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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

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 1 June 2022 regarding the continuing connected transactions under various supplies agreements for the provision of goods and services by certain members of the TPG Group to TCT (a non-wholly-owned subsidiary of the Company).

TCT and members of the TPG Group have been providing terminal and related services to each other. It is expected that TCT will continue to enter into transactions of a similar nature with members of the TPG Group from time to time. Accordingly, TCT and Tianjin Port Group entered into the TCT Terminal Services Master Agreement on 28 September 2022 for a term of 3 years from 1 January 2022 to 31 December 2024, pursuant to which TCT and members of the TPG Group may provide terminal and related services to each other from time to time.

Tianjin Port Holdings, which owns 41.69% equity interests in TCT, is a substantial shareholder of TCT and therefore a connected person of the Company at the subsidiary level. Tianjin Port Group, which is the ultimate holding company of Tianjin Port Holdings, and other members of the TPG Group are also connected persons of the Company at the subsidiary level by virtue of being associates of Tianjin Port Holdings. Accordingly, the Transactions constitute continuing connected transactions of the Company with connected persons at the subsidiary level under Chapter 14A of the Listing Rules. Since the highest applicable percentage ratio in respect of the estimated annual caps for the Transactions exceeds 5%, the Transactions are subject to the reporting, annual review and announcement requirements, but are exempt from shareholders' approval requirements (pursuant to rule 14A.101 of the Listing Rules), under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 1 June 2022 regarding the continuing connected transactions under various supplies agreements for the provision of goods and services by certain members of the TPG Group to TCT (a non-wholly-owned subsidiary of the Company).

TCT and members of the TPG Group have been providing terminal and related services to each other. It is expected that TCT will continue to enter into transactions of a similar nature with members of the TPG Group from time to time. Accordingly, TCT and Tianjin Port Group entered into the TCT Terminal Services Master Agreement, the principal terms of which are set out below.

THE TCT TERMINAL SERVICES MASTER AGREEMENT

Date: 28 September 2022

Parties: TCT; and
Tianjin Port Group

Term: 1 January 2022 to 31 December 2024

Nature of transaction: (a) Provision of the following services by members of the TPG Group to TCT: stevedoring and ancillary services; port services for vessels (including but not limited to container service fees); port facilities, equipment and machinery leasing and maintenance; information services; labour and technical services; printing services; sales (including but not limited to gas, oil, electricity, water supply, materials and supplies); property management (including but not limited to housing rental, canteen catering services, hygiene and cleaning); pest control; engineering construction and supervision; surveying and mapping services; tender agency services; logistics services; medical examination services; safety management; training services; and all other ancillary and related services.

(b) Provision of the following services by TCT to members of the TPG Group: stevedoring; cargo storage services (excluding dangerous chemicals, dangerous goods and other items requiring licences and approvals); agency for international cargo transportation by land, sea and air; customs clearance services; inspection services; port services for vessels; cargo transportation by road (excluding dangerous goods); and all other ancillary and related services.

Transaction and pricing terms: The terms of the Transactions shall be normal commercial terms and fair and reasonable. Such terms (including but not limited to the service fees) shall be no less favourable than the terms which the service recipient may obtain from independent third parties for the relevant transactions, and also no less favourable than the terms offered by the service provider to independent third parties for the relevant transactions. The fees for the Transactions shall be determined through fair negotiation between the relevant parties based on the above principle or (if applicable) in accordance with relevant laws and regulations.

Individual contracts containing specific terms in relation to the Transactions will be entered into by the relevant members of the TPG Group with TCT from time to time, which terms will be consistent with the principles and requirements set out in the TCT Terminal Services Master Agreement.

Historical transaction amounts:

The historical amounts for transactions of a similar nature to the Transactions were as follows:

	For the year ended 31 December 2020 <i>RMB</i> <i>(approximately)</i>	For the year ended 31 December 2021 <i>RMB</i> <i>(approximately)</i>	For the eight months ended 31 August 2022 <i>RMB</i> <i>(approximately)</i>
(a) Aggregate amount paid by TCT to the TPG Group	324,426,000	323,721,000	201,062,000
(b) Aggregate amount received by TCT from the TPG Group	83,052,000	91,682,000	79,751,000

Estimated annual caps and basis of determination:

The estimated annual caps for the Transactions and the basis of determination thereof are as follows:

	For the year ending 31 December		
	2022 <i>RMB</i>	2023 <i>RMB</i>	2024 <i>RMB</i>
(a) Aggregate amount payable by TCT to the TPG Group	480,310,000	527,271,000	540,274,000
(b) Aggregate amount receivable by TCT from the TPG Group	194,321,000	213,767,000	264,997,000

The estimated annual caps for the aggregate amount payable by TCT to the TPG Group were determined with reference to (i) the historical transaction amounts; (ii) the expected increase in the demand for the relevant goods and services as a result of possible growth in TCT's operations; (iii) the expected improvement of economic situation and the corresponding anticipated increase in fuel prices, materials prices, labour costs and service fees; and (iv) the need to provide for a buffer to cater for growth and development of TCT's business as a result of the synergies continuing to be achieved with the Group.

The estimated annual caps for the aggregate amount receivable by TCT from the TPG Group were determined with reference to (i) the historical transaction amounts; (ii) anticipated increase in demand for container terminal services brought by economic recovery.

PRICING POLICIES

In relation to any individual contract to be entered into pursuant to the TCT Terminal Services Master Agreement, the Group will generally observe the following pricing policies:

- (a) Adopt the mandatory State-prescribed prices such as those prescribed under the Measures of Port Charges and Calculations (《港口收費計費辦法》) promulgated by the Ministry of Transport and the National Development and Reform Commission of the PRC and the price for water approved by the local government department of price administration.
- (b) Where there is no mandatory State-prescribed price, based on the guidance price which the market commonly relies on, such as the reference rates published by the Ministry of Transport of the PRC, the standard prices of electricity for the region published by the State Grid Corporation of China, the retail price of diesel published by the National Development and Reform Commission, the retail price of fuel oil published by the Tianjin Development and Reform Commission, etc.

- (c) Where there is no reference rates, based on the relevant market prices (being the prices at which comparable types of products and/or services are provided by or to independent third parties in the same area in the ordinary course of business by (where practicable) referring to at least two other contemporaneous transactions or quotations with independent third parties for similar products and/or services in similar quantities to ensure that the terms offered to or by the relevant connected persons are no less favourable to TCT than those available to or from independent third parties).
- (d) Where there is no relevant market price, based on the costs of the goods or services plus an appropriate margin which would be determined with reference to, among others, the inflation rate and valuation conducted by independent valuer (where appropriate), and in any event would not be less favourable to TCT than that applied to similar transactions with independent third parties.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTIONS

TCT uses the terminal services provided by members of the TPG Group in its ordinary course of business. The TPG Group has a long-established and predominant presence at the port of Tianjin in the PRC. Their continued provision of goods and services to TCT has provided TCT with overall business and operational convenience and synergy, and helped to ensure that TCT can operate its container terminal business at the port of Tianjin without interruption. In addition, some members of the TPG Group are the only suppliers of the relevant goods and services within the port of Tianjin which meet the production scale and requirements of TCT for its port operations, whereas some of them are the suppliers designated by the operational management of the port of Tianjin. As the mutual provision of goods and services under the TCT Terminal Services Master Agreement shall be on terms no less favourable to TCT than those available to TCT from independent third parties (where applicable), it is beneficial to TCT and the Group for TCT to enter into the TCT Terminal Services Master Agreement with Tianjin Port Group and carry on the Transactions with members of the TPG Group. Notwithstanding the entering into of the TCT Terminal Services Master Agreement, TCT may enter into transactions of a similar nature with other parties as it thinks fit and appropriate for its benefit.

None of the Directors has any material interest in the Transactions. The Directors (including all the independent non-executive Directors) consider that the TCT Terminal Services Master Agreement and the Transactions are in the ordinary and usual course of business of the Group, on normal commercial terms, and that the terms thereof and the estimated annual caps are fair and reasonable and in the interests of the Company and its shareholders as a whole.

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 TCT and the TPG Group are conducted in accordance with the terms of the TCT Terminal Services Master Agreement, the Company will implement the following internal control arrangements:

- (1) The relevant business unit of TCT will periodically observe the market conditions and monitor the prevailing market prices including the pricings of contemporaneous transactions with independent third parties in respect of comparable types of goods and/or services in the same or nearby area in the ordinary course of business (where applicable), and evaluate if the Transactions are still no less favourable to TCT than those it could have obtained from independent third parties for similar types of goods and/or services;

- (2) The Finance Department of the Company and TCT each has a designated person to monitor and ensure that the amount of the Transactions will not exceed the annual caps. If the transaction amount reaches 80% of the annual cap, or is expected to exceed the annual cap within 3 months, the Company will determine the appropriate actions to be taken, such as (a) require TCT to terminate or suspend the relevant Transactions with members of the TPG Group which would cause the annual cap to be exceeded; or (b) revise the annual cap and comply with the relevant requirements of the Listing Rules;
- (3) TCT will prepare a report on the Transactions for each quarter and organise meetings regularly with the Finance Department of the Company to review and assess whether the Transactions are conducted in accordance with the terms of the TCT Terminal Services Master Agreement. After the report is reviewed by the relevant departments and the management of the Company, it will be submitted to the Audit Committee of the Company and the Board for further review;
- (4) The Audit and Supervision Department of the Company will monitor the risks related to continuing connected transactions entered into by TCT by reviewing its minutes of important meetings as well as accounting records to identify if TCT has any undisclosed connected transactions; and
- (5) The Audit and Supervision Department will also check the terms and implementation status of the Group's policies and requirements related to continuing connected transactions from time to time, including investigating TCT's processes for identification of connected persons and their procedures for dealing with continuing connected transactions. It is also responsible for monitoring the prices of the transactions with connected persons by reviewing samples of the relevant sales contracts and costs etc. to ensure such prices are in compliance with the terms of the TCT Terminal Services Master Agreement.

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 for the Transactions are on normal commercial terms and no less favourable to the Group than the terms available from independent third parties.

LISTING RULE IMPLICATIONS

Tianjin Port Holdings, which owns 41.69% equity interests in TCT, is a substantial shareholder of TCT and therefore a connected person of the Company at the subsidiary level. Tianjin Port Group, which is the ultimate holding company of Tianjin Port Holdings, and other members of the TPG Group are also connected persons of the Company at the subsidiary level by virtue of being associates of Tianjin Port Holdings. Accordingly, the Transactions constitute continuing connected transactions of the Company with connected persons at the subsidiary level under Chapter 14A of the Listing Rules.

Since the highest applicable percentage ratio in respect of the estimated annual caps for the Transactions exceeds 5%, the Transactions are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules, but are exempt from shareholders' approval requirements pursuant to rule 14A.101 of the Listing Rules, as (a) the Board has approved the Transactions; and (b) the independent non-executive Directors have confirmed that the terms of the Transactions are fair and reasonable, the Transactions are on normal commercial terms or better and in the interests of the Company and its shareholders as a whole.

INFORMATION ON THE PARTIES TO THE TCT TERMINAL SERVICES MASTER AGREEMENT

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. TCT is a company incorporated in the PRC with limited liability and is principally engaged in the operation of container terminal at the port of Tianjin in the PRC.

Tianjin Port Group is a wholly state-owned company in the PRC whose principal business includes port handling and stevedoring services, warehousing, logistics, and port area land development at the port of Tianjin in the PRC through its group companies.

DEFINITIONS

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	COSCO SHIPPING Ports Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1199)
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“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
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	percentage ratios as defined 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
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“TCT”	Tianjin Port Container Terminal Co., Ltd.* 天津港集裝箱碼頭有限公司, a company incorporated in the PRC with limited liability and a non-wholly-owned subsidiary of the Company
“TCT Terminal Services Master Agreement”	The agreement dated 28 September 2022 and entered into between TCT and Tianjin Port Group in relation to the mutual provision of terminal and related services

“Tianjin Port Group”	Tianjin Port (Group) Co., Ltd.* 天津港(集團)有限公司, an entity reorganised as a wholly state-owned company in the PRC on 29 July 2004 and holding the business owned and operated by the former government regulatory body of the port of Tianjin
“Tianjin Port Holdings”	Tianjin Port Holdings Co., Ltd.* 天津港股份有限公司, a company incorporated in the PRC with limited liability and the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600717)
“TPG Group”	Tianjin Port Group and its subsidiaries, branches and associates from time to time, but excluding TCT
“Transactions”	the transactions under the TCT Terminal Services Master Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“%”	percent

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

By Order of the Board
COSCO SHIPPING Ports Limited
YANG Zhijian
Chairman

Hong Kong, 28 September 2022

As at the date of this announcement, the Board comprises Mr. YANG Zhijian¹ (Chairman), Mr. ZHU Tao¹ (Managing Director), Mr. ZHANG Wei², Mr. CHEN Dong², Dr. WONG Tin Yau, Kelvin¹, Dr. FAN HSU Lai Tai, Rita³, Mr. Adrian David LI Man Kiu³, Mr. LAM Yiu Kin³, Prof. CHAN Ka Lok³ and Mr. YANG Liang Yee Philip³.

¹ Executive Director

² Non-executive Director

³ Independent Non-executive Director