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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)

SUPPLEMENTAL ANNOUNCEMENT RELATING TO THE DISCLOSEABLE TRANSACTION ACQUISITIONS OF MINORITY INTERESTS IN HLT AND TLT AND INVESTMENT IN JV COMPANY

Reference is made to the announcement of COSCO SHIPPING Ports Limited (the “**Company**”) dated 23 October 2024 (the “**Announcement**”) in relation to, among others, the acquisitions of minority interests in HLT and TLT, which are principally engaged in the operation of terminals at Laem Chabang Port, the largest port in Thailand, by SHIE (a direct wholly-owned subsidiary of the Company), and the Previous De Minimis JV. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcement.

FURTHER INFORMATION ON THE CONSIDERATION AND THE VALUATIONS

As disclosed in the Announcement, the Aggregate Consideration was determined after arm’s length negotiations between the Parties with reference to:

- (i) in respect of Sale Shares I and Sale Shares II, the valuations of 30% of the total issued ordinary shares and 30% of the total issued preference shares of HLT as at the Valuation Reference Date prepared by an independent valuer adopting an income approach;
- (ii) in respect of Sale Shares III, the valuation of 12.5% of the entire equity interest in TLT as at the Valuation Reference Date prepared by an independent valuer adopting an income approach (together with (i), the “**Valuations**”); and
- (iii) other factors set out in the section headed “Reasons for and benefits of the Acquisitions and the Previous De Minimis JV” in the Announcement.

The Board would like to supplement that pursuant to the Valuation Reports prepared by Jones Lang LaSalle Corporate Appraisal and Advisory Limited, an independent and qualified valuer engaged by the Company (the “**Valuer**”), the appraised market values of the corresponding equity interests in HLT and TLT to be acquired under the Acquisitions, comprising three components, as at the Valuation Reference Date are as follows:

- (i) approximately THB2,666.2 million (equivalent to approximately US\$78.1 million) in respect of 30% of the total issued ordinary shares of HLT;

- (ii) approximately THB600.0 million (equivalent to approximately US\$17.6 million) (or approximately THB825.0 million (equivalent to approximately US\$24.2 million)) taking into account all capital injections made in respect of the preference shares of HLT up to July 2024 assuming that these capital injections had been made as at the Valuation Reference Date) in respect of 30% of the total issued preference shares of HLT; and
- (iii) approximately THB105.5 million (equivalent to approximately US\$3.1 million) in respect of 12.5% of the entire equity interest in TLT.

The Valuations were prepared by the Valuer with reference to the International Valuation Standards issued by the International Valuation Standards Council. For the valuation analysis, the income approach was selected in deriving the appraised values of the Target Companies taking into account the following factors:

- (i) the asset-based approach (also known as the cost approach) was not adopted by the Valuer in the Valuations as it could not capture the economic benefits of the future earning potential of the Target Companies;
- (ii) the income approach was adopted by the Valuer in the Valuations considering the nature and circumstances of the businesses of the Target Companies, which are principally engaged in the operation of terminals at Laem Chabang Port. As such, the scale of operation, profitability and future performance, as well as the long-term forecasts and expected future earnings of the Target Companies, can be ascertained. The appraised values of the Target Companies as at the Valuation Reference Date can then be reflected as the discounted values of their future economic earnings using the discounted cash flow (“DCF”) method; and
- (iii) although the market approach is easy to comprehend, there are no listed companies that are completely similar to the Target Companies in terms of geographical locations, financial status, remaining operating period, etc. Therefore, the market approach was used by the Valuer as a sanity check for the results of the Valuations.

In carrying out the valuations of 30% of the total issued ordinary shares of HLT and 12.5% of the entire equity interest in TLT using the DCF method, the Valuer was provided with forecasts of future cash flows for HLT and TLT. These forecasts were prepared with reference to the market research report (the “**Market Research Report**”) issued by an independent market consultant (the “**Independent Market Consultant**”) commissioned by the Company. The free cash flows calculation formula is fixed as follows:

Free cash flows (for each year within the forecast period) = net operating profit after tax + depreciation and amortisation - capital expenditures - additional working capital + interest (net of tax)

In carrying out the valuation of 30% of the total issued preference shares of HLT, the Valuer referred to the articles of association of HLT, which serve as an objective criterion. These articles specify that the preference shareholders (i) can receive a fixed return of 7% per year as dividends based on paid-up value, with these dividends accumulating to subsequent years if not distributed in a certain year, and (ii) are expected to be repaid their capital contribution upon the dissolution or liquidation of HLT. The cash flows calculation formula is fixed as follows:

Cash flows (for each year within the forecast period) = Preference shares dividends expected to be received + amount of capital contribution repaid

According to the Valuation Reports, the Valuations relied upon certain key assumptions that are limited by various uncertainties in terms of business environment, economic development and market competitions, which are beyond the control of the Valuer and the Target Companies. Based on the appraised values, the Board has performed independent assessment to ascertain the fairness and reasonableness of the key inputs and assumptions (including any adjustments made to the appraised values) adopted by the Valuer.

The key assumptions adopted and the inputs to the Valuations are summarised as follows:

General assumptions in respect of HLT and TLT

- (i) it is assumed that the expected business outcomes of HLT and TLT (as the case may be) can be achieved with the efforts of their management;
- (ii) it is assumed that additional manpower, equipment and facilities will be required to realise the growth potential of the businesses of HLT and TLT (as the case may be) and to maintain a competitive edge. For the purpose of the Valuations, it is assumed that the proposed facilities and systems are adequate for future expansion;
- (iii) it is assumed that there are no material changes in the prevailing political, legal, technological, financial or economic conditions that may adversely affect the businesses of HLT and TLT (as the case may be) after the Valuation Reference Date;
- (iv) it is assumed that the operational and contractual terms of the contracts and agreements, including but not limited to loan contracts, business contracts, and other contracts that will affect the business of HLT and TLT (as the case may be), will be honoured;

Specific assumptions and key inputs in respect of HLT

- (v) based on the current arrangement, the operating period of the terminal operated by HLT will last until 2034. It is assumed that HLT will extend the operating period by 20 years up to 2054 by exercising the options for renewal;
- (vi) in forecasting the operating income of HLT, reference is taken from the Market Research Report, in which the Independent Market Consultant predicted (x) the import and export throughput volumes by evaluating the historical and forecasted container volumes in Thailand (which are expected to grow by approximately 7% to 8% per year), (y) the container volumes of Laem Chabang Port (which are expected to grow by not less than 400,000 TEUs per year based on its market share), and (z) the container volumes of HLT's terminal (which are expected to reach approximately 75% and 100% of its designed capacity in 2027 and 2052, respectively, considering the respective cargo handling capacities and competitiveness among the terminals);
- (vii) the operating expenses of HLT comprise mainly concession fees and variable costs such as costs of service and labour costs, adjusted for the inflation rates and average annual salary increases in Thailand;
- (viii) the rates of services provided by HLT are expected to increase steadily during the operating period, taking into account the analysis of the Independent Market Consultant;

- (ix) the capital expenditure of HLT is determined based on the renewal and maintenance of fixed assets, along with the planned capital expenditure during the operating period;
- (x) the discount rate used for the valuation of HLT's ordinary shares is 9.62%, determined based on the weighted average cost of capital, which is calculated with reference to the cost of shareholders' equity, the long-term debt-to-equity ratio, the cost of debt and the statutory corporate tax rate in Thailand;
- (xi) in arriving at the appraised equity value of 30% equity interest in HLT, the enterprise value of HLT was derived by discounting the annual free cash flows using the abovementioned discount rate. The formula for the relationship between the enterprise value and equity value is fixed as follows:

Enterprise value = market capitalisation + preference shares + minority interest + short-term debt + long-term debt - cash and cash equivalents + other non-operating assets – other non-operating liabilities

- (xii) in considering the valuation of HLT's preference shares, since the issued preference shares will provide a fixed return of 7% per year as dividends based on the paid-up value and a repayment of capital contribution upon HLT's dissolution or liquidation, they are considered a form of liabilities and are appraised similarly to risk-based assets. The discount rate used for the valuation of HLT's preference shares is 7.00%, calculated with reference to the risk-free rate of return (based on government short-term bonds), estimated credit risk premium and liquidity risk premium;
- (xiii) an additional valuation scenario is included in the relevant Valuation Reports, taking into account all capital injections made in respect of the preference shares of HLT up to July 2024 and assuming that these capital injections had been made as of the Valuation Reference Date;

Specific assumptions and key inputs in respect of TLT

- (xiv) based on the current arrangement, the operating period of the terminal operated by TLT will last until September 2026;
- (xv) in forecasting the operating income of TLT, reference is taken from the Market Research Report, in which the Independent Market Consultant predicted (x) the import and export throughput volumes by evaluating the historical and forecasted container volumes in Thailand, (y) the container volumes of Laem Chabang Port (based on its market share), and (z) the container volumes of TLT's terminal (which are expected to remain at the current level, considering the respective cargo handling capacities and competitiveness among the terminals);
- (xvi) the operating expenses of TLT comprise mainly concession fees and variable costs such as costs of service and labour costs, adjusted for inflation rates and average annual salary increases in Thailand;
- (xvii) the rates of services provided by TLT are expected to increase primarily based on adjustments due to inflation;

- (xviii) the discount rate used for the valuation of TLT's equity interest is 10.95%, determined based on the weighted average cost of capital, which is calculated with reference to the cost of shareholders' equity, the long-term debt-to-equity ratio, the cost of debt and the statutory corporate tax rate in Thailand; and
- (xix) in arriving at the appraised equity value of 12.5% equity interest in TLT, the enterprise value of TLT was derived by discounting the annual free cash flows using the abovementioned discount rate. The formula for the relationship between the enterprise value and equity value is fixed as follows:

Enterprise value = market capitalisation + preference shares + minority interest + short-term debt + long-term debt - cash and cash equivalents + other non-operating assets – other non-operating liabilities.

Apart from the Valuations prepared by the Valuer and the other factors set out in the section headed "Reasons for and benefits of the Acquisitions and the Previous De Minimis JV", in arriving at the amount of the Aggregate Consideration the Company has also considered the following factors, including without limitation to:

- (i) comparison of the appraised market values of the Valuations set out in the Valuation Reports against the corresponding components of consideration payable under the relevant Share Purchase Agreements, which closely added up to the Aggregate Consideration, and thus the Aggregate Consideration is within a fair and reasonable range;
- (ii) the market research and analysis conducted by the Independent Market Consultant in connection with the target country, terminal and ports, as well as the business comparisons with other ports in the Laem Chabang area;
- (iii) the Company's understanding and assessment of the shipping and port industry which contributed to market-based adjustments (which are relatively more conservative compared to the Independent Market Consultant's analysis) to the revenue and costs estimates as adopted in the Valuations;
- (iv) the additional benefits brought by the investment in the terminals operated by HLT and TLT under the Acquisitions, which included among other things the enhanced global terminal network of the Group and further optimisation of its existing terminal asset portfolio, contributing to the Group's future growth and business performance and providing positive impacts on the Group's overall development strategies; and
- (v) the Company's optimistic attitude towards the future development of the target terminals operated by HLT and TLT and belief that the investment in the Target Companies at the Aggregate Consideration is reasonable and beneficial to the Group both in the short-term and in the long-run.

Based on the above, the Board considers that the Aggregate Consideration in respect of the Acquisitions is fair and reasonable and in the interest of the Company and its shareholders as a whole.

FURTHER INFORMATION ON THE PARTIES

Sapphire

As disclosed in the Announcement, one of the major shareholders of Sapphire is a company incorporated in the British Virgin Islands which is wholly-owned by China-ASEAN Investment Cooperation Fund. The Board would like to supplement that the general partner of China-ASEAN Investment Cooperation Fund is ECBIC Capital, which is majority-owned by The Export-Import Bank of China.

Save as disclosed above, all other information and contents set out in the Announcement remain unchanged and shall continue to be valid for all purposes. This supplemental announcement is supplemental to and should be read in conjunction with the Announcement.

By Order of the Board
COSCO SHIPPING Ports Limited
ZHU Tao
Chairman and Managing Director

Hong Kong, 19 December 2024

As at the date of this announcement, the Board comprises Mr. ZHU Tao¹ (Chairman and Managing Director), Mr. ZHANG Wei², Mr. MA Xianghui², 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