and is principally engaged in logistics activities focusing primarily on ports and container terminals. As at the date of this announcement, it is owned by SISCO, City Island, Xenel, Tusdeer and Xenel Maintenance as to approximately 53.00%, 20.00%, 16.00%, 10.00% and 1.00%, respectively.

## **PIF**

PIF is the sovereign wealth fund of Saudi Arabia and one of the largest and most impactful sovereign wealth funds in the world, driving the economic transformation of Saudi Arabia for the benefit of its people while helping shape the future global economy. PIF is building a world-class portfolio through investments in attractive, long-term opportunities across diverse industries and asset classes internationally, while unlocking new sectors at home. PIF works alongside global strategic partners and renowned investment managers, and acts as Saudi Arabia's primary investment arm aiming toward generating long-term value for Saudi Arabia in line with Vision 2030 of Saudi Arabia.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, each of SISCO, City Island, Xenel, Xenel Maintenance, Tusdeer, Red Sea Ports and PIF and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

## **IMPLICATIONS UNDER THE LISTING RULES**

As the highest of the applicable percentage ratios in respect of the Acquisition exceeds 5% but is less than 25%, the Acquisition constitutes a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

## DEFINITIONS

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

“Acquisition”	the acquisition of the Sale Shares by Sound Joyce from the Sellers at the total consideration of US\$140,000,000 under the Share Purchase Agreement
“Amendment”	the shareholders’ resolution of RSGT to restate its articles of association to reflect the inclusion of Sound Joyce and PIF (if applicable) as a new shareholder or new shareholders (as applicable) in RSGT pursuant to the terms of the Share Purchase Agreement
“Board”	the board of Directors
“Business Day”	a day (except a Friday, Saturday or Sunday) on which banks are generally open for the transaction of normal banking business in Saudi Arabia and Hong Kong
“Concession Agreement”	the build, operate and transfer agreement between Mawani and RSGT dated 23 December 2019 as amended by a first amendment agreement dated 1 April 2020 and as further amended from time to time
“City Island”	City Island Holdings Limited, a company incorporated under the laws of the British Virgin Islands and a Seller
“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)
“Completion”	completion of the Acquisition in accordance with the Share Purchase Agreement
“Completion Date”	the date on which Completion takes place
“Director(s)”	the director(s) of the Company
“Escrow Agreement”	the escrow agreement to be entered into amongst the Sellers, Bank of China (Hong Kong) Limited (as the escrow agent) and Sound Joyce (as the purchaser) relating to the escrow account for the payment of consideration of the Sale Shares
“Group”	the Company and its subsidiaries

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Last Condition Date”	the date on which the last condition to be satisfied or waived under the Share Purchase Agreement is satisfied or waived
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Long Stop Time”	5 p.m. on the date which is 180 calendar days following the date of the Share Purchase Agreement or such later date as the Sellers and Sound Joyce may agree in writing pursuant to the Share Purchase Agreement
“Marketing Agreement”	the agreement proposed to be entered into between RSGT and the Company in relation to provision of marketing services by the Company to RSGT
“Mawani”	the Saudi Ports Authority
“MISA”	the Ministry of Investment of Saudi Arabia
“MOC”	the Ministry of Commerce of Saudi Arabia
“percentage ratios”	has the meaning ascribed to it under Rule 14.07 of the Listing Rules
“PIF”	the Public Investment Fund, a government fund established under the laws of Saudi Arabia
“PRC”	the People’s Republic of China, which for the purpose of this announcement and unless the context suggests otherwise, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed PIF Acquisition”	the proposed acquisition of 111,041 RSGT Shares held by the Sellers by PIF
“Red Sea Ports”	Red Sea Ports Development Company, a company incorporated under the laws of Saudi Arabia
“Red Sea Ports Agreement”	an agreement proposed to be entered into amongst SISCO, City Island, Xenel, Tusdeer, Xenel Maintenance (if applicable), Red Sea Ports, Sound Joyce and PIF on certain ancillary rights and obligations in relation to Red Sea Ports and RSGT

“RSGT”	Red Sea Gateway Terminal Company Limited, a company incorporated under the laws of Saudi Arabia
“RSGT Board”	the board of directors of RSGT
“RSGT Shareholder(s)”	the shareholder(s) of RSGT
“RSGT Shares”	the shares of RSGT with a par value of SAR1,000 each
“Sale Shares”	111,041 RSGT Shares, representing approximately 20.00% of the total issued share capital of RSGT
“Saudi Arabia”	The Kingdom of Saudi Arabia
“Sellers”	collectively, SISCO, City Island, Xenel and Tusdeer
“Shareholders Agreement”	a shareholders’ agreement proposed to be entered into amongst Red Sea Ports, Sound Joyce, PIF and RSGT in relation to the management and operation of RSGT
“Share Purchase Agreement”	the share purchase agreement dated 27 January 2021 entered into amongst SISCO (as a Seller), City Island (as a Seller), Xenel (as a Seller), Tusdeer (as a Seller), Sound Joyce (a wholly-owned subsidiary of the Company, as the purchaser) and Red Sea Ports (as the parent company of RSGT), in relation to the Acquisition
“SISCO”	Saudi Industrial Services Company, a company incorporated under the laws of Saudi Arabia and a Seller
“Sound Joyce”	Sound Joyce Enterprises Limited, a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tusdeer”	Saudi Trade and Export Development Company Limited, a company incorporated under the laws of Saudi Arabia and a Seller
“Xenel”	Xenel Industries Limited, a company incorporated under the laws of Saudi Arabia and a Seller
“Xenel Maintenance”	Xenel Maintenance Company Limited, a company incorporated under the laws of Saudi Arabia

“SAR”	Saudi Arabian Riyals, the lawful currency of Saudi Arabia
“US\$”	United States dollars, the lawful currency of the United States of America
“TEU”	twenty-foot equivalent unit
“%”	per cent

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

Hong Kong, 27 January 2021

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