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(Incorporated in Bermuda with limited liability)

(Stock Code: 00517)

CONTINUING CONNECTED TRANSACTION NEW ENTRUSTED MANAGEMENT SERVICES MASTER AGREEMENT

CONTINUING CONNECTED TRANSACTION

The Group has been carrying on transactions with COSCO SHIPPING (Hong Kong) Group pursuant to the Existing Entrusted Management Services Master Agreement which constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. The Existing Entrusted Management Services Master Agreement will expire on 31 December 2019 and it is expected that the Group will continue to enter into transactions of a nature similar to the transactions under the Existing Entrusted Management Services Master Agreement from time to time thereafter. In view of the above, on 31 December 2019, the New Entrusted Management Services Master Agreement was entered into between the Company, COSCO SHIPPING (Hong Kong) and COSCO SHIPPING.

IMPLICATIONS UNDER THE LISTING RULES

Being the ultimate holding company and immediate holding company of the Company respectively, COSCO SHIPPING and COSCO SHIPPING (Hong Kong) together with their associates are connected persons of the Company. Accordingly, the New Entrusted Management Services Master Agreement and the transactions contemplated thereunder constitute continuing connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

As one or more applicable percentage ratios for the Caps of the transactions contemplated under the New Entrusted Management Services Master Agreement are expected to exceed 0.1% but less than 5% on an annual basis, such transactions are only subject to the reporting, announcement and annual review requirements but are exempt from shareholders' approval requirement under Chapter 14A of the Listing Rules.

THE NEW ENTRUSTED MANAGEMENT SERVICES MASTER AGREEMENT

Reference is made to the announcement of the Company dated 7 February 2018 in relation to the Existing Entrusted Management Services Master Agreement.

The Group has been carrying on transactions with COSCO SHIPPING (Hong Kong) Group pursuant to the Existing Entrusted Management Services Master Agreement which constituted a continuing connected transaction of the Company under Chapter 14A of the Listing Rules. The Existing Entrusted Management Services Master Agreement will expire on 31 December 2019 and it is expected that the Group will continue to enter into transactions of a nature similar to the transactions under the Existing Entrusted Management Services Master Agreement from time to time thereafter. In view of the above, on 31 December 2019, the New Entrusted Management Services Master Agreement was entered into between the Company, COSCO SHIPPING (Hong Kong) and COSCO SHIPPING.

The principal terms of the New Entrusted Management Services Master Agreement are set out below:

Date: 31 December 2019

Parties: COSCO SHIPPING;
COSCO SHIPPING (Hong Kong); and
the Company

Subject matter: Provision of management services in relation to the day to day business operations and management to be provided by the Company to COSCO SHIPPING (Hong Kong) Group including but not limited to administrative management, financial management, etc.. Such business operations do not include any matter(s) in relation to:

- (a) any direct and indirect equity relationship between COSCO SHIPPING, COSCO and COSCO SHIPPING (Hong Kong) Group;
- (b) any equity relationship between COSCO SHIPPING (Hong Kong) and Piraeus Port Authority S.A.; and
- (c) any equity relationship between COSCO SHIPPING (Hong Kong) Group and the Company, any assets of the Group and any matter(s) in relation to the decision making thereof.

Duration: From 1 January 2020 to 31 December 2022 (both dates inclusive). If any one of the parties decides not to renew the New Entrusted Management Services Master Agreement, the other parties shall be notified in writing 30 days prior to the expiry date and the term of the New Entrusted Management Services Master Agreement will end on 31 December 2022. The New Entrusted Management Services Master Agreement may be renewed for a further term up to three years upon agreement by all the parties.

Terms and fees: The transactions contemplated under the New Entrusted Management Services Master Agreement shall be conducted on normal commercial terms.

Others: At any time during the term of the New Entrusted Management Services Master Agreement, the relevant member(s) of COSCO SHIPPING (Hong Kong) Group and the Company may from time to time enter into individual agreement(s) in relation to any of the services contemplated under the New Entrusted Management Services Master Agreement upon and subject to the terms and conditions in compliance with those of the New Entrusted Management Services Master Agreement as may be agreed between the relevant parties. In the event of any conflict between the terms of any such individual agreement and the terms in the New Entrusted Management Services Master Agreement, the terms in the New Entrusted Management Services Master Agreement shall prevail.

Pricing policies:

The management fee for each individual agreement shall be negotiated at arm's length by the Company and the relevant member of COSCO SHIPPING (Hong Kong) Group at the time when the individual agreement is entered into and at a price determined upon the basis of the principle of "cost-plus" which is based on the cost arising from the provision of management services to COSCO SHIPPING (Hong Kong) Group by the Company plus a margin as agreed after arm's length negotiations between the Company and the relevant members of COSCO SHIPPING (Hong Kong) Group.

In determining the costs, the Company will take into account the actual costs incurred (including, among others, the cost of human resources, professional knowledge and other resources). In determining the margin, the Company will take into account the

scope and type of the services to be provided by the Company and rates that are generally accepted by the market and/or the general tax authorities and/or transfer pricing rules.

The Company will refer to, among other things, the terms in relation to the provision of services of similar nature in the market by independent third parties and compare them with the terms for the provision of services by the Company (such as through conducting comparability analysis on transfer pricing) to ensure that the fees payable by the relevant members of COSCO SHIPPING (Hong Kong) Group to the Company will be calculated in accordance with the actual market circumstances and will not be less favorable than the fees receivable from an independent third party for the provision of services of similar nature.

Historical amounts:

The aggregate amounts recognised by the Group for the transactions contemplated under the Existing Entrusted Management Services Master Agreement for the periods from 7 February 2018 to 31 December 2018 and the ten months ended 31 October 2019 were HK\$74,664,513 and HK\$57,768,851 respectively.

Caps and basis of determination of such Caps:

The Caps of the transactions contemplated under the New Entrusted Management Services Master Agreement and the basis of determination of such Caps are set out as follows:

	Caps for the year ending 31 December		
	2020	2021	2022
	<i>HK\$</i>	<i>HK\$</i>	<i>HK\$</i>
Aggregate amount payable by members of COSCO SHIPPING (Hong Kong) Group to the Company for transactions contemplated under the New Entrusted Management Services Master Agreement	130,000,000	130,000,000	130,000,000

The above Caps were determined by reference to the estimated cost of the Company (including time spent by staff members of the Company, utilisation of office support (depending on the type of management services which are provided) and the actual costs, expenses and disbursements incurred by the Company in the course of its provision of the management services to COSCO SHIPPING (Hong Kong) Group) and a margin in order to achieve an income for the Company.

Relationship between the Company and the connected persons:

Being the ultimate holding company and immediate holding company of the Company respectively, COSCO SHIPPING and COSCO SHIPPING (Hong Kong) together with their associates are connected persons of the Company. Accordingly, the New Entrusted Management Services Master Agreement and the transactions contemplated thereunder constitute continuing connected transaction of the Company.

Listing Rules implications:

As one or more applicable percentage ratios for the Caps of the transactions contemplated under the New Entrusted Management Services Master Agreement are expected to exceed 0.1% but less than 5% on an annual basis, such transactions are only subject to the reporting, announcement and annual review requirements but are exempt from shareholders' approval requirement under Chapter 14A of the Listing Rules.

INFORMATION OF THE GROUP AND THE CONNECTED PERSONS

The Group is principally engaged in the provision of shipping services and general trading.

COSCO SHIPPING is principally engaged in shipping, terminal, logistics, shipping finance, equipment manufacturing and shipping services etc..

COSCO SHIPPING (Hong Kong) is principally engaged in shipping services, expressways investment, property investment and management, information technology, industrial manufacturing and marine fuel oil trading, etc..

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTION

By entering into the New Entrusted Management Services Master Agreement and the transactions contemplated thereunder, the Company will be able to leverage on its experience and expertise in shipping services and will generate income through the provision of management services which will expand the revenue stream of the Company as well as enhance the financial position of the Company. The New Entrusted Management Services Master Agreement is cost effective in terms of the costs of operation and administration as a result of the sharing of business management, manpower resources, corporate office administration services, back office support functions and other administrative services. It will enhance the operational and decision-making efficiency of the Group through streamlining and unification of COSCO SHIPPING (Hong Kong) and the Group's business management structure to facilitate more efficient and expeditious management and to provide foundation for future business synergies.

The Directors (including the independent non-executive Directors) are of the view that the transactions contemplated under the New Entrusted Management Services Master Agreement are and will be entered into in the ordinary and usual course of business of the Group and are and will be on normal commercial terms and the terms thereof and the Caps in relation thereto are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

While some Directors (none of them is an independent non-executive Director), are also directors of COSCO SHIPPING (Hong Kong), none of the Directors will be involved in the negotiation of the individual agreements contemplated under the New Entrusted Management Services Master Agreement nor will derive personal gains from the Group entering into the New Entrusted Management Services Master Agreement and the transactions contemplated thereunder. None of the Directors has a material interest in the New Entrusted Management Services Master Agreement. Accordingly, none of them is required to abstain from voting on the relevant board resolutions to approve the New Entrusted Management Services Master Agreement and the transactions contemplated thereunder under the bye-laws of the Company or the Listing Rules.

INTERNAL CONTROL PROCEDURES FOR THE GROUP

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 controls systems to ensure that the transactions between the Group and its connected persons are conducted in accordance with the pricing policy under the New Entrusted Management Services Master Agreement, the Company will implement the following internal control arrangements:

- (a) The Company has formulated "Connected Transaction Management Method" which was incorporated into the rules and regulations of the Company. All divisions of the Company and its subsidiaries must follow the requirements under "Connected Transaction Management Method".
- (b) The internal audit team of the Company will regularly examine the pricing of transactions under the New Entrusted Management Services Master Agreement including reviewing the transaction records of the Company for the provision of similar services from or to independent third parties.
- (c) Connected transaction coordination working team (the "**Working Team**"), comprising, among others, responsible persons of various functional divisions of the Company, was set up. Any proposed new connected transaction would be reported to the Working Team in order to carry out all necessary compliance procedures before entering into such connected transaction.

- (d) Connected transaction amounts incurred with 2 months forecast would be updated on monthly basis by the colleagues of subsidiaries of the Company and various functional divisions through an intranet system. Members of the Working Team are responsible for overseeing the connected transaction amounts incurred in a timely manner such that the transactions can be conducted within the annual caps.

The Directors are of the view that the above methods and procedures can ensure that the pricing and other contract terms for the Group's continuing connected transaction are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders and that the continuing connected transaction is conducted as agreed in the relevant New Entrusted Management Services Master Agreement and in compliance with Chapter 14A of the Listing Rules.

DEFINITIONS

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

“associate(s)”	the meaning ascribed to it in the Listing Rules;
“Board” or “Director(s)”	the board of directors of the Company;
“Caps”	for the purpose of Chapter 14A of the Listing Rules, means the proposed annual caps of the New Entrusted Management Services Master Agreement for each of the three years ending 31 December 2022;
“Company”	COSCO SHIPPING International (Hong Kong) Co., Ltd., a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	the meaning ascribed to it in the Listing Rules;
“COSCO”	中國遠洋運輸有限公司 (China Ocean Shipping Company Limited*), a company incorporated in the PRC and the intermediate controlling shareholder of the Company;
“COSCO SHIPPING”	中國遠洋海運集團有限公司 (China COSCO Shipping Corporation Limited*), a company established in the PRC and the holding company of COSCO SHIPPING (Hong Kong) and the ultimate holding company of the Company;

“COSCO SHIPPING (Hong Kong)”	COSCO SHIPPING (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability and the immediate holding company of the Company which is wholly-owned by COSCO SHIPPING;
“COSCO SHIPPING (Hong Kong) Group”	COSCO SHIPPING (Hong Kong), its subsidiaries and its associates (excluding Piraeus Port Authority S.A. and the Group);
“Existing Entrusted Management Services Master Agreement”	the master agreement entered into between the Company, COSCO SHIPPING and COSCO SHIPPING (Hong Kong) dated 7 February 2018 in respect of the provision of certain management services by the Company to COSCO SHIPPING (Hong Kong) Group in relation to the day to day business operations and management of COSCO SHIPPING (Hong Kong) Group for the period from 7 February 2018 to 31 December 2019;
“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;
“New Entrusted Management Services Master Agreement”	the master agreement entered into between the Company, COSCO SHIPPING and COSCO SHIPPING (Hong Kong) dated 31 December 2019 in respect of the provision of certain management services by the Company to COSCO SHIPPING (Hong Kong) Group in relation to the day to day business operations and management of COSCO SHIPPING (Hong Kong) Group;
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region and Taiwan);
“Share(s)”	the share(s) of the Company;
“Shareholder(s)”	the holder(s) of the Shares;

“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong; and
“%”	per cent.

By Order of the Board
COSCO SHIPPING International (Hong Kong) Co., Ltd.
Zhu Jianhui
Vice Chairman and Managing Director

Hong Kong, 31 December 2019

* *For identification purposes only*

As at the date of this announcement, the Board comprises nine directors with Mr. Wang Yuhang¹ (Chairman), Mr. Zhu Jianhui¹ (Vice Chairman and Managing Director), Mr. Ma Jianhua², Mr. Feng Boming², Mr. Chen Dong², Mr. Liu Gang¹, Mr. Tsui Yiu Wa, Alec³, Mr. Jiang, Simon X.³ and Mr. Alexander Reid Hamilton³.

¹ *Executive Director*

² *Non-executive Director*

³ *Independent Non-executive Director*