

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**中遠海運國際(香港)有限公司**

COSCO SHIPPING INTERNATIONAL (HONG KONG) CO., LTD.

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00517)**

**CONNECTED TRANSACTION  
IN RELATION TO  
DISPOSAL OF 18% EQUITY INTEREST IN  
THE TARGET COMPANY**

**THE DISPOSAL**

On 28 June 2022, the Vendor (a wholly-owned subsidiary of the Company) and the Purchaser entered into the Agreement, pursuant to which the Purchaser has agreed to purchase and the Vendor has agreed to sell the Equity Interest (representing 18% equity interest in the Target Company) at a consideration of US\$8,804,200 (equivalent to approximately HK\$69,078,000).

The Target Company is principally engaged in the trading of fuel and oil products and marine fuel supply services in Hong Kong and in sourcing products such as light diesels and fuel oil, etc.. As at the date of this announcement, it is held as to 18% by the Vendor and 82% by the Purchaser.

**LISTING RULES IMPLICATIONS**

As the Purchaser is indirectly owned as to 50% by COSCO SHIPPING, the ultimate holding company of the Company, the Purchaser is an associate of the substantial shareholder of the Company and a connected person of the Company under the Listing Rules. Therefore, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Since one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceeds 0.1% but all are below 5%, the Disposal is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules.

**INTRODUCTION**

On 28 June 2022, the Vendor and the Purchaser entered into the Agreement in relation to the Disposal, the principal terms of which are set out below.

## **THE AGREEMENT**

### **Date**

28 June 2022

### **Parties**

- (1) New Renown Limited as Vendor; and
- (2) 中國船舶燃料有限責任公司 (China Marine Bunker (PetroChina) Co., Ltd.\*) as Purchaser.

### **Subject matter**

Pursuant to the Agreement, the Purchaser has agreed to purchase and the Vendor has agreed to sell the Equity Interest, which represents 18% of the entire issued shares in the Target Company.

### **Consideration**

The Consideration for the Disposal is US\$8,804,200 (equivalent to approximately HK\$69,078,000), such cash amount will be payable in full by the Purchaser to the Vendor at Completion.

The Consideration was determined after arm's length negotiations between the Purchaser and the Vendor with reference to the assessed net asset value attributable to the Equity Interest of US\$8,804,200 (equivalent to approximately HK\$69,078,000) as at the Benchmark Date as appraised by an independent asset appraisal company in the PRC using the asset-based approach.

### **Conditions precedent**

Completion is subject to the fulfilment of the following conditions precedent:

- (1) the Company having completed the requisite procedures for the Agreement and the transactions contemplated thereunder in accordance with the requirements under the Listing Rules;
- (2) the corporate approvals of the Purchaser on the Agreement and the transactions contemplated thereunder having been obtained; and
- (3) the Purchaser having obtained such necessary authorisations, approvals, consents, exemptions and licenses required for the Agreement and the transactions contemplated thereunder from the competent regulatory authorities in accordance with the applicable laws and regulations.

If any of the conditions precedent has not been fulfilled within 120 days from the date of the Agreement, any party to the Agreement has the right to notify the other party in writing to terminate the Agreement.

### **Completion**

Completion will take place within fifteen working days after the fulfilment of the conditions precedent set out above.

## REASONS FOR AND BENEFITS OF THE DISPOSAL

In recent years, global fuel prices have fluctuated sharply and market competition has continued to intensify. Meanwhile, under the trend of green shipping energy, the uncertainty of the long-term development of traditional energy increases. As a result, the operational risks of the Target Company have increased which pressured its performance. During the year ended 31 December 2021, the Group's share of loss from the Target Company amounted to HK\$45,984,000 (as compared to the share of profit of HK\$29,329,000 in 2020), representing a turnaround from profit to loss, which was primarily due to the decrease in gross profit for low sulphur fuel. It is intended that the Disposal will reduce the Group's share of loss from associates and provide a reasonable opportunity to realise the value of the Equity Interest at a time when there is no significant market adjustment, in line with the overall risk management strategy of the Group.

The Directors (including the independent non-executive Directors) consider that notwithstanding that the Disposal is not in the ordinary and usual course of business of the Group, the terms of the Disposal, the Agreement and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the interests of the Company and its shareholders as a whole.

As none of the Directors has a material interest in the Disposal, no Director is required to abstain from voting on the Board resolution(s) approving the Disposal.

## INFORMATION ON THE TARGET COMPANY

The Target Company is a limited company incorporated in Hong Kong and is principally engaged in the trading of fuel and oil products and marine fuel supply services in Hong Kong and in sourcing products such as light diesels and fuel oil, etc.. As at the date of this announcement, it is held as to 18% by the Vendor and 82% by the Purchaser. Certain key financial information of the Target Company from its audited financial statements for the two years ended 31 December 2020 and 2021 is set out below.

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2020</b>	<b>2021</b>
	<i>(audited)</i>	<i>(audited)</i>
	<i>US\$</i>	<i>US\$</i>
Net profit/(loss) before tax	22,711,854	(32,747,796)
Net profit/(loss) after tax	20,998,579	(32,869,409)

The audited net asset value of the Target Company as at the Benchmark Date amounted to US\$42,425,232.

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

As a result of the Disposal, it is expected that the Group would record a net loss (after deducting the relevant taxes and expenses) on the Disposal of approximately HK\$8,913,000, which is calculated with reference to the Consideration less the carrying amount of the Equity Interest as well as the relevant taxes and expenses, and the amount of reserves relating to the Target Company released to the Group's consolidated income statement upon the Disposal. Due to the possible fluctuation in foreign exchange rate, the Group's actual net loss on the Disposal may be different from the estimated amount set out above as at the date of Completion.

The proceeds from the Disposal will be utilised by the Group as general working capital.

## **LISTING RULES IMPLICATIONS**

As the Purchaser is indirectly owned as to 50% by COSCO SHIPPING, the ultimate holding company of the Company, the Purchaser is an associate of a substantial shareholder of the Company and a connected person of the Company under the Listing Rules. Therefore, the Disposal constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. Since one or more of the applicable percentage ratios (as defined under the Listing Rules) in respect of the Disposal exceeds 0.1% but all are below 5%, the Disposal is subject to the reporting and announcement requirements but exempt from the circular and independent shareholders' approval requirements pursuant to Rule 14A.76(2)(a) of the Listing Rules.

## **GENERAL INFORMATION**

The Group is principally engaged in the provision of shipping services and general trading. The Vendor is a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in investment holding.

As at the date of this announcement, the Company is held as to approximately 68.57% by COSCO SHIPPING, which is a PRC state-owned enterprise and is principally engaged in shipping, terminal, logistics, shipping finance, equipment manufacturing and shipping services etc..

According to publicly available information, the Purchaser is a company established in the PRC with limited liability and its principal business is to supply fuel oil, lubricants, liquefied natural gas and fresh water for domestic and international ships. At the same time, the Purchaser is engaged in the fuel oil trade, oil transportation and storage; carrying out the storage, supply, sale and transportation of all kinds of oil products; processing lubricants with supplied materials. As at the date of this announcement, the Purchaser is owned as to 50% by COSCO SHIPPING and 50% by PetroChina Company Limited, a joint stock company limited by shares incorporated in the PRC, whose shares are listed on the Stock Exchange (stock code: 00857) and which is principally engaged in the exploration, development, production and sales of crude oil and natural gas; the refining of crude oil and petroleum

products; the production and sales of basic and derivative chemical products and other chemical products; the marketing and trading of refined products; and the transmission of natural gas, crude oil and refined products, and the sales of natural gas.

## **DEFINITIONS**

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

“Agreement”	the agreement dated 28 June 2022 entered into between the Purchaser and the Vendor in respect of the Disposal;
“associate(s)”	has the meaning ascribed to it under the Listing Rules;
“Benchmark Date”	31 December 2021, being the year-end date of the Target Company’s latest audited accounts;
“Board”	the board of Directors;
“Company”	COSCO SHIPPING International (Hong Kong) Co., Ltd., a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange (stock code: 00517);
“Completion”	completion of the Disposal under the Agreement;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Consideration”	the total consideration for the Equity Interest under the Agreement;
“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 which is a PRC state-owned enterprise and the ultimate holding company of the Company;
“Directors”	the directors of the Company;
“Disposal”	the disposal of the Equity Interest by the Vendor to the Purchaser pursuant to the Agreement;
“Equity Interest”	18% of the entire issued shares in the Target Company;
“Group”	the Company and its subsidiaries;
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China (for the purpose of this announcement, excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan);
“Purchaser”	中國船舶燃料有限責任公司 (China Marine Bunker (PetroChina) Co., Ltd.*), a company established in the PRC with limited liability;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules;
“Target Company”	Double Rich Limited, a company incorporated in Hong Kong with limited liability and is indirectly held as to 18% by the Company;
“US\$”	United States dollars, the lawful currency of the United States of America;
“Vendor”	New Renown Limited, a company incorporated in the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company; and
“%”	per cent.

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

Hong Kong, 28 June 2022

Unless otherwise specified in this announcement, amounts denominated in US\$ have been converted to HK\$ at a rate of US\$1.00 to HK\$7.846.

*As at the date of this announcement, the Board comprises six directors with Mr. Zhu Jianhui<sup>1</sup> (Chairman and Managing Director), Mr. Ma Jianhua<sup>1</sup>, Mr. Chen Dong<sup>2</sup>, Mr. Tsui Yiu Wa, Alec<sup>3</sup>, Mr. Jiang, Simon X.<sup>3</sup> and Mr. Kwong Che Keung, Gordon<sup>3</sup>.*

<sup>1</sup> *Executive Director*

<sup>2</sup> *Non-executive Director*

<sup>3</sup> *Independent Non-executive Director*

\* *for identification purposes only*