COSCO SHIPPING Ports Limited
中遠海運港口有限公司

(Incorporated in Bermuda with limited liability)
(Stock Code: 1199)

CONNECTED TRANSACTION IN RELATION TO THE DISPOSAL OF A MINORITY INTEREST IN COSCO SHIPPING PORTS (TIANJIN) LIMITED AND THE ASSIGNMENT OF SALE LOAN

EQUITY TRANSFER AGREEMENT

The Board is pleased to announce that on 29 August 2024 (after trading hours), the Company (as seller) entered into the Equity Transfer Agreement with the Purchaser, an indirect wholly-owned subsidiary of OOIL (as purchaser) in relation to the sale and purchase of the Sale Shares, representing 20% of the equity interest in the Target Company and the assignment of the Sale Loan at an aggregate Consideration of US$49,289,000.13 subject to the terms and conditions as set out in the Equity Transfer Agreement.

Before completion of the Disposal, the Company, the Purchaser and the Target Company will enter into the Shareholders' Agreement in respect of the Target Company.

As at the date of this announcement, the Target Company is a wholly-owned subsidiary of the Company. Upon completion of the Disposal, the Target Company will be owned as to 80% by the Company and 20% by the Purchaser, respectively. The Target Company will become a non-wholly owned subsidiary of the Company.

LISTING RULES IMPLICATIONS

As at the date of this announcement, COSCO SHIPPING Holdings (being an indirect controlling shareholder of the Company) controls more than 30% of the issued share capital of the Purchaser (being an indirect wholly-owned subsidiary of OOIL). As a result, each of OOIL and the Purchaser is a connected person of the Company by virtue of being an associate of COSCO SHIPPING Holdings. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 0.1% but is less than 5%, the Disposal is only subject to the reporting and announcement requirements but is exempted from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Disposal is subject to the satisfaction of conditions precedent. There is no assurance that the Disposal will take place or as and when it may take place. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce that on 29 August 2024 (after trading hours), the Company (as seller) entered into the Equity Transfer Agreement with the Purchaser, an indirect wholly-owned subsidiary of OOIL (as purchaser) in relation to the sale and purchase of the Sale Shares, representing 20% of the equity interest in the Target Company and the assignment of the Sale Loan at an aggregate Consideration of US$49,289,000.13 subject to the terms and conditions as set out in the Equity Transfer Agreement.

EQUITY TRANSFER AGREEMENT

The principal terms of the Equity Transfer Agreement are as follows:

Date

29 August 2024

Parties

(1) OOCL Terminal Tianjin (B.V.I.) Limited as purchaser; and
(2) the Company as seller

Subject matter

Pursuant to the Equity Transfer Agreement, the Company agreed to sell and the Purchaser agreed to purchase the Sale Shares and the Sale Loan. Upon completion of the Disposal, the Target Company will be owned as to 80% by the Company and 20% by the Purchaser, respectively.

Consideration

The aggregate Consideration for the Disposal is US$49,289,000.13, comprising the consideration of (i) US$2,623,660 for the Sale Shares; and (ii) US$46,665,340.13 for the Sale Loan.

The aggregate Consideration was determined after arm's length negotiations between the parties with reference to (i) the valuation of the entire equity interest in the Target Company as at the Valuation Reference Date prepared by China Tong Cheng Assets Appraisal Co., Ltd.* (中通誠資產評估有限公司) (an independent valuer) adopting an asset-based approach, being US$13,118,300 (corresponding appraised value for 20% of the equity interest in the Target Company amounting to US$2,623,660); (ii) the value of the Sale Loan on a dollar-to-dollar basis, being US$46,665,340.13; and (iii) other factors set out in the section headed "Reasons for and benefits of the Disposal" in this announcement.

According to the Valuation Report, an asset-based approach refers to the concept of determining the value of the valuation subject based on a reasonable appraisal of the value of the assets and liabilities of the valuation subject. An asset-based approach was adopted in the Valuation Report as, among others, the Target Company had a clear assets and liabilities structure and the value of its assets and liabilities could be appraised and recognised on an individual basis.

According to the Valuation Report, as at the Valuation Reference Date, the appreciation of the appraised value of the Target Company by approximately US$12.46 million as compared to its book value of approximately US$0.66 million was due to the appreciation of the appraised value of the long-term equity investment of the Target Company (the "**Long-term Equity Investment**"), being the equity investment in TCT, by approximately US$12.46 million or 5.16%. In turn, the Long-term Equity Investment which was appraised by an asset-based approach was adopted in its valuation, whereas a cost-based accounting method was used to account for the Long-term Equity Investment in the audited financial statements of the Target Company.

Set out below are the principal assumptions, among others, adopted in the Valuation Report:

Basic assumptions

- Transaction assumption. Transaction assumption assumes that all assets to be appraised are in the process of transaction and the appraisers will carry out the valuation in a simulated market based on the transaction of conditions (among others) of the assets to be appraised.

- Open market assumption. Open market assumption represents that assets may be traded freely in a highly competitive market and the price of which is determined based on the judgment of independent buyer and seller over the value of assets under considerable market supply conditions. Open market refers to a highly competitive market with plenty of buyers and sellers. In this market, the buyers and sellers are on equal footing and have opportunity and time to obtain adequate market information, and where transactions between the buyers and sellers are conducted under voluntary, rational, non-compulsory or unrestricted conditions.

- Continuing operation assumption. Continuing operation assumption represents that the operating activities of an operating entity can continue on an ongoing basis, and that the operating activities of such entity will not be suspended or terminated in a foreseeable future.

Specific assumptions

- It is assumed that there will be no material change in the relevant prevailing laws, regulations and policies, the macroeconomic situation in the PRC, the political, economic and social environment of the regions where the parties to the transaction are located; there will be no material adverse impact arising from other unforeseeable or force majeure factors.

- It is assumed that the valuation subject will continue to operate in light of the actual conditions of the assets as at the Valuation Reference Date.

- It is assumed that the operators of the valuation subject are responsible, and the members of its management are capable of assuming their positions.

- Unless otherwise stated in the Valuation Report, it is assumed that the valuation subject fully complies with all relevant laws and regulations.

- It is assumed that the accounting policies to be adopted by the valuation subject in the future are essentially consistent in material aspects with the accounting policies adopted in the preparation of the Valuation Report.

- It is assumed that the valuation subject will continue to operate in the same scope and manner based on the current management style and management standard.

- There will be no material change in the interest rates, exchange rates, taxation bases, tax rates, policy-related levies etc.

- There will be no force majeure factors and unforeseeable factors that will cause material adverse impact on the valuation subject.

- It is assumed that the valuation subject will have balanced cash inflows and cash outflows.

- It is assumed that the relevant pre-tax deduction measures will remain the same in the foreseeable future.

- It is assumed that the valuation subject can continue to obtain high-tech enterprise certification, and the preferential policies in income tax will remain the same as present.

Payment terms

The Purchaser shall pay the Company the aggregate Consideration in cash within ten (10) business days from the date on which the conditions precedent to completion of the Disposal are satisfied.

Conditions to the effectiveness of the Equity Transfer Agreement

The Equity Transfer Agreement shall become effective upon satisfaction of the following conditions, amongst others:

(i) the respective legal representatives or authorised representatives of the parties having signed the Equity Transfer Agreement;

(ii) the Purchaser and the Company and their respective beneficial owners (if applicable) having completed the relevant internal and external approval procedures in accordance with their respective constitutional documents currently in force and the requirements under applicable laws (including the relevant requirements under the Listing Rules, if applicable); and

(iii) the Target Company having issued relevant notifications in respect of the Disposal to Tianjin Port Holdings, CSTD and CM Terminals.

Conditions precedent to completion of the Disposal

Completion of the Disposal is conditional upon satisfaction of the following conditions precedent, amongst others:

(i) the Equity Transfer Agreement having become effective;

(ii) the parties to the Equity Transfer Agreement having obtained all necessary and valid consents, approvals, authorisations, orders, registrations, filings or qualifications (if applicable) from third parties or government authorities in respect of the Disposal, and each party to the Equity Transfer Agreement having received from the other party the relevant documents mentioned above;

(iii) all necessary approval, confirmation, filing and registration procedures relating to state-owned assets in respect of the Disposal having processed and completed, including the approval and confirmation on the Valuation Report from the state-owned assets supervisory authority of the Company or its authorised department;

(iv) the Company and the Target Company having entered into a credit agreement in respect of the Shareholder's Loan and the drawdown of the full amount of the Shareholder's Loan having been completed. Such credit agreement has not been cancelled, terminated or early redeemed; and

(v) the representations and warranties given by each party to the Equity Transfer Agreement remain true and accurate in all material respect as of the Completion Date.

Arrangements during the Transitional Period

The profit or loss in respect of the Sale Shares during the Transitional Period shall be received or borne by the Purchaser.

Completion

Completion shall take place on the date which the Purchaser has duly made payment of the Consideration and the name of the Purchaser has been registered in the register of members of the Target Company, which is scheduled to be within ten (10) business days when all the conditions precedent above having been satisfied.

SHAREHOLDERS' AGREEMENT

Before completion of the Disposal, the Company, the Purchaser and the Target Company will enter into the Shareholders' Agreement in respect of the Target Company. The principal terms of the Shareholders' Agreement are as follows:

Board composition

The board of directors of the Target Company shall be composed of four (4) directors, of which three (3) directors shall be appointed by the Company and one (1) director shall be appointed by the Purchaser.

Reserved matters

Certain reserved matters (including, among others, any change in share capital, issue of debt securities, shareholders' transfer of shares to a third party, provision or repayment of funds to shareholders, material loans or pledges to external parties, material change in the nature or scope of business or material dispositions) must be unanimously approved by all directors of the Target Company.

Certain reserved matters (including, among others, any amendments to the Shareholders' Agreement or the constitutional documents of the Target Company, any merger, consolidation or reorganisation, or winding up or liquidation of the Target Company) must be unanimously approved by all shareholders of the Target Company.

Disposal of equity interest by shareholders

If the Purchaser intends to sell or transfer any of its equity interest in the Target Company (the "**Offered Shares**") to a third party other than to any of its affiliated companies, the Purchaser shall first notify the Company and the Target Company. The Company shall have a pre-emptive right to acquire the Offered Shares on the same terms. If the Company elects not to purchase all of the Offered Shares, the Purchaser may sell or transfer the Offered Shares to other third party upon obtaining the Company's prior written consent (provided that such consent shall not be unreasonably withheld or delayed) and in accordance with the Shareholders' Agreement.

If the Company intends to sell or transfer all or part of its equity interest in the Target Company, the Purchaser shall be entitled to certain tag-along rights to dispose of all or any of its equity interest in the Target Company in accordance with the Shareholders' Agreement.

INFORMATION OF THE TARGET COMPANY

The Target Company is a company incorporated in the British Virgin Islands with limited liability and is principally engaged in investment holding.

Set out below is the financial information of the Target Company (as prepared in accordance with Hong Kong Financial Reporting Standards) for the financial years ended 31 December 2022 and 31 December 2023:

	For the year ended 31 December 2022	**For the year ended 31 December 2023**
	(US$'000)	*(US$'000)*
	(Audited)	(Audited)
Net profit before taxation	4,747	7,820
Net profit after taxation	4,377	7,372

The audited net asset value of the Target Company as at 31 December 2023 was approximately US$ 8,030,000.

As at the date of this announcement, the Target Company, Tianjin Port Holdings, CM Terminals and CSTD respectively holds 45%, 41.69%, 7.31% and 6% of the equity interest in TCT, a company incorporated in the PRC with limited liability and principally engaged in the operation of container terminal at the port of Tianjin in the PRC. Upon completion of the Disposal, the Purchaser shall indirectly hold 9% of the equity interest in TCT.

FINANCIAL EFFECT OF THE DISPOSAL ON THE GROUP AND THE INTENDED USE OF PROCEEDS

Immediately after completion of the Disposal, the Target Company will continue to be a subsidiary of the Company and the financial results of the Target Company will continue to be consolidated into the Group's financial statements. As a result of the Disposal, the aggregate Consideration of US$49,289,000.13 will be received in cash. A corresponding change of approximately US$48,340,000 (calculated based on the Consideration net of estimated taxation to be paid in relation to the Disposal) will be recognised in the total equity. For details of the basis of Consideration, please refer to the section headed "Consideration" in this announcement. The actual amount of such change in total equity arising from the Disposal will be subject to the review and final audit by the auditors of the Company.

The net proceeds from the Disposal of US$49,289,000.13 will remain in the Group and are intended to be utilised by the Group as general working capital.

REASONS FOR AND BENEFITS OF THE DISPOSAL

The Target Company is a major shareholder of TCT, which is principally engaged in the operation of the largest container terminal at the port of Tianjin in the PRC. Located at the western end of Bohai Bay, the port of Tianjin is an important hub in the Northern China, connecting Northeast Asia and Central and West Asia. The Company has utilised its presence in such terminal port to support the Group's international and domestic freight forwarding business.

OOIL, the parent company of the Purchaser, is an international company principally engaged in container transport and logistics services. OOIL and its group companies have around 440 offices in approximately 90 countries or regions. It is also an industry leader in the use of information technology, digitalisation and e-commerce to manage the cargo transport process. While ensuring the Company's control over the Target Company and its influence in TCT, the Disposal will promote the business linkage and strategic coordination between the Company and OOIL and facilitate OOIL's investment into TCT. The resources provided by OOIL, in particular, OOIL's experience and knowledge in cooperation with green ports and smart ports, will be conducive to the sustainable development of TCT and its container terminal at the port of Tianjin, which is expected to result in an increase in the overall profitability of the terminal business of the Company.

The Disposal and the deepened cooperation with OOIL will be a meaningful step in realising the Company's strategy of creating greater value and also further strengthening the Company's leading position in the PRC.

The Directors (including the independent non-executive Directors) consider that the terms of the Disposal, the Equity Transfer Agreement and transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

Since Mr. YANG Liang Yee Philip, an independent non-executive Director, is also an independent non-executive director of OOIL, he was considered to have a material interest in the Disposal and had abstained from voting on the relevant Board resolution(s) approving the Disposal.

Save for the above, none of the other Directors has or is deemed to have a material interest in the Disposal, and has to abstain from voting on the relevant Board resolution(s) approving the Disposal.

LISTING RULES IMPLICATIONS

As at the date of this announcement, COSCO SHIPPING Holdings (being an indirect controlling shareholder of the Company) controls more than 30% of the issued share capital of the Purchaser (being an indirect wholly-owned subsidiary of OOIL). As a result, each of OOIL and the Purchaser is a connected person of the Company by virtue of being an associate of COSCO SHIPPING Holdings. Accordingly, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios (as defined in Rule 14.07 of the Listing Rules) in respect of the Disposal exceeds 0.1% but is less than 5%, the Disposal is only subject to the reporting and announcement requirements but is exempted from the circular independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION ON THE PARTIES

The Company

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

The Purchaser

The Purchaser is an indirect wholly-owned subsidiary of OOIL and is principally engaged in investment holding.

To the best of the Directors' knowledge, information and belief, OOIL is a company incorporated in Bermuda with members' limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 316) and OOIL together with its group companies are principally engaged in container transport and logistics services. The Company is a subsidiary of COSCO SHIPPING Holdings, which indirectly controls more than 50% of the issued share capital of OOIL.

The Disposal is subject to the satisfaction of conditions precedent. There is no assurance that the Disposal will take place or as and when it may take place. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company.

DEFINITIONS

In this announcement, unless the context requires otherwise, the following terms have the meanings set out below:

"Board"	the board of Directors;
"business day"	a day other than a Saturday, Sunday or statutory holiday in the PRC, Hong Kong and the British Virgin Islands;
"CM Terminals"	China Merchants International Terminals (Tianjin) Limited, a company incorporated in the British Virgin Islands and an existing shareholder of TCT;
"Company"	COSCO SHIPPING Ports Limited, a company incorporated in Bermuda with limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1199);
"Completion Date"	the date of completion of the Disposal pursuant to the Equity Transfer Agreement;
"connected person(s)"	has the meaning ascribed to it under the Listing Rules;
"Consideration"	the total consideration for the sale and purchase of the Sale Shares and the Sale Loan pursuant to the Equity Transfer Agreement;
"controlling shareholder(s)"	has the meaning ascribed to it under the Listing Rules;

"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 (Stock Code: 601919), and indirectly controls more than 50% of the issued share capital of OOIL. It is also an indirect controlling shareholder of the Company;
"CSTD"	China Shipping Terminal Development Co., Limited* (中海碼頭發展有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company and an existing shareholder of TCT;
"Director(s)"	the director(s) of the Company;
"Disposal"	the disposal of the Sale Shares and the assignment of the Sale Loan by the Company to the Purchaser pursuant to the terms and conditions of the Equity Transfer Agreement;
"Equity Transfer Agreement"	the equity transfer agreement dated 29 August 2024 entered into between the Purchaser and the Company in respect of the Disposal;
"Group"	the Company and its subsidiaries;
"Hong Kong"	Hong Kong Special Administrative Region of the PRC;
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange, as amended and modified from time to time;
"OOIL"	Orient Overseas (International) Limited (東方海外(國際)有限公司), a company incorporated in Bermuda with members' limited liability and the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 316);
"PRC"	The People's Republic of China, which shall for the sole purpose of this announcement, exclude Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan;
"Purchaser"	OOCL Terminal Tianjin (B.V.I.) Limited, a company incorporated in the British Virgin Islands with limited liability and an indirect wholly-owned subsidiary of OOIL;
"Sale Shares"	two (2) issued shares of the Target Company to be acquired by the Purchaser in connection with the Disposal, representing 20% of the equity interest in the Target Company as at the date of this announcement;

"Sale Loan"	20% of the Shareholder's Loan, being US$46,665,340.13 as at the Completion Date;
"Shareholder(s)"	holder(s) of the share(s) of the Company;
"Shareholder's Loan"	the interest-free equity loan owing by the Target Company to the Company, which shall amount to US$233,326,700.66 as at the Completion Date;
"Shareholders' Agreement"	the shareholders' agreement to be entered into among the Company, the Purchaser and the Target Company to set out the operation, management and shareholding arrangements of the Target Company;
"subsidiaries"	has the meaning ascribed to it under the Listing Rules; and "subsidiary" means any one of them;
"Stock Exchange"	The Stock Exchange of Hong Kong Limited;
"Target Company"	COSCO SHIPPING Ports (Tianjin) Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company before the Disposal;
"TCT"	Tianjin Port Container Terminal Co., Ltd.* (天津港集裝箱碼頭有限公司), a company incorporated in the PRC with limited liability;
"Tianjin Port Holdings"	Tianjin Port Holdings Co., Ltd.* (天津港股份有限公司), a company incorporated in the PRC with limited liability and the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600717), and an existing shareholder of TCT;
"Transitional Period"	the period from the day following the Valuation Reference Date to the Completion Date (both days inclusive);
"US$"	United States Dollars, the lawful currency of the United States;
"Valuation Reference Date"	31 December 2022, being the reference date for the valuation of the market value of the entire equity interest in the Target Company;
"Valuation Report"	the valuation report prepared by China Tong Cheng Assets Appraisal Co., Ltd.* (中通誠資產評估有限公司) in relation to the valuation of the entire equity interest in the Target Company as at Valuation Reference Date; and

"%"	per cent.

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
ZHU Tao
Chairman and Managing Director

Hong Kong, 29 August 2024

As at the date of this announcement, the Board comprises Mr. ZHU Tao[1] (Chairman and Managing Director), Mr. ZHANG Wei[2], Mr. MA Xianghui[2], Dr. WONG Tin Yau, Kelvin[1], Dr. FAN HSU Lai Tai, Rita[3], Mr. Adrian David LI Man Kiu[3], Mr. LAM Yiu Kin[3], Prof. CHAN Ka Lok[3] and Mr. YANG Liang Yee Philip[3].

[1] Executive Director
[2] Non-executive Director
[3] Independent Non-Executive Director