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中遠海運控股股份有限公司
COSCO SHIPPING Holdings Co., Ltd.*

(a joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 1919)

**MAJOR AND CONNECTED TRANSACTION –
VESSEL LEASING SERVICE MASTER AGREEMENT**

On 30 October 2020, COSCO SHIPPING Lines (a wholly-owned subsidiary of the Company) (as the lessee) and COSCO SHIPPING Development (as the lessor) entered into the Vessel Leasing Service Master Agreement, pursuant to which, the COSCO SHIPPING Lines Group has agreed to charter from the COSCO SHIPPING Development Group the 74 Vessels under bareboat charter for an aggregate lease payment of US\$4,618,343,445.

IMPLICATIONS OF THE LISTING RULES

Pursuant to HKFRS 16 Leases, the entering into of the Vessel Leasing Service Master Agreement by COSCO SHIPPING Lines as a lessee will require the Group to recognise the present value of aggregate lease payments under the Vessel Leasing Service Master Agreement in its consolidated financial statements as the Right-of-Use Asset. Thus, the entering into of the Vessel Leasing Service Master Agreement and the transactions contemplated thereunder are regarded as a deemed acquisition of asset under Rule 14.04(1)(a) for the purposes of Chapter 14 of the Listing Rules.

As one of the applicable percentage ratios in respect of the Vessel Leasing Service Master Agreement and the transactions contemplated thereunder exceeds 25% but is less than 100%, the Vessel Leasing Service Master Agreement and the transactions contemplated thereunder constitute a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, COSCO SHIPPING and its associates control or are entitled to exercise control over the voting rights in respect of 5,579,222,079 A Shares and 87,635,000 H Shares, representing approximately 46.22% of the total issued share capital of the Company. Accordingly, COSCO SHIPPING is an indirect controlling shareholder of the Company and therefore a connected person of the Company.

As COSCO SHIPPING is the indirect controlling shareholder of COSCO SHIPPING Development, COSCO SHIPPING Development is an associate of COSCO SHIPPING and therefore a connected person of the Company. Accordingly, the Vessel Leasing Service Master Agreement and the transactions contemplated thereunder also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As more than one of the applicable percentage ratios exceed 5%, the Vessel Leasing Service Master Agreement and the transactions contemplated thereunder constitute a non-exempt connected transaction of the Company and is subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Vessel Leasing Service Master Agreement and the transactions contemplated thereunder.

In this connection, the Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard under the Listing Rules.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further details of the Vessel Leasing Service Master Agreement and the transactions contemplated; (ii) the financial information of the Group; (iii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the Vessel Leasing Service Master Agreement and the transactions contemplated thereunder; (iv) a letter of advice from the Independent Financial Adviser advising the Independent Board Committee and the Independent Shareholders in respect of the Vessel Leasing Service Master Agreement and the transactions contemplated thereunder; and (v) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or around 16 November 2020.

COSCO SHIPPING and its associates, being connected persons of the Company and having material interest are required to abstain from voting in respect of the resolution(s) approving the Vessel Leasing Service Master Agreement and the transactions contemplated thereunder at the EGM. Save for the aforesaid and to the Directors' best knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, no other Shareholder has a material interest in the Vessel Leasing Service Master Agreement and the transactions contemplated thereunder and therefore no other Shareholder is required to abstain from voting at the EGM for the relevant resolutions.

INTRODUCTION

References are made to the announcement and the circular of the Company dated 11 December 2015 and 30 December 2015 respectively in relation to, among other things, the charter and lease of vessels by COSCO SHIPPING Development to the Company under the Assets Lease Framework Agreement. As the terms of the existing leases entered into pursuant to the Assets Lease Framework Agreement in respect of the 74 Vessels are due to expire, on 30 October 2020, COSCO SHIPPING Development (as the lessor) and COSCO SHIPPING Lines (as the lessee) entered into the Vessel Leasing Service Master Agreement, pursuant to which, the COSCO SHIPPING Lines Group has agreed to charter from the COSCO SHIPPING Development Group the 74 Vessels under bareboat charter.

VESSEL LEASING SERVICE MASTER AGREEMENT

The principal terms of the Vessel Leasing Service Master Agreement are as follows:

Date: 30 October 2020

Parties: (1) COSCO SHIPPING Lines (as the lessee); and
(2) COSCO SHIPPING Development (as the lessor).

Subject matter: Pursuant to the Vessel Leasing Service Master Agreement, the COSCO SHIPPING Development Group has agreed to provide vessel leasing services to the COSCO SHIPPING Lines Group in accordance with the following principles:

- (i) self-owned vessels of the COSCO SHIPPING Development Group will be chartered to the COSCO SHIPPING Lines Group under bareboat charter for a term commencing from 1 January 2021 and ending on the date on which the age of vessel is 25 years; and
- (ii) leased-in vessels of the COSCO SHIPPING Development Group will be chartered to the COSCO SHIPPING Lines Group under bareboat charter for a term commencing from 1 January 2021 and ending on the date on which the age of vessel is 25 years, and which shall comply with the requirements under the original bareboat charters between the COSCO SHIPPING Development Group and the original shipowners. The COSCO SHIPPING Development Group undertakes that written consent of the original shipowners or financing banks in respect of the sub-charter to the COSCO SHIPPING Lines Group (if necessary) has been obtained before signing of the Vessel Leasing Service Master Agreement and the COSCO SHIPPING Development Group will continue to be liable for the responsibilities and obligations under the relevant original bareboat charters or financing agreements.

Upon expiration of the terms of the relevant charters, the vessels shall be returned by the COSCO SHIPPING Lines Group to the COSCO SHIPPING Development Group.

Term: The Vessel Leasing Service Master Agreement will become effective on 1 January 2021 upon satisfaction of all the conditions set out below and the term of the Vessel Leasing Service Master Agreement is 20 years from the effective date.

The term of the Vessel Leasing Service Master Agreement of 20 years was determined with reference to the longest term of the bareboat charters proposed to be entered into pursuant to the Vessel Leasing Service Master Agreement, which will be approximately 20 years taking into account of the age of the 74 Vessels (being in the range from approximately 5.7 years to approximately 17.8 years as at 1 January 2021).

Vessels to be chartered: The vessels to be chartered under the Vessel Leasing Service Master Agreement are the 74 Vessels, comprising 70 self-owned Vessels and four leased-in Vessels of the COSCO SHIPPING Development Group, with a total capacity of 581,603 TEUs and an average age of approximately 12.2 years.

Specific lease contracts will be entered into by the parties in respect of the Vessels before 1 January 2021 in accordance with the Vessel Leasing Service Master Agreement.

Lease payments: Pursuant to the Vessel Leasing Service Master Agreement, the price for vessel leasing thereunder shall be determined based on the fair market price. For the purpose of determining the fair market price, the parties have jointly appointed Drewry, an independent shipping consultant, to conduct an assessment and provide its recommendation on the charter fee of the bareboat charters of the 74 Vessels under the Vessel Leasing Service Master Agreement.

Based on the abovementioned fair market price, the parties agreed that the aggregate lease payments payable by the COSCO SHIPPING Lines Group to the COSCO SHIPPING Development Group under the Vessel Leasing Service Master Agreement shall be US\$4,618,343,445, which shall be payable by instalments in accordance with the specific terms of the relevant vessel leasing contracts during the period of 20 years. Each of the lease payment instalments for each Vessel shall be settled in advance every 15 days during the term of the relevant charter.

The price for the vessel leasing under the Vessel Leasing Service Master Agreement was determined after arm's length negotiation between the parties on normal commercial terms with reference to the fair market price as determined by Drewry as set out in the Drewry Report.

Drewry is a leading independent provider of research and consulting services for the maritime and shipping industry, and employs about 100 professionals across an international network of offices in London, Delhi, Singapore and Shanghai. In determining the fair market price for the proposed bareboat charters of the 74 Vessels (including 70 self-owned Vessels and four leased-in Vessels of the COSCO SHIPPING Development Group) under the Vessel Leasing Service Master Agreement, (i) with respect to Vessels with a capacity of over 9,000 TEUs, Drewry advised to apply the book value method to determine the charter rate, as there is no active leasing market for vessels with a capacity of over 9,000 TEUs and therefore, no reference can be made; and (ii) with respect to Vessels with a capacity of below 9,000 TEUs, Drewry advised to apply the market charter rate approach to determine the charter rate based on the historical time charter rate for similar types of vessels from Clarksons Research for the previous three years, less daily operating costs. The assumptions applied by Drewry include, among other things, (i) the type of lease being bareboat charter; (ii) the term of the charter being from 1 January 2021 until the age of the Vessels reaches 25 years; (iii) the carrying amount of the Vessels being based on the book value of the Vessels of COSCO SHIPPING Development (with respect to Vessels with a capacity of over 9,000 TEUs only); and (iv) the residual value of the Vessels when reaching 25 years being calculated in accordance with scraping prices, being US\$366 per light displacement tonnage per Vessel (with respect to Vessels with a capacity of over 9,000 TEUs only).

A summary of the Drewry Report will be set out in the circular in relation to, among other things, the Vessel Leasing Service Master Agreement and the transactions contemplated thereunder to be despatched to the Shareholders in due course.

Effectiveness of the Vessel Leasing Service Master Agreement:

The effectiveness of the Vessel Leasing Service Master Agreement is subject to the following conditions:

- (i) the Vessel Leasing Service Master Agreement having been duly executed by COSCO SHIPPING Lines and COSCO SHIPPING Development; and
- (ii) the approval procedures in respect of the execution and performance of the Vessel Leasing Service Master Agreement in accordance with the articles of association, applicable laws and regulations and the listing rules having been completed by COSCO SHIPPING Lines and COSCO SHIPPING Development.

If any of the above conditions is not satisfied before 31 December 2020, the Vessel Leasing Service Master Agreement shall be terminated and the parties shall not be liable for each other (save for intentional or gross negligence).

FINANCIAL EFFECTS OF THE VESSEL LEASING SERVICE MASTER AGREEMENT

Pursuant to HKFRS 16 Leases, the Group will initially recognise the Right-of-Use Asset at cost, comprising the initial amount of any lease liability plus any initial direct costs incurred. The value of the Right-of-Use Asset under the Vessel Leasing Service Master Agreement to be recognised by the Group in its consolidated financial statements is approximately RMB23,531 million, which is calculated based on the aggregated present values of lease payments discounted using the Group's incremental borrowing rate and current exchange rate of RMB against the U.S. dollar. The Right-of-Use Asset is a preliminary assessment and is subject to finalisation of discount rate and exchange rate of RMB against the U.S. dollar to be used at the effective date of the Vessel Leasing Service Master Agreement.

INFORMATION ON THE VESSELS

The 74 Vessels are container vessels with a total capacity of 581,603 TEUs and an average age of approximately 12.2 years. 49 Vessels have a capacity of below 9,000 TEUs and 25 Vessels have a capacity of more than 9,000 TEUs.

REASONS FOR AND BENEFITS OF ENTERING INTO THE VESSEL LEASING SERVICE MASTER AGREEMENT

The COSCO SHIPPING Lines Group, is primarily engaged in international and domestic container shipping and related businesses. Adhering to “globalization, dual brands, digitization and end-to-end” as its core strategies, COSCO SHIPPING Lines is committed to improving quality and efficiency, deepening coordination, continuously strengthening the ability to create value for customers and continuing to build a world-class container liner company. After the lease of the 74 container vessels from the COSCO SHIPPING Development Group, the Vessels would be managed as the Group's self-owned vessels, and therefore, the self-owned vessel capacity of the Group in the fleet will be greatly increased. The Group can take advantage of the expanded size of its self-owned fleet and the resulting advantage of bulk purchase bargaining to further reduce the fleet's operating costs and realize economies of scale and synergy, thus further reducing route network costs while enhancing route market competitiveness, laying a favorable cost foundation for the Group's future operating efficiency. It can optimize the Group's fleet structure, enhance the stability and overall competitiveness of the fleet capacity while improving the stability of route services to provide better quality of services for customers.

The executive Directors, namely, Mr. Xu Lirong, Mr. Yang Zhijian and Mr. Feng Boming, as Directors nominated by COSCO (a direct controlling shareholder of the Company and a wholly-owned subsidiary of COSCO SHIPPING), have abstained from voting on the resolution(s) of the Board for approving the Vessel Leasing Service Master Agreement and the transactions contemplated thereunder pursuant to the Articles of Association. Other than the abovementioned Directors, the remaining Directors are independent non-executive Directors and none of them has a material interest in the Vessel Leasing Service Master Agreement and the transactions contemplated thereunder and is required to abstain from voting on the relevant resolution(s). The independent non-executive Directors will express their views on the Vessel Leasing Service Master Agreement and the transactions contemplated thereunder in the circular after considering the advice of the Independent Financial Adviser.

INFORMATION ON THE GROUP AND THE COSCO SHIPPING DEVELOPMENT

Information on the Group

The Company is 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 Hong Kong Stock Exchange and the A shares of which are listed on the Shanghai Stock Exchange.

The Group provides a wide range of container shipping and terminal services covering the whole shipping value chain for both international and domestic customers.

Information on COSCO SHIPPING Lines

COSCO SHIPPING Lines is a joint stock limited company established under the laws of the PRC with limited liability and is a wholly-owned subsidiary of the Company.

COSCO SHIPPING Lines Group is principally engaged in international and domestic container shipping and related businesses.

Information on COSCO SHIPPING Development

COSCO SHIPPING Development is a joint stock limited 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.

COSCO SHIPPING Development Group is principally engaged in shipping and industry-related leasing businesses, manufacturing of containers and provision of investment and financial services.

IMPLICATIONS OF THE LISTING RULES

Pursuant to HKFRS 16 Leases, the entering into of the Vessel Leasing Service Master Agreement by COSCO SHIPPING Lines as a lessee will require the Group to recognise the present value of aggregate lease payments under the Vessel Leasing Service Master Agreement in its consolidated financial statements as the Right-of-Use Asset. Thus, the entering into of the Vessel Leasing Service Master Agreement and the transactions contemplated thereunder are regarded as a deemed acquisition of asset under Rule 14.04(1)(a) for the purposes of Chapter 14 of the Listing Rules.

As one of the applicable percentage ratios in respect of the Vessel Leasing Service Master Agreement and the transactions contemplated thereunder exceeds 25% but is less than 100%, the Vessel Leasing Service Master Agreement and the transactions contemplated thereunder constitute a major transaction for the Company under Chapter 14 of the Listing Rules and is subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, COSCO SHIPPING and its associates control or are entitled to exercise control over the voting rights in respect of 5,579,222,079 A Shares and 87,635,000 H Shares, representing approximately 46.22% of the total issued share capital of the Company. Accordingly, COSCO SHIPPING is an indirect controlling shareholder of the Company and therefore a connected person of the Company.

As COSCO SHIPPING is the indirect controlling shareholder of COSCO SHIPPING Development, COSCO SHIPPING Development is an associate of COSCO SHIPPING and therefore a connected person of the Company. Accordingly, the Vessel Leasing Service Master Agreement and the transactions contemplated thereunder also constitute a connected transaction of the Company under Chapter 14A of the Listing Rules.

As more than one of the applicable percentage ratios exceed 5%, the Vessel Leasing Service Master Agreement and the transactions contemplated thereunder constitute a non-exempt connected transaction of the Company and is subject to the reporting, announcement, circular and the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders on the Vessel Leasing Service Master Agreement and the transactions contemplated thereunder.

In this connection, the Independent Financial Adviser has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in this regard under the Listing Rules.

DESPATCH OF CIRCULAR

A circular containing, among other things, (i) further details of the Vessel Leasing Service Master Agreement and the transactions contemplated thereunder; (ii) the financial information of the Group; (iii) a letter from the Independent Board Committee containing its opinion and recommendations to the Independent Shareholders in respect of the Vessel Leasing Service Master Agreement and the transactions contemplated thereunder; (iv) a letter of advice from the Independent Financial Adviser advising the Independent Board Committee and the Independent Shareholders in respect of the Vessel Leasing Service Master Agreement and the transactions contemplated thereunder; and (v) other information as required under the Listing Rules is expected to be despatched to the Shareholders on or around 16 November 2020.

COSCO SHIPPING and its associates, being connected persons of the Company and having material interest are required to abstain from voting in respect of the resolution(s) approving the Vessel Leasing Service Master Agreement and the transactions contemplated thereunder at the EGM. Save for the aforesaid and to the Directors' best knowledge, information and belief and having made all reasonable enquiries, as at the date of this announcement, no other Shareholder has a material interest in the Vessel Leasing Service Master Agreement and the transactions contemplated thereunder and therefore no other Shareholder is required to abstain from voting at the EGM for the relevant resolutions.

WARNING

Shareholders and potential investors should note that the effectiveness of the terms of the Vessel Leasing Service Master Agreement are subject to, among other things, the satisfaction of certain conditions under the Vessel Leasing Service Master Agreement, including the Independent Shareholders' approval and therefore, the Vessel Leasing Service Master Agreement and the transactions contemplated thereunder may or may not proceed. Accordingly, Shareholders and potential investors are reminded to exercise caution when dealing in the shares of the Company.

DEFINITIONS

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

“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
“Articles of Association”	the articles of association of the Company as amended, revised or supplemented from time to time
“Assets Lease Framework Agreement”	the assets lease framework agreement dated 11 December 2015 entered into between the Company and COSCO SHIPPING Development in respect of the charter and lease of vessels and containers by the COSCO SHIPPING Development to the Company
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	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)
“COSCO”	China Ocean Shipping Company Limited* (中國遠洋運輸有限公司), a PRC state-owned enterprise, the direct 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 the indirect controlling Shareholder
“COSCO SHIPPING Development”	COSCO SHIPPING Development Co., Ltd.* (中遠海運發展股份有限公司), 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: 2866) and the A shares of which are listed on the Shanghai Stock Exchange in the PRC (Stock Code: 601866)
“COSCO SHIPPING Lines”	COSCO SHIPPING Lines Co., Ltd.* (中遠海運集裝箱運輸有限公司), a company established in the PRC and a wholly-owned subsidiary of the Company

“COSCO SHIPPING Development Group”	COSCO SHIPPING Development and/or its subsidiaries and/or its associates
“COSCO SHIPPING Lines Group”	COSCO SHIPPING Lines and/or its subsidiaries and/or its associates
“Director(s)”	director(s) of the Company
“Drewry”	Drewry Shipping Consultant Ltd., an independent consultant specialized in shipping industry jointly engaged by COSCO SHIPPING Lines and COSCO SHIPPING Development
“Drewry Report”	the rental assessment report dated 19 October 2020 issued by Drewry in respect of the 74 Vessels
“EGM”	the extraordinary general meeting of the Company to be held to, among other things, consider, and if thought fit, approve the Vessel Leasing Service Master Agreement and the transactions contemplated thereunder
“Group”	the Company and/or its subsidiaries and/or its associates
“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 the Main Board of the Hong Kong Stock Exchange
“HKFRS”	Hong Kong Financial Reporting Standard
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising Mr. YANG, Liang Yee Philip, Mr. WU Dawei, Mr. ZHOU Zhonghui and Mr. TEO Siong Seng, all being independent non-executive Directors
“Independent Financial Adviser”	First Shanghai Capital Limited (第一上海融資有限公司), a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the Vessel Leasing Service Master Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than those who are required by the Listing Rules to abstain from voting on the resolution(s) approving the Vessel Leasing Service Master Agreement and the transactions contemplated thereunder
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“percentage ratios”	has the meaning ascribed to it under the Listing Rules

“PRC”	the People’s Republic of China which, for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Right-of-Use Asset”	an asset representing the value of the Group’s right (as lessee) under the Vessel Leasing Service Master Agreement in its consolidated financial statements pursuant to HKFRS 16 Leases
“RMB”	Reminbi, the lawful currency of the PRC
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TEU(s)”	twenty-foot equivalent unit(s), a standard unit of measurement of the volume of a container with a length of 20 feet, a height of eight feet and six inches and a width of eight feet
“US\$”	United States dollars, the lawful currency of the United States of America
“Vessels”	the 74 container vessels with a total capacity of 581,603 TEUs, which are proposed to be chartered to the COSCO SHIPPING Lines Group by the COSCO SHIPPING Development Group under the Vessel Leasing Service Master Agreement
“Vessel Leasing Service Master Agreement”	the vessel leasing service master agreement dated 30 October 2020 entered into between the COSCO SHIPPING Lines and COSCO SHIPPING Development
“%”	per cent

By Order of the Board
COSCO SHIPPING Holdings Co., Ltd.
Guo Huawei
Company Secretary

Shanghai, the People’s Republic of China
30 October 2020

As at the date of this announcement, the directors of the Company are Mr. XU Lirong¹ (Chairman), Mr. YANG Zhijian¹, Mr. FENG Boming¹, Mr. YANG, Liang Yee Philip², Mr. WU Dawei², Mr. ZHOU Zhonghui² and Mr. TEO Siong Seng².

¹ *Executive Director*

² *Independent non-executive Director*

* *For identification purposes only*