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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)

CONTINUING CONNECTED TRANSACTIONS — MASTER CONTAINER SERVICES AGREEMENT

On 27 July 2018, the Company and Pacific International Lines entered into the Master Container Services Agreement.

Mr. Teo Siong Seng (an independent non-executive Director), together with his family members (as defined in Rule 14A.12(2)(a) of the Hong Kong Listing Rules), is able to control the composition of the majority of the board of directors of Pacific International Lines. Accordingly, Pacific International Lines is a connected person of the Company and the transactions under the Master Container Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios for the proposed annual caps for the two years ending 31 December 2019 in respect of the transactions contemplated under the Master Container Services Agreement exceed 0.1% but are all less than 5%, such transactions and the proposed annual caps for such transactions are subject to the reporting, annual review and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

INTRODUCTION

On 27 July 2018, the Company and Pacific International Lines entered into the Master Container Services Agreement.

MASTER CONTAINER SERVICES AGREEMENT

Particulars of the Master Container Services Agreement are set forth below:

- Parties: (1) the Company (for itself and/or on behalf of its subsidiaries and/or associates); and
(2) Pacific International Lines (for itself and/or on behalf of its subsidiaries and/or associates)
- Term: The Master Container Services Agreement shall be for a term commencing on 27 July 2018 and expiring on 31 December 2019.
- Nature of transaction: Provision of container services by the Pacific International Lines Group to the Group, including container manufacturing and container-related ancillary services such as maintenance.
- Pricing policy: Under the Master Container Services Agreement, the prices for the provision of container services shall be determined based on the corresponding market price and other trading conditions (if any) (being the price and other trading conditions (if any) required by an independent third party providing similar products and/or services in the same or nearby area under normal commercial terms in the ordinary course of business) in accordance with the principles of fairness and reasonableness.

Proposed Annual Caps and Basis of Determination of Annual Caps

The proposed annual caps for the transactions contemplated by the Master Container Services Agreement for the two years ending 31 December 2019 are set out as follows:

For the year ending 31 December 2018 <i>(RMB'000)</i>	For the year ending 31 December 2019 <i>(RMB'000)</i>
1,450,000	1,450,000

The above proposed annual caps were determined with reference to the following factors: (i) the expected future growth rate of the container shipping business of OOIL; (ii) the replacement plan of the old containers of OOIL; (iii) the historic figures of the number of newly manufactured containers of OOIL allocated to different manufacturers; and (iv) the forecast for the unit price of containers in the future.

REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER CONTAINER SERVICES AGREEMENT

The Group is principally engaged in container shipping and terminal businesses, while the main businesses of Pacific International Lines are shipping, container manufacturing, freight forwarding, warehousing, logistics and yard etc. Upon completion of the voluntary general cash offer for all the shares of OOIL, OOIL has become a subsidiary of the Company. Pacific International Lines has a good corporate brand and reputation in the domestic and international container manufacturing, procurement and maintenance market. OOIL has long-term and continuous transactions with Pacific International Lines for the purchase and maintenance of containers. To reduce operating costs, the Group plans to purchase containers and container maintenance services from Pacific International Lines from time to time in accordance with the terms and conditions stipulated in the Master Container Services Agreement based on the actual operations of the Group in order to meet its own operational needs.

The Directors (including the independent non-executive Directors) are of the view that the terms of the Master Container Services Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

INFORMATION ON THE PARTIES TO THE MASTER CONTAINER SERVICES AGREEMENT

The Company was established in the PRC on 3 March 2005. The Company, through its various subsidiaries, provides a wide range of container shipping and terminals services covering the whole shipping value chain for both international and domestic customers.

Pacific International Lines is a company incorporated in Singapore with limited liability. Its principal business activities are to carry out activities in respect of vessels owned or operated by Pacific International Lines, including soliciting cargo, issuing bills of landing, settling freight charges and entering into service contracts.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

Mr. Teo Siong Seng (an independent non-executive Director), together with his family members (as defined in Rule 14A.12(2)(a) of the Hong Kong Listing Rules), is able to control the composition of the majority of the board of directors of Pacific International Lines. Accordingly, Pacific International Lines is a connected person of the Company and the transactions under the Master Container Services Agreement constitute continuing connected transactions for the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios for the proposed annual caps for the two years ending 31 December 2019 in respect of the transactions contemplated under the Master Container Services Agreement exceed 0.1% but are all less than 5%, such transactions and the proposed annual caps for such transactions are subject to the reporting, annual review and announcement requirements but are exempt from the independent Shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

Mr. Teo Siong Seng has abstained from voting on the resolution of the Board to consider and approve the transactions under the Master Container Services Agreement pursuant to the articles of association of the Company. Save as disclosed above, none of the Directors has a material interest in the transactions under the Master Container Services Agreement and was required to abstain from voting on the relevant resolution.

IMPLICATIONS UNDER THE SHANGHAI LISTING RULES

Pursuant to the Shanghai Listing Rules, transactions conducted with the same connected person within 12 consecutive months are required to be aggregated in calculation. As the estimated transaction amount with Pacific International Lines aggregated in calculation for 12 consecutive months ending 31 December 2019 will be above RMB30 million and are expected to exceed 5% of the absolute value of the latest audited net assets of the Group, the proposed annual caps for the two years ending 31 December 2019 in respect of the transactions contemplated under the Master Container Services Agreement are subject to the approval of the independent Shareholders. Accordingly, despite that the Master Container Services Agreement and the proposed annual caps thereunder are not required to be approved by the independent Shareholders under the Hong Kong Listing Rules, an ordinary resolution will be proposed at the forthcoming extraordinary general meeting of the Company for the independent Shareholders to consider and, if thought fit, approve the Master Container Services Agreement and the proposed annual caps thereunder.

INTERNAL CONTROL PROCEDURES

In addition to the annual review by the auditors and independent non-executive Directors pursuant to the requirements of Chapter 14A of the Hong Kong Listing Rules, as part of the internal controls systems of the Group to ensure that the transactions between the Group and Pacific International Lines conducted in accordance with the pricing policy under the Master Container Services Agreement, the Company will implement the following internal control arrangements:

- (i) The Company will regularly examine the pricing of transactions under the Master Container Services Agreement to ensure that the continuing connected transactions under the Master Container Services Agreement are conducted in accordance with the pricing terms thereof, including reviewing the transaction records of the Company for the provision of similar services by independent third parties.
- (ii) The Company will regularly convene meetings to discuss issues in the transactions under the Master Container Services Agreement and recommendations for improvement.
- (iii) The relevant department of the Company will summarize the transaction amounts incurred under the Master Container Services Agreement regularly on a monthly basis and report to the management of the Company. The management and the competent departments of the Company can be informed of the status of the transactions under the Master Container Services Agreement in a timely manner such that the transactions can be conducted within the annual caps.

The Board is of the view that the above methods and procedures can ensure that the pricing and other contract terms for the continuing connected transactions of the Group are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders and that the continuing connected transactions are conducted as agreed in the Master Container Services Agreement and in compliance with Chapter 14A of the Hong Kong Listing Rules.

DEFINITIONS

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

“Board”	the board of Directors
“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)
“Director(s)”	director(s) of the Company
“Group”	the Company and/or its subsidiaries and/or associates
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Master Container Services Agreement”	the master container services agreement dated 27 July 2018 entered into between the Company and Pacific International Lines in relation to the provision of container services by the Pacific International Lines Group to the Group
“OOIL”	Orient Overseas International Limited, a company incorporated in Bermuda with limited liability and listed on the Main Board of the Stock Exchange (stock code: 316), which is a non-wholly owned subsidiary of the Company
“Pacific International Lines”	Pacific International Lines Pte Ltd, a limited liability company incorporated in Singapore
“Pacific International Lines Group”	Pacific International Lines and/or its subsidiaries and/or associates

“PRC”	the People’s Republic of China which, for the purpose of this announcement excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Listing Rules”	the Rules Governing the Listing of Stocks on Shanghai Stock Exchange
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
%	per cent

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

Shanghai, the People’s Republic of China
27 July 2018

As at the date of this announcement, the directors of the Company are Mr. HUANG Xiaowen¹ (Vice Chairman), Mr. WANG Haimin¹, Mr. ZHANG Wei (張為)¹, Mr. FENG Boming², Mr. ZHANG Wei (張煒)², Mr. CHEN Dong², Mr. YANG, Liang Yee Philip³, Mr. WU Dawei³, Mr. ZHOU Zhonghui³ and Mr. TEO Siong Seng³.

1 Executive Director

2 Non-executive Director

3 Independent non-executive Director

** For identification purpose only*