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**中遠海運發展股份有限公司**  
**COSCO SHIPPING Development Co., Ltd.\***

*(A joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 02866)**

**CONTINUING CONNECTED TRANSACTIONS**

**THE NEW MANAGEMENT SERVICES AGREEMENT**  
**TERMINATION OF MANAGEMENT SERVICES AGREEMENT**

**THE NEW MANAGEMENT SERVICES AGREEMENT**

As the current term of the Management Services Agreement will expire on 31 December 2022, China Shipping, a wholly-owned subsidiary of COSCO SHIPPING and the direct sole shareholder of COSCO SHIPPING Investment, the Company and COSCO SHIPPING Investment entered into the New Management Services Agreement on 16 September 2022, pursuant to which, China Shipping agreed to appoint the Company, and the Company agreed to accept such appointment, to provide management services in respect of COSCO SHIPPING Investment and the Target Equities for an initial term of three years commencing from 1 September 2022 and ending on 31 August 2025 (subject to the relevant annual cap).

**TERMINATION OF MANAGEMENT SERVICES AGREEMENT**

In order to further streamline the business management relationship and improve the specific details of the management services, COSCO SHIPPING, the Company and COSCO SHIPPING Investment entered into the Termination Agreement on 16 September 2022, pursuant to which, the Management Services Agreement entered into among COSCO SHIPPING, the Company and COSCO SHIPPING Investment was terminated on 1 September 2022.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, China Shipping and its associates control or are entitled to exercise control over the voting rights in respect of 6,123,503,998 A Shares and 100,944,000 H Shares, representing approximately 45.81% of the total issued share capital of the Company. Accordingly, China Shipping is a controlling shareholder of the Company and therefore a connected person of the Company. COSCO SHIPPING Investment is a wholly-owned subsidiary of China Shipping and therefore an associate of China Shipping. Accordingly, COSCO SHIPPING Investment is a connected person of the Company. As China Shipping is wholly owned by COSCO SHIPPING, therefore, COSCO SHIPPING is an indirect controlling shareholder of the Company and therefore a connected person of the Company.

As one or more applicable percentage ratios in respect of each of the proposed annual caps for the three years ending 31 December 2024 under the New Management Services Agreement is more than 0.1% but less than 5%, the transactions contemplated under the New Management Services Agreement, together with the proposed annual caps for the three years ending 31 December 2024, constitute continuing connected transactions which are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As a result of the early termination of the continuing connected transactions under the Management Services Agreement, the Company is subject to the announcement requirements under Rule 14A.35 of the Listing Rules.

## **INTRODUCTION**

Reference is made to (1) the announcement of the Company dated 28 April 2017 in relation to the entering into of the Management Services Agreement, and (2) the announcement dated 30 October 2019 in relation to the parties agreeing to renew the transactions under the Management Services Agreement until 31 December 2022.

As the current term of the Management Services Agreement will expire on 31 December 2022, China Shipping, a wholly-owned subsidiary of COSCO SHIPPING and the direct sole shareholder of COSCO SHIPPING Investment, the Company and COSCO SHIPPING Investment entered into the New Management Services Agreement on 16 September 2022, pursuant to which, China Shipping agreed to appoint the Company, and the Company agreed to accept such appointment, to provide management services in respect of COSCO SHIPPING Investment and the Target Equities for an initial term of three years commencing from 1 September 2022 and ending on 31 August 2025 (subject to the relevant annual cap).

In order to further streamline the business management relationship and improve the specific details of management services, COSCO SHIPPING, the Company and COSCO SHIPPING Investment entered into the Termination Agreement on 16 September 2022, pursuant to which, the Management Services Agreement entered into among COSCO SHIPPING, the Company and COSCO SHIPPING Investment was duly terminated on 1 September 2022.

## **THE NEW MANAGEMENT SERVICES AGREEMENT**

The principal terms of the New Management Services Agreement are as follows:

### **Date**

16 September 2022

### **Parties**

- (1) China Shipping;
- (2) the Company; and
- (3) COSCO SHIPPING Investment.

### **The Management Services**

Pursuant to the New Management Services Agreement, the scope of the management services to be provided by the Company includes, among other things:

- (1) providing strategic management, business operation management services, financial management services, human resources management services, investment management services and major assets and internal control management services to COSCO SHIPPING Investment;
- (2) advising on the exercise of the voting rights of the Target Equities (other than the Shares of the Company) directly or indirectly held by COSCO SHIPPING Investment;
- (3) advising on the dealings of the Target Equities and additional investment by COSCO SHIPPING Investment in accordance with the laws, regulations, relevant provisions of the securities regulatory authorities of the place of listing of the relevant securities and the articles of association of COSCO SHIPPING Investment;
- (4) advising on the appointment of directors, supervisors and senior management of the companies which form part of the Target Equities; and
- (5) other matters as separately authorised or entrusted by China Shipping.

### **Term**

The initial term of the New Management Services Agreement is three years commencing from 1 September 2022 and ending on 31 August 2025.

The effective period of the New Management Services Agreement will be automatically extended for three years upon the expiry of the initial term, subject to the then relevant requirements of the listing rules of the place where the Company's shares are listed unless either China Shipping or the Company notifies the other party in writing one month prior to the end of the above initial term not to extend the term of the New Management Services Agreement. Under the premise of complying with the listing rules of the place where the Company's shares are listed, during the effective period of the new management service agreement, either party may notify the other party in writing one month in advance to cancel the agreement and terminate the implementation of the agreement.

## The Management Services Fee

Pursuant to the New Management Services Agreement, the Company shall be entitled to receive the management services fee, which is subject to a cap of RMB80,000,000 per annum and comprises:

- (1) Basic management service fee: RMB20,000,000 per annum;
- (2) Floating income fee: During the management service period, if the return on equity of the Target Equities exceeds the predetermined ratio, an additional floating income will be charged at a proportion of the excess income; and
- (3) If the return on equity of the Target Equities does not reach the predetermined ratio, the basic management service fee will be deducted at a proportion of the shortfall, whereas the maximum cap of the deduction amount is the basic management service fee for the whole year.

In addition, COSCO SHIPPING Investment shall be responsible for any reasonable third party costs incurred by the Company as a result of the provision of the management services during the term of the New Management Services Agreement.

### Basis of determining the management services fee

The management services fee payable under the New Management Services Agreement was agreed between the parties after arm's length negotiations with reference to (i) the prevailing market price and charging methodology adopted by independent fund managers for the management service of the assets; (ii) the estimated costs of the Company to provide the management services; (iii) the expected growth in the size and profitability of the existing net assets of COSCO SHIPPING Investment; and (iv) the establishment of a management service fee excess income sharing and loss deduction mechanism, which can play a role in assessment and as incentives.

### Historical transaction amounts and existing annual caps

The table below sets out the historical transaction amounts and the existing annual caps for the provision of management services by the Company to COSCO SHIPPING under the Management Services Agreement for the three years ending 31 December 2022:

For the year ended 31 December 2020		For the year ended 31 December 2021		For the year ending 31 December 2022	
Annual cap (RMB' 000)	Actual amount	Annual cap (RMB' 000)	Actual amount	Annual cap (RMB' 000)	Actual amount up to 30 June 2022
80,000	30,000	80,000	15,170	80,000	10,000

Note:

- (1) Pursuant to the Termination Agreement, the Management Services Agreement was duly terminated on 1 September 2022. For the avoidance of doubt, the actual amount of transactions under the Management Services Agreement and the New Management Services Agreement will not exceed the annual cap of RMB80,000,000 on an aggregate basis for the year ending 31 December 2022.

The Board confirms that, as at the date of this announcement, the existing annual cap for the provision of the management services by the Company to COSCO SHIPPING under the Management Services Agreement for the year ending 31 December 2022 has not been exceeded.

### **Proposed Annual Caps**

The table below sets out the proposed annual caps for transactions contemplated under the New Management Services Agreement for the three years ending 31 December 2024:

For the year ending 31 December 2022 RMB80,000,000<sup>(1)</sup>

For the year ending 31 December 2023 RMB80,000,000

For the year ending 31 December 2024 RMB80,000,000

*Note:*

- (1) For the avoidance of doubt, the actual amount of transactions under the Management Services Agreement and the New Management Services Agreement will not exceed the annual cap of RMB80,000,000 on an aggregate basis for the year ending 31 December 2022.

The Company will, in accordance with the requirements under the Listing Rules, announce the proposed annual caps for the transactions under the New Management Services Agreement and the subsequent renewed New Management Services Agreement for the year ending 31 December 2025 and thereafter in due course.

In arriving at the proposed annual caps for the provision of management services by the Company to China Shipping under the New Management Services Agreement, the Directors have considered:

- (i) the historical transaction amounts for the provision of management services by the Company to COSCO SHIPPING pursuant to the Management Services Agreement for the two years ended 31 December 2020 and 2021 and the six months ended 30 June 2022;
- (ii) the agreed cap for the management services fee of RMB80,000,000 under the New Management Services Agreement;
- (iii) the expected growth in the return on the net asset value of COSCO SHIPPING Investment;
- (iv) the prevailing market price and charging methodology adopted by independent fund managers for management services of the assets are basically in line with the fees charged under the New Management Services Agreement; and
- (v) the estimated costs of the Company to provide the management services.

## **REASONS FOR AND BENEFITS OF ENTERING INTO THE NEW MANAGEMENT SERVICES AGREEMENT**

The transactions under the New Management Services Agreement are in line with the Company's business strategy and future development plans. With the COSCO SHIPPING's vision of "building a world-class global integrated logistics supply chain service ecosystem" in mind, coupled with the Company as its business mainstay and the entrustment with the management of COSCO SHIPPING Investment, it is conducive to the establishment and development of COSCO SHIPPING's shipping industry and financing platform, thereby developing itself into an excellent world-class financial operator in the shipping industry with the characteristics of COSCO SHIPPING.

The New Management Services Agreement will facilitate the unified management of the assets held by COSCO SHIPPING Investment and the Group and will enhance economies of scale, which will increase efficiency and reduce costs. In addition, the Company will receive the management services fee, which will expand the revenue stream of the Company and enhance the financial position of the Company.

## **TERMINATION OF MANAGEMENT SERVICES AGREEMENT**

In order to further streamline the business management relationship and improve the specific details of the management services, COSCO SHIPPING, the Company and COSCO SHIPPING Investment entered into the Termination Agreement on 16 September 2022, pursuant to which, the Management Services Agreement entered into among COSCO SHIPPING, the Company and COSCO SHIPPING Investment was duly terminated on 1 September 2022.

COSCO SHIPPING Investment is a direct wholly-owned subsidiary of China Shipping, which is a direct wholly-owned subsidiary of COSCO SHIPPING. As the immediate sole shareholder of COSCO SHIPPING Investment, China Shipping has the right to directly transfer or dispose of the shareholder's rights. The Company believes that the engagement of the Company made by China Shipping to provide the management services in respect of COSCO SHIPPING Investment and the Target Equities is beneficial to streamlining the business management relationship and improving the specific details of the management services, therefore, the early termination of the Management Services Agreement is an appropriate arrangement.

As at the date of this announcement, COSCO SHIPPING, the Company or COSCO SHIPPING Investment has not violated the terms of the Management Services Agreement, and there was no dispute or disagreement in relation to the Management Services Agreement among COSCO SHIPPING, the Company and COSCO SHIPPING Investment during the term of the Management Services Agreement.

## **INFORMATION ON THE GROUP AND THE PARTIES TO THE MANAGEMENT SERVICES AGREEMENT AND THE TERMINATION AGREEMENT**

### **Information on the Group**

The Company is a joint stock company established under the laws of the PRC with limited liability, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange and the A Shares of which are listed on the Shanghai Stock Exchange.

With a focus on the integrated logistics industry, the Company will develop shipping leasing, container leasing container manufacturing business as the core business and shipping supply chain finance services as auxiliary business, and with the support from investment management, to achieve industry-finance integrated development.

## **Information on China Shipping**

China Shipping is a company incorporated under the laws of the PRC and a wholly-owned subsidiary of COSCO SHIPPING. It is a super-large integrated conglomerate with transnational operation, cross-industry, cross-region and cross-ownership operations and with shipping as its main business.

## **Information on COSCO Shipping**

COSCO Shipping is a company incorporated under the laws of the PRC and a state-owned enterprise wholly-owned and controlled by the State-owned Assets Supervision and Administration Commission of the State Council. The scope of business of COSCO SHIPPING includes international shipping transportation, ancillary international shipping business, import and export business of goods and technologies, international freight forwarding business, leasing of self-owned vessels, sales of vessels, containers and steel, and marine engineering, etc.

## **Information on COSCO SHIPPING Investment**

COSCO SHIPPING Investment is a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of China Shipping. Its main businesses include strategic investment and asset management based on the principle of integration of industry and finance.

## **IMPLICATIONS UNDER THE LISTING RULES**

As at the date of this announcement, China Shipping and its associates control or are entitled to exercise control over the voting rights in respect of 6,123,503,998 A Shares and 100,944,000 H Shares, representing approximately 45.81% of the total issued share capital of the Company. Accordingly, China Shipping is a controlling shareholder of the Company and therefore a connected person of the Company. COSCO SHIPPING Investment is a wholly-owned subsidiary of China Shipping and therefore an associate of COSCO SHIPPING. Accordingly, COSCO SHIPPING Investment is a connected person of the Company. As China Shipping is wholly-owned by COSCO SHIPPING, therefore, COSCO SHIPPING is an indirect controlling shareholder of the Company and therefore a connected person of the Company.

As one or more applicable percentage ratios in respect of each of the proposed annual caps for the three years ending 31 December 2024 under the New Management Services Agreement is more than 0.1% but less than 5%, the transactions contemplated under the New Management Services Agreement, together with the proposed annual caps for the three years ending 31 December 2024, constitute continuing connected transactions which are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As a result of the early termination of the continuing connected transactions under the Management Services Agreement, the Company is subject to the announcement requirements under Rule 14A.35 of the Listing Rules.

## CONFIRMATIONS OF THE BOARD

Mr. Liu Chong and Mr. Zhang Mingwen, both being executive Directors, and Mr. Huang Jian, Mr. Liang Yanfeng and Mr. Ip Sing Chi, all being non-executive Directors, hold directorship(s) or act as senior management in China Shipping and/or its associates, and were nominated by China Shipping to the Board. Accordingly, Mr. Liu Chong, Mr. Zhang Mingwen, Mr. Huang Jian, Mr. Liang Yanfeng and Mr. Ip Sing Chi have abstained from voting on the relevant Board resolutions approving the transactions contemplated under the New Management Services Agreement and the Termination Agreement. Save as aforementioned, none of the other Directors has a material interest in the transactions contemplated under the New Management Services Agreement and the Termination Agreement, and hence no other Director has abstained from voting on such Board resolutions.

The Board (including the independent non-executive Directors) considers that the New Management Services Agreement is entered into in the ordinary and usual course of business of the Company, and the terms of the New Management Services Agreement are fair and reasonable and on normal commercial terms and determined after arm's length negotiations between the parties. Accordingly, the transactions contemplated under the New Management Services Agreement and the proposed annual caps for the three years ending 31 December 2024 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board (including the independent non-executive Directors) considers that the Termination Agreement is fair and reasonable and on normal commercial terms, and is entered into in the ordinary and usual course of business of the Company, is in the interests of the Company and the Shareholders as a whole.

## DEFINITIONS

Unless the context requires otherwise, capitalised terms used in this announcement shall have the meanings as follow:

“A Share(s)”	the domestic share(s) in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
“associate (s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Company”	COSCO SHIPPING Development Co., Ltd.* (中遠海運發展股份有限公司), a joint stock limited company established in the PRC, the H Shares and A Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 2866) and the Shanghai Stock Exchange (Stock Code: 601866), respectively
“China Shipping”	China Shipping Group Company Limited# (中國海運集團有限公司), a PRC state-owned enterprise, the controlling shareholder of the Company and a wholly-owned subsidiary of COSCO SHIPPING



“COSCO SHIPPING”	China COSCO SHIPPING Corporation Limited# (中國遠洋海運集團有限公司), a PRC state-owned enterprise and an indirect controlling shareholder of the Company. As at the date of this announcement, COSCO SHIPPING is wholly-owned by the State-owned Assets Supervision and Administration Commission of the State Council
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“COSCO SHIPPING Investment”	COSCO SHIPPING Investment Holding Co., Ltd.# (中遠海運投資控股有限公司), formerly known as COSCO SHIPPING Financial Holdings Co., Ltd.# (中遠海運金融控股有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of China Shipping
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“H Share(s)”	the overseas listed foreign shares in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on Main Board of the Hong Kong Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Management Services Agreement”	the management services agreement dated 28 April 2017 entered into by and among COSCO SHIPPING, the Company and COSCO SHIPPING Investment in respect of the provision of the management services by the Company, details of which were set out in the announcement dated 28 April 2017 and the announcement dated 30 October 2019 of the Company
“New Management Services Agreement”	the new management services agreement dated 16 September 2022 entered into by and among China Shipping, the Company and COSCO SHIPPING Investment in respect of the provision of the management services by the Company
“PRC”	the People’s Republic of China which, for the purpose of this announcement, excludes the Hong Kong Special Administrative Region of the People’s Republic of China, the Macau Special Administrative Region of the People’s Republic of China and the region of Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“Target Equities”	the assets held directly or indirectly by China Shipping through COSCO SHIPPING Investment, including but not limited to COSCO SHIPPING Investment and its wholly-owned subsidiaries, companies which COSCO SHIPPING Investment has a controlling interest or actual control right, equity interests in certain enterprises and investment in other investment products
“Termination Agreement”	the termination agreement entered into by and among COSCO SHIPPING, the Company and COSCO SHIPPING Investment in respect of the early termination of the management services on 16 September 2022
“%”	per cent

By order of the Board  
**COSCO SHIPPING Development Co., Ltd.**  
**Cai Lei**  
*Joint Company Secretary*

Shanghai, the People’s Republic of China  
16 September 2022

*As at the date of this announcement, the Board comprises Mr. Liu Chong and Mr. Zhang Mingwen, being executive Directors, Mr. Huang Jian, Mr. Liang Yanfeng and Mr. Ip Sing Chi, being non-executive Directors, and Mr. Cai Hongping, Mr. Lu Jianzhong, Ms. Zhang Weihua and Mr. Shao Ruiqing, being independent non-executive Directors.*

\* *The Company is a non-Hong Kong company as defined under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and it is registered under its Chinese name and under the English name “COSCO SHIPPING Development Co., Ltd.”.*

# *For identification purposes only*