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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)

CONNECTED TRANSACTION
VESSEL BUILDING CONTRACTS

VESSEL BUILDING CONTRACTS

The Board is pleased to announce that on 18 March 2022, Shanghai Xinyuan, a wholly-owned subsidiary of the Company, entered into the Vessel Building Contracts with COSCO SHIPPING Yangzhou, pursuant to which COSCO SHIPPING Yangzhou shall design, build, launch, test, equip, complete and sell, and Shanghai Xinyuan shall purchase, the Electric Vessels at the aggregate consideration of RMB116.0 million.

IMPLICATIONS UNDER THE LISTING RULES

As COSCO SHIPPING Yangzhou is an indirect wholly-owned subsidiary of COSCO SHIPPING, it is an associate of COSCO SHIPPING and therefore a connected person of the Company. According, the Vessel Building Contracts and the transactions contemplated thereunder constitute connected transactions of the Company under the Listing Rules.

As one or more applicable percentage ratios calculated in accordance with the Listing Rules exceed 0.1% but are less than 5%, the entering into of the Vessel Building Contracts and the transactions contemplated thereunder is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that on 18 March 2022, Shanghai Xinyuan, a wholly-owned subsidiary of the Company, entered into the Vessel Building Contracts with COSCO SHIPPING Yangzhou, pursuant to which COSCO SHIPPING Yangzhou shall design, build, launch, test, equip, complete and sell, and Shanghai Xinyuan shall purchase, the Electric Vessels at the aggregate consideration of RMB116.0 million.

VESSEL BUILDING CONTRACTS

Date: 18 March 2022

Parties: Shanghai Xinyuan (as purchaser)

COSCO SHIPPING Yangzhou (as vendor)

Assets to be Acquired: Pursuant to the Vessel Building Contracts, COSCO SHIPPING Yangzhou shall design, build, launch, test, equip, complete and sell, and Shanghai Xinyuan shall purchase, the Electric Vessels.

Consideration and Payment Term: The aggregate consideration payable for two Electric Vessels under the Vessel Building Contracts is RMB116.0 million.

The consideration for each Electric Vessel under their respective Vessel Building Contract will be payable in five instalments in an aggregate of RMB58.0 million in accordance with the following manner:

- (a) First instalment: upon signing such Vessel Building Contract, RMB17.4 million (representing 30% of the total consideration for such Electric Vessel) would be payable;
- (b) Second instalment: when commencing building of such Electric Vessel, RMB11.6 million (representing 20% of the total consideration for such Electric Vessel) would be payable;
- (c) Third instalment: when keeling such Electric Vessel, RMB11.6 million (representing 20% of the total consideration for such Electric Vessel) would be payable;
- (d) Fourth instalment: when launching such Electric Vessel, RMB5.8 million (representing 10% of the total consideration for such Electric Vessel) would be payable; and
- (e) Fifth instalment: when delivering such Electric Vessel, RMB11.6 million (representing 20% of the total consideration for such Electric Vessel) would be payable.

The consideration for each Electric Vessel is subject to adjustments in the event of: (i) any delay in the delivery of such Electric Vessel; (ii) insufficient speed of such Electric Vessel; and/or (iii) insufficient deadweight of such Electric Vessel. The aforesaid adjustments shall be settled together with the foregoing fifth instalment.

The said consideration was agreed after arm's length negotiations between the parties by reference to the market price for building similar vessels in the PRC, which the Group is aware of. The said consideration will be funded from internal resources of the Group.

Refund Term: In the event that Shanghai Xinyuan refuses to accept such Electric Vessel upon terms and conditions of such Vessel Building Contract, Shanghai Xinyuan shall send a written notice of termination to COSCO SHIPPING Yangzhou in respect of such Vessel Building Contract and COSCO SHIPPING Yangzhou shall remit all payments for such Electric Vessel paid by Shanghai Xinyuan so far to Shanghai Xinyuan. If the termination of such Vessel Building Contract is due to failure of such Electric Vessel to meet certain specifications or failure to fulfil the delivery schedule as set out in such Vessel Building Contract, the amount of refund shall be subject to a 5% annualized interest rate accrued from the respective payment date(s) for the aforesaid instalments to the actual refund date.

Delivery Time: The delivery time of the first Electric Vessel shall be 19 months from the effective date such Vessel Building Contract.

The delivery time of the second Electric Vessel shall be 21 months from the effective date such Vessel Building Contract.

Quality Warranty: Pursuant to the Vessel Building Contracts, COSCO SHIPPING Yangzhou guarantees the principal dimensions and performance (including speed and deadweight) of the Electric Vessels.

Under the Vessel Building Contracts, COSCO SHIPPING Yangzhou shall provide warranty services to Shanghai Xinyuan against all Defect(s) of the Electric Vessels and other equipment provided by COSCO SHIPPING Yangzhou under the Vessel Building Contracts, provided that: (i) such Defect(s) arise within 12 months from the date such Electric Vessel is delivered to Shanghai Xinyuan; and (ii) such Defect(s) are not the result of fire or other accidents or any misuse by Shanghai Xinyuan.

REASONS FOR AND BENEFITS OF ENTERING INTO THE VESSEL BUILDING CONTRACTS

With a focus on the integrated logistics industry, the Company will develop container manufacturing, container leasing and shipping leasing business as the core business and shipping supply chain finance services as auxiliary business, with a view to pursuing industry-finance integrated development underpinned by investment. With market-oriented approaches, professional strengths and an international vision, the Company aspires to grow into an excellent financial operator in the shipping industry with COSCO SHIPPING characteristics.

Through focusing on the electric vessel industry chain, the Company builds advanced zero-carbon smart vessels, and is committed to improving the ability to develop and manufacture marine power battery containers for the development of the vessel charging and battery replacement network in key domestic waters. In addition, the Company explores the high-end special container business and ancillary sectors of green energy, so as to achieve the synergetic development in the industry chain by joint equity investment in enterprises and strategic partners.

It is proposed that immediately after the delivery of the Electric Vessels, Shanghai PAN-ASIA will charter-in the Electric Vessels from the Group. The Electric Vessels will be used by Shanghai PAN-ASIA for the liner route from Wuhan to Shanghai carrying container cargo. The proposed term of the time charter party in respect of the Electric Vessel is expected to be one year plus or minus 15 days, which will be automatically renewed if none of the parties provide written notice for termination prior to the expiry of the time charter party. The fees for the time charter party will be determined annually.

As Shanghai PAN-ASIA is indirectly controlled by COSCO SHIPPING, the abovementioned time charter party, when materialized, will constitute a continuing connected transaction of the Company. The Group will ensure that the abovementioned time charter party and the transactions contemplated thereunder be conducted within the applicable annual caps for the provision of vessel chartering services under a master vessel charter agreement as approved by the independent shareholders of the Company.

In light of the above, the Board (including the independent non-executive Directors) believes that the terms of the transactions contemplated under the Vessel Building Contracts are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders as a whole.

INFORMATION ON THE GROUP AND THE PARTIES TO THE VESSEL BUILDING CONTRACTS

Information on the Group

The Company 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 Stock Exchange and the A Shares of which are listed on the Shanghai Stock Exchange.

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

Information on Shanghai Xinyuan

Shanghai Xinyuan is a limited company established under the laws of the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. It is principally engaged in the business of financial leasing of vessels.

Information on COSCO SHIPPING Yangzhou

COSCO SHIPPING Yangzhou is a company established in the PRC with limited liability. It is a wholly-owned subsidiary of COSCO SHIPPING Heavy Industry.

COSCO SHIPPING Heavy Industry is a company established in the PRC with limited liability and a wholly-owned subsidiary of COSCO SHIPPING. It is principally engaged in ship and marine equipment manufacturing, repair and modifications and auxiliary services.

Information on COSCO SHIPPING

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

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, 47,570,789 A Shares, representing approximately 0.35% of the total issued share capital of the Company, are held by COSCO SHIPPING, 4,628,015,690 A Shares, representing approximately 34.06% of the total issued share capital of the Company, are held by China Shipping, a wholly-owned subsidiary of COSCO SHIPPING, 1,447,917,519 A Shares, representing approximately 10.66% of the total issued share capital of the Company, are held by COSCO SHIPPING Investment, an indirect wholly-owned subsidiary of COSCO SHIPPING, and 100,944,000 H Shares, representing approximately 0.74% of the total issued share capital of the Company, are held by Ocean Fortune Investment Limited, a wholly-owned subsidiary of COSCO SHIPPING Investment. Therefore, COSCO 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, COSCO SHIPPING is an indirect controlling shareholder of the Company and therefore a connected person of the Company.

As COSCO SHIPPING Yangzhou is an indirect wholly-owned subsidiary of COSCO SHIPPING, it is an associate of COSCO SHIPPING and therefore a connected person of the Company. Accordingly, the Vessel Building Contracts and the transactions contemplated thereunder constitute connected transactions of the Company under the Listing Rules.

As one or more applicable percentage ratios calculated in accordance with the Listing Rules in respect of Vessel Building Contracts exceed 0.1% but are less than 5%, the entering into of the Vessel Building Contracts and the transactions contemplated thereunder is subject to the reporting and announcement requirements but is exempt from the independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, all 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 COSCO SHIPPING and/or its associates, and were nominated by China Shipping to the Board. Accordingly, Mr. Wang Daxiong, Mr. Liu Chong, Mr. Xu Hui, Mr. Huang Jian, Mr. Liang Yanfeng and Mr. Ip Sing Chi have therefore abstained from voting on the relevant Board resolutions approving the Vessel Building Contracts and the transactions contemplated thereunder. Save as aforementioned, none of the other Directors has a material interest in the Vessel Building Contracts and the transactions contemplated thereunder. Therefore, no other Director has abstained from voting on such Board resolutions.

DEFINITIONS

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

“A Shares”	the domestic invested shares of the Company, with a nominal value of RMB1.00 each
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“China Shipping”	China Shipping (Group) Company Limited# (中國海運集團有限公司), a PRC state-owned enterprise and the controlling shareholder 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 under the laws of the PRC, of which 3,676,000,000 H Shares are listed on the Stock Exchange and 9,910,477,301 A Shares are listed on the Shanghai Stock Exchange
“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”	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
“COSCO SHIPPING Heavy Industry”	COSCO SHIPPING Heavy Industry Co., Ltd.# (中遠海運重工有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of COSCO SHIPPING
“COSCO SHIPPING Investment”	COSCO SHIPPING Investment Holdings 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 an indirect wholly-owned subsidiary of COSCO SHIPPING
“COSCO SHIPPING Yangzhou”	COSCO SHIPPING Heavy Industry (Yangzhou) Co., Ltd.# (揚州中遠海運重工有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of COSCO SHIPPING
“Defect(s)”	any defects or deviations caused by deficiency of material or shoddy workmanship of COSCO SHIPPING Yangzhou
“Directors”	the directors of the Company

“Electric Vessel(s)”	the two electric container vessels, each with a capacity of 700 TEU, to be acquired by Shanghai Xinyuan from COSCO SHIPPING Yangzhou under the Vessel Building Contracts
“Group”	the Company and its subsidiaries
“H Shares”	overseas listed foreign shares of the Company, with a nominal value of RMB1.00 each
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“percentage ratios”	has the meaning ascribed to such term under the Listing Rules
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai PAN-ASIA”	Shanghai PAN-ASIA Shipping Co., Ltd.# (上海泛亞航運有限公司), a company established in the PRC with limited liability and a company indirectly controlled by COSCO SHIPPING
“Shanghai Xinyuan”	Shanghai Xinyuan Haiji Financial Leasing Co., Ltd.# (上海新遠海集融資租賃有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Share(s)”	A Share(s) and H Share(s)
“Shareholders”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TEU”	twenty-foot equivalent units, a standard unit of measurement of the volume of a container with a length of 20 feet, height of 8 feet and 6 inches and width of 8 feet

“Vessel Building Contracts”

the two vessel building contracts in respect of the Electric Vessels entered into between Shanghai Xinyuan and COSCO SHIPPING Yangzhou dated 18 March 2022, pursuant to each of which COSCO SHIPPING Yangzhou shall design, build, launch, test, equip, complete and sell, and Shanghai Xinyuan shall purchase, an Electric Vessel

“%”

per cent

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

Shanghai, the People’s Republic of China
18 March 2022

As at the date of this announcement, the Board comprises Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, 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 registered 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.