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COSCO SHIPPING Ports Limited **中遠海運港口有限公司**

(Incorporated in Bermuda with limited liability)
(Stock Code: 1199)

DISCLOSEABLE TRANSACTION SUBSCRIPTION FOR SHARES IN TERMINALES PORTUARIOS CHANCAY S.A.

SUBSCRIPTION FOR SHARES IN TERMINALES PORTUARIOS CHANCAY S.A.

The Board is pleased to announce that on 23 January 2019, the Company, the SPV (a wholly-owned subsidiary of the Company), Volcan and TPCH entered into the Subscription and Investment Agreement pursuant to which TPCH has conditionally agreed to issue, and the SPV has conditionally agreed to subscribe for, the Subscription Shares, which represent 60% of the shares in TPCH immediately after Closing. The Subscription Price is US\$225,000,000. On the same date, the Company, the SPV, Volcan and TPCH entered into the Shareholders' Agreement which will come into effect upon Closing. Upon Closing, the SPV will hold 60% of the shares in TPCH and Volcan will hold 40% of the shares in TPCH and TPCH will become a subsidiary of the Company.

IMPLICATIONS UNDER THE LISTING RULES

The highest of the applicable percentage ratios in respect of the Transaction exceeds 5% but is lower than 25%. The Transaction therefore constitutes a discloseable transaction of the Company and is subject to the reporting and disclosure requirements under Chapter 14 of the Listing Rules.

The Transaction is subject to the satisfaction or waiver of conditions precedent. There is no assurance that the Transaction will take place or as to when it may take place. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company.

SUBSCRIPTION AND INVESTMENT AGREEMENT

The Board is pleased to announce that on 23 January 2019, the Company, the SPV (a wholly-owned subsidiary of the Company), Volcan and TPCH entered into the Subscription and Investment Agreement pursuant to which TPCH has conditionally agreed to issue, and the SPV has conditionally agreed to subscribe for, the Subscription Shares, which represent 60% of the shares in TPCH immediately after Closing. Accordingly, TPCH will become a subsidiary of the Company upon Closing. TPCH is principally engaged in the design, development, and

construction of the terminal at Port of Chancay and will be engaged in its operation and management after the completion of construction.

Consideration

The Subscription Price is US\$225,000,000. The Subscription Price was determined based on normal commercial terms after arm's length negotiations between the Parties, taking into account the contributions made by Volcan including property assets and development expenditures as of 30 April 2018.

The SPV will make the first payment for the Subscription Price in the amount of US\$56,250,000 at Closing. The remaining payments of the Subscription Price will be made in different instalments when required to meet the development costs or other operating costs. The subscription for the Subscription Shares will be financed by internal resources and/or external financing including bank borrowings.

Conditions precedent to Closing

Closing is conditional upon, inter alia:

- (a) the satisfaction of the following conditions:
 - (i) no governmental entity shall have enacted or enforced any Prohibitive Order after the date of the Subscription and Investment Agreement, unless such Prohibitive Order is vacated, terminated or withdrawn at or prior to the Closing; and
 - (ii) the Parties shall have received all requisite approvals and consents, and have made all registration or filings in connection with the execution and delivery of the Subscription and Investment Agreement and the consummation of the transactions contemplated thereby (including the filings with the State-owned Assets Supervision and Administration Commission and the National Development and Reform Commission of the PRC and obtaining necessary anti-trust approvals);
- (b) the satisfaction, or waiver by Volcan and TPCH, of the following conditions:
 - (i) each of the representations and warranties of the Company and the SPV contained in the Subscription and Investment Agreement shall be true and accurate on and as of the Closing Date (except that those representations and warranties which are made as of an earlier specific date shall be true and correct only as of such date) in all material respects; and
 - (ii) each of the Company and the SPV shall have fully complied with all of its covenants and performed in all material respects all of its obligations under the Subscription and Investment Agreement on or before the Closing Date;
- (c) the satisfaction, or waiver by the SPV, of the following conditions:
 - (i) each of the representations and warranties of Volcan and TPCH contained in the Subscription and Investment Agreement shall be true and accurate on and as of the Closing Date (except that those representations and warranties which are made as of an earlier specific date shall be true and correct only as of such date) in all material respects;

- (ii) each of Volcan and TPCCH shall have fully complied with all of its covenants and performed all of its obligations under the Subscription and Investment Agreement on or before the Closing Date; and
- (iii) since the date of the Subscription and Investment Agreement, no Material Adverse Change shall have occurred and remain outstanding at Closing.

No Party may rely on the failure of any condition set out above to be satisfied if such Party's (or its affiliates') breach of any covenant or agreement under the Subscription and Investment Agreement shall have been a material cause of, or resulted in, the failure of such condition to be satisfied.

Closing shall take place on the Closing Date. After Closing, TPCCH shall settle the loans owed by TPCCH to Volcan against the Overpayment. If the loans owed exceed the Overpayment, then TPCCH shall pay Volcan the excess. If the Overpayment exceeds the loans, then Volcan shall pay TPCCH the excess.

Termination of the Subscription and Investment Agreement

The Subscription and Investment Agreement may be terminated at any time prior to the Closing by mutual written consent of the Parties or in the following circumstances:

- (a) by any Party if Closing has not occurred on or prior to the Outside Date;
- (b) by any Party if any Prohibitive Order permanently prohibiting the consummation of the transactions contemplated by the Subscription and Investment Agreement becomes final and non-appealable;
- (c) by Volcan or TPCCH in the event of a material breach of any representation, warranty, covenant or agreement contained in the Subscription and Investment Agreement by the Company or the SPV, which breach (individually or in the aggregate) would result in, if occurring or continuing on the Closing Date, the failure of any condition to TPCCH's or Volcan's obligations set out as conditions precedent to Closing to be satisfied;
- (d) by the SPV or the Company in the event of a material breach of any representation, warranty, covenant or agreement contained in the Subscription and Investment Agreement by TPCCH or Volcan, which breach (individually or in the aggregate) would result in, if occurring or continuing on the Closing Date, the failure of any condition to the SPV's or the Company's obligations set out as conditions precedent to Closing to be satisfied,

provided that the right to terminate would not be available to those whose breach of any covenant or agreement or failure to fulfil any obligation under the Subscription and Investment Agreement had been a material cause of the failure to achieve Closing on or prior to the Outside Date or the issue of a Prohibitive Order (with regards to the termination rights set out in paragraphs (a) and (b) above respectively), or who are in material breach of its representations, warranties and covenants (with regards to the termination rights set out in paragraphs (c) and (d) above).

Company's guarantee

The Company, as guarantor, has agreed to guarantee the performance of the obligations of the SPV under the Subscription and Investment Agreement.

THE SHAREHOLDERS' AGREEMENT

Upon Closing, the SPV will hold 60% of the shares in TPCH and Volcan will hold 40% of the shares in TPCH and TPCH will become a subsidiary of the Company.

The Company, the SPV, Volcan and TPCH entered into the Shareholders' Agreement on 23 January 2019. The Shareholders' Agreement is conditional upon Closing.

The principal terms of the Shareholders' Agreement are summarised below:

Management

Upon Closing, the SPV shall have the right to appoint and remove 4 out of the 7 directors of TPCH. The SPV is also entitled to nominate the CSPL Appointees.

Non-compete

During the Non-Compete Period, each shareholder of TPCH shall not, and shall cause its affiliates not to, directly or indirectly:

- (a) own, invest, control, operate or manage the construction, development, ownership and/or operation of any maritime port facilities in Peru other than through its investment in TPCH and its Subsidiaries; or
- (b) entice or solicit customers or suppliers of TPCH or any of its Subsidiaries (or induce others to do so).

Restrictions on disposal of shares

No shareholder of TPCH may dispose of its shares in the Lock-Up Period except to an entity controlled by the shareholder (and in case of the SPV, controlled by a parent company of the Group), or to third party entities which may contribute significant operational expertise or funding to the Project or TPCH's business (other than TPCH's competitors in Peru or sanctioned entities). The Shareholders' Agreement contains a right of first offer for each shareholder of TPCH and a tag along right for Volcan (as the minority shareholder of TPCH).

Sharing of transfer proceeds

The Shareholders' Agreement contains an obligation on the SPV to pay Volcan in case of a direct or indirect transfer of any economic or voting rights in TPCH to a third party by the Company, the implicit sales premium (i.e. the margin by which the price per share in TPCH upon such transfer exceeds the subscription price per share paid by the SPV pursuant to the Subscription and Investment Agreement) arising from such transfer corresponding to up to 9% of all the issued and outstanding common shares of TPCH.

Failure to pay the Subscription Price

If the SPV fails to pay any instalment of the Subscription Price, Volcan will be entitled to require the SPV to transfer 70% of its shares in TPCH to Volcan for nil consideration.

Failure to obtain MEIA Approval

If the MEIA Approval has not been obtained by the date that is 18 months after the Closing (which term may be extended, at the discretion of the SPV for up to an additional 12 months), upon notice of either the SPV (except if the reason for the failure to obtain the MEIA Approval is attributable to the Company or the SPV) or Volcan (only if the reason for the failure to obtain the MEIA Approval is attributable to the Company or the SPV), to the other and to TPCH, Volcan will acquire from the SPV, and the SPV will sell and cause to be sold to Volcan, the shares in TPCH owned by the SPV or any other entity controlled by a parent company of the Group at an aggregate price equal to the sum of:

- (a) all available cash balances of TPCH net of Restricted Cash;
- (b) 70% of the difference between (i) the aggregate amount of the Subscription Price actually paid by the SPV (and any other entity controlled by a parent company of the Group that directly own shares in TPCH) and (ii) available cash balances of TPCH net of Restricted Cash.

Put option

Under the Shareholders' Agreement, Volcan has an option during a 5-year period from the commercial operations date, or the date of the receipt of the licence for port operations (if earlier), of Phase One, to put the entirety of the shares of TPCH held by it and any entity under its control to the SPV or the Company or its Subsidiaries, for a fair market value as determined by an independent accounting firm but subject to caps, the maximum of which is US\$280,000,000 and cannot be uplifted unless so approved by the Company and/or the Shareholders.

Company's guarantee

The Company, as guarantor, has agreed to guarantee the performance of the obligations of the SPV under the Shareholders' Agreement.

REASONS FOR AND BENEFITS OF THE TRANSACTION

The investment in TPCH aligns with the Company's strategy of extending global footprint to build a global terminal network with controlling stake, and with high efficient and cost-effective services to serve shipping companies including members of OCEAN Alliance. The Directors, including the independent non-executive Directors, consider that the terms of the Transaction are fair and reasonable and are in the interests of the Group and the Shareholders as a whole.

Located 58 km in the north of the Peruvian capital of Lima, Port of Chancay enjoys favorable location where it has easy access to the economic centre of Peru. Port of Chancay is a natural deep-water harbour with a maximum of 16 meters water-depth and is capable of satisfying the needs of mega vessels. The prospective terminal at Port of Chancay will be the Company's first terminal in South America and should help reduce the deficiency in port infrastructure in Peru.

The Company's current terminals portfolio covers the five main port regions in Mainland China, Southeast Asia, Middle East, Europe and the Mediterranean. The Board of Directors believes that the investment in TPCH enables the Company to further expand its global presence and strengthen its leading position as a global port player. The Company remains steadfastly committed to building a world-class and well-balanced terminal network with extended services to meet the needs of shipping alliances.

INFORMATION ABOUT THE GROUP AND THE SPV

The SPV is a wholly-owned subsidiary of the Company. Its sole business is to hold the Company's investment in TPCH.

The Group is principally engaged in the businesses of managing and operating terminals, and related businesses.

INFORMATION ABOUT TPCH

TPCH is principally engaged in the design, development, and construction of the terminal at Port of Chancay and will be engaged in its operation and management after the completion of construction. Major assets of TPCH include property assets and capitalised development expenditures for the Project. The Project consists of two phases. Phase One is currently under development and is expected to commence operation in 2022. Subject to market conditions after Phase One is completed and subsequent authorisations, TPCH may consider to carry out the development of Phase Two.

Set out below is the audited financial information of TPCH (as derived from the accountant's report on TPCH prepared in accordance with IFRS) for the eight months ended 31 August 2018 and the financial years ended 31 December 2017 and 31 December 2016, and net assets as at 31 August 2018.

	For the eight months ended 31 August 2018 US\$ '000	For the year ended 31 December 2017 US\$ '000	For the year ended 31 December 2016 US\$ '000
Loss before taxation	565	583	321
Loss after taxation	418	631	409
	As at 31 August 2018 US\$'000		
Net assets	127,888		

INFORMATION ABOUT VOLCAN

Volcan is a polymetallic mining company in Peru and is a significant producer of zinc, lead and silver. It is primarily listed on the Lima Stock Exchange. The controlling shareholder of Volcan is Glencore Plc, a Swiss mining company listed on the London Stock Exchange.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, TPCH, Volcan and their respective ultimate beneficial owners are third parties independent of the Company and its connected persons under the Listing Rules.

IMPLICATIONS UNDER THE LISTING RULES

The highest of the applicable percentage ratios in respect of the Transaction exceeds 5% but is lower than 25%. The Transaction therefore constitutes a discloseable transaction of the Company and is subject to the reporting and disclosure requirements under Chapter 14 of the Listing Rules.

The Transaction is subject to the satisfaction or waiver of conditions precedent. There is no assurance that the Transaction will take place or as to when it may take place. Shareholders and potential investors of the Company should therefore exercise caution when dealing in the securities of the Company.

DEFINITIONS

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

“Board”	the board of Directors;
“Closing”	completion of the issue and subscription of the Subscription Shares in accordance with the Subscription and Investment Agreement;
“Closing Date”	the date on which Closing occurs;
“Company”	COSCO SHIPPING Ports Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1199);
“CSPL Appointees”	the chief executive officer, the chief financial officer, one deputy general manager and two or three heads of department of TPCH;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“IFRS”	International Financial Reporting Standards;
“Law”	any law, treaty, statute, ordinance, rule, regulation, rule of common law, code, order, judgment, injunction, decree or other requirement or rule of law enacted, issued, promulgated or enforced by a governmental entity;
“Leakage Amount”	an amount equal to the sum of (i) any dividend or distribution of profits or assets declared, paid or made by TPCH; (ii) any payments for services including advisory, consulting or monitoring fees made by TPCH to Volcan or any of its affiliates; and (iii) any assets rights, value or benefits transferred by TPCH to Volcan or any of its affiliates;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;

“Lock-up Period”	until the earlier of the commercial operations date for Phase One of the Project or an initial public offering of securities of TPCH;
“Material Adverse Change”	any fact or circumstance that (i) has or could reasonably be expected to have a material adverse effect on the business, financial condition, liabilities, assets or results of operations of TPCH, whether taken individually or as a whole or (ii) would prevent or materially impair TPCH or Volcan from consummating any transactions contemplated under the Subscription and Investment Agreement except for certain exceptions, such as change in IFRS or accounting principles, change in Law (other than any of Peru), or any action or omission of TPCH or Volcan in accordance with the Subscription and Investment Agreement or their ordinary course of business consistent with past practices;
“MEIA Approval”	the approval of the <i>Modificatoria del Estudio de Impacto Medioambiental (Modification of the Environmental Impact Study)</i> granted for the Project in relation to the application initially filed with the SENACE (“ <i>Servicio Nacional de Certificación Medioambiental</i> ” (<i>National Service of Environment Certification</i>)) on 12 April 2018;
“Non-Compete Period”	with respect to each shareholder of TPCH the period beginning upon Closing and ending on the date that is 24 months after such shareholder ceases to own any of the shares of TPCH;
“OCEAN Alliance”	an alliance of shipping companies comprising COSCO SHIPPING Lines, CMA CGM, Evergreen Line and Orient Overseas Container Line;
“Outside Date”	4 months from the signing of the Subscription and Investment Agreement, which may be extended for an additional 3 month period if any of the anti-trust approvals from any governmental entity is pending after the initial 4 month period;
“Overpayment”	the aggregate of the Leakage Amount and the Overspend;
“Overspend”	the amount by which the expenses (other than those approved by the SPV) for the time period from 30 April 2018 to the Closing Date exceeds the amount budgeted for these expenses, provided that any excess in a month which is individually less than US\$50,000 or in aggregate less than US\$200,000 shall be disregarded;
“Parties” or “Party”	the Company, the SPV, Volcan, TPCH as a party to the Subscription and Investment Agreement or Shareholders’ Agreement, as the case may be;
“Phase One”	the first phase of the Project which is designed to include four berths, the complex entrance and the underground tunnel connecting the complex entrance and the port operations area;

“Phase Two”	the second phase of the Project which is designed to include six berths;
“PRC”	the People’s Republic of China;
“Prohibitive Order”	Law which has the effect of making the transactions contemplated in the Subscription and Investment Agreement illegal or otherwise prohibiting consummation of the transactions;
“Project”	a project for the construction in Chancay, Peru, of a private, multipurpose port, which comprises port operations area, including two container berths and two multipurpose bulk berths, dry bulk storage facilities, container yards and bulk cargo yards, berth and yard for wheeled cargo, and the port entrance which is connected to the port operations area through an underground tunnel;
“Restricted Cash”	the collective amounts of those due and payable, contractually committed, required to meet payroll obligations for the next 3 months and aggregate amounts payable in connection with the dismissal of the CSPL Appointees;
“Shareholder(s)”	shareholder(s) of the Company;
“Shareholders’ Agreement”	the shareholders’ agreement dated 23 January 2019 between the Company, the SPV, Volcan and TPCH in respect of TPCH;
“SPV”	COSCO SHIPPING Ports (Chancay) Limited, a company incorporated under the laws of the British Virgin Islands and a wholly-owned subsidiary of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Subscription and Investment Agreement”	agreement entered into amongst the Company, the SPV, Volcan and TPCH in relation to the SPV’s subscription of the Subscription Shares;
“Subscription Price”	the subscription price for the Subscription Shares;
“Subscription Shares”	the shares representing 60% of the issued and outstanding common shares of TPCH immediately after Closing which are to be subscribed for by the SPV in accordance with the Subscription and Investment Agreement;
“Subsidiary”	when used with reference to any Party, any person of which such Party (either alone or through or together with any other Subsidiary) either owns, directly or indirectly, more than 50% of the outstanding share capital or other equity interests the holders of which are generally entitled to vote for the election of directors or members of any other governing body of such person or, in the case of a person that is a partnership, is a general partner of such partnership;

“TPCH”	Terminales Portuarios Chancay S.A., a company incorporated in Peru and a wholly-owned subsidiary of Volcan;
“Transaction”	the transactions under the Subscription and Investment Agreement and the Shareholders’ Agreement, including the subscription for the Subscription Shares by the SPV under the Subscription and Investment Agreement and the grant of a put option to Volcan under the Shareholders’ Agreement;
“U.S.”	the United States of America;
“US\$”	U.S. dollars, the lawful currency of the U.S.;
“Volcan”	Volcan Compañía Minera S.A.A., a company incorporated in Peru and primarily listed on the Lima Stock Exchange; and
“%”	per cent.

By Order of the Board
COSCO SHIPPING Ports Limited
ZHANG Wei (張為)
Vice Chairman & Managing Director

Hong Kong, 23 January 2019

As at the date of this announcement, the Board comprises Mr. HUANG Xiaowen² (Chairman), Mr. ZHANG Wei (張為)¹ (Vice Chairman & Managing Director), Mr. FANG Meng¹, Mr. DENG Huangjun¹, Mr. FENG Boming², Mr. ZHANG Wei (張煒)², Mr. CHEN Dong², Mr. WANG Haimin², Dr. WONG Tin Yau, Kelvin¹, Dr. FAN HSU Lai Tai, Rita³, Mr. Adrian David LI Man Kiu³, Mr. FAN Ergang³, Mr. LAM Yiu Kin³ and Prof. CHAN Ka Lok³.

¹ Executive Director

² Non-executive Director

³ Independent Non-executive Director