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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)

POSSIBLE DISCLOSEABLE TRANSACTION

ACQUISITION OF INTEREST IN GUANGXI BEIBU GULF INTERNATIONAL CONTAINER TERMINAL CO., LTD*

CSTD (a wholly-owned subsidiary of the Company) proposed to enter into the Capital Increase Agreement, pursuant to which CSTD would agree to subscribe for a 26% equity interest in Guangxi Beibu Gulf Terminal through injection of its entire 40% equity interest in Guangxi Qinzhou Terminal (with an attributed value of RMB389,062,800 based on the appraised net asset value of Guangxi Qinzhou Terminal as at the Benchmark Date) into Guangxi Beibu Gulf Terminal and a cash consideration of RMB486,824,000.

As the highest of the applicable percentage ratios in respect of the Acquisition exceeds 5% but is less than 25%, if the Capital Increase Agreement is entered into, the Acquisition will constitute a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The Company will make a further announcement if and when the proposed Capital Increase Agreement is entered into.

THE CAPITAL INCREASE AGREEMENT

Set out below is a summary of the key terms of the proposed Capital Increase Agreement.

Parties

- (1) Beibu Gulf Port, a company listed on the Shenzhen Stock Exchange in which a wholly-owned subsidiary of the Company has an approximately 10.65% equity interest
- (2) Beibu Gulf Port Qinzhou
- (3) Qinzhou Xingang
- (4) CSTD, a wholly-owned subsidiary of the Company
- (5) PSA Guangxi
- (6) Chengdu Communications
- (7) Chongqing Logistics
- (8) Guangxi Beibu Gulf Terminal
- (9) Guangxi Qinzhou Terminal

Capital Increase

The registered capital of Guangxi Beibu Gulf Terminal is to be increased from RMB1,210,000,000 to RMB2,371,600,000 as follows:

| | Before completion of the Capital Increase | | After completion of the Capital Increase | |
|-------------------------|--|---------------------------------|--|---------------------------------|
| | <i>Amount of the registered capital held (RMB)</i> | <i>Percentage (approximate)</i> | <i>Amount of the registered capital held (RMB)</i> | <i>Percentage (approximate)</i> |
| Beibu Gulf Port | 128,788,600 | 10.64% | 128,788,600 | 5.43% |
| Beibu Gulf Port Qinzhou | 398,825,000 | 32.96% | 825,229,000 | 34.80% |
| Qinzhou Xinggang | 89,486,400 | 7.40% | 89,486,400 | 3.77% |
| CSTD | 0 | 0.00% | 616,616,000 | 26.00% |
| PSA Guangxi | 592,900,000 | 49.00% | 592,900,000 | 25.00% |
| Chengdu Communications | 0 | 0.00% | 59,290,000 | 2.50% |
| Chongqing Logistics | 0 | 0.00% | 59,290,000 | 2.50% |
| Total | 1,210,000,000 | 100.00% | 2,371,600,000 | 100.00% |

Subscription for the additional registered capital is to be paid for as follows:

- (1) Beibu Gulf Port Qinzhou will inject its entire 60% equity interest in Guangxi Qinzhou Terminal (with an attributed value of RMB583,594,300 based on the appraised net asset value of Guangxi Qinzhou Terminal as at the Benchmark Date referred to below) and pay RMB22,101,400 in cash;
- (2) CSTD will inject its entire 40% equity interest in Guangxi Qinzhou Terminal (with an attributed value of RMB389,062,800 based on the appraised net asset value of Guangxi Qinzhou Terminal as at the Benchmark Date referred to below) and pay RMB486,824,000 in cash, which will be funded by the internal resources of the Group;
- (3) Chengdu Communications will pay RMB84,219,900 in cash; and
- (4) Chongqing Logistics will pay RMB84,219,900 in cash.

The amount of the Capital Increase and the consideration payable for subscription of the additional registered capital were arrived at after arm's length negotiations between the parties with reference to the net asset values of Guangxi Beibu Gulf Terminal and Guangxi Qinzhou Terminal as at the Benchmark Date of RMB1,718,773,200 and RMB972,657,100 respectively as appraised by an independent valuer.

Effective date

The Capital Increase Agreement will take effect from the date on which all of the following conditions are fulfilled:

- (1) approvals of the Capital Increase Agreement by the internal decision making bodies of the parties (such as board of directors, general meeting of shareholders) have been obtained; and
- (2) the Capital Increase has been approved by the relevant State-owned assets supervision and administration departments or their authorised agencies (if applicable).

If the above conditions have not been fulfilled within 15 working days after signing of the Capital Increase Agreement, unless otherwise extended by the parties in writing, a party that does not have the relevant performance obligations may terminate the Capital Increase Agreement by giving notice to the other parties.

Conditions precedent

The obligations of the parties for Completion are conditional upon fulfillment or waiver of the following conditions:

- (1) no party has breached any of its representations and warranties;
- (2) the relevant parties have agreed or signed all transaction documents, which have taken effect no later than the Completion Date;
- (3) all parties have performed their obligations which are to be performed on or before the Completion Date, and no party (including its related parties and branches) has breached the Capital Increase Agreement or any transaction documents in any material respect;
- (4) all parties have obtained all the relevant internal approvals required under the laws and regulations of the PRC;
- (5) no material adverse change has occurred with respect to Guangxi Beibu Gulf Terminal and Guangxi Qinzhou Terminal, no approving authority or any other government department or third party has initiated any legal procedure or investigation to prohibit, oppose or hinder the transaction or promulgated or proposed any legislation or decree or imposed any condition to prohibit, severely restrict or seriously delay the transaction, and Guangxi Beibu Gulf Terminal and Guangxi Qinzhou Terminal have continued to operate normally in all material aspects consistent with their usual operations;
- (6) all regulatory consents and approvals required by regulatory authorities or applicable laws or contracts to be obtained in advance have been obtained and notices have been issued to, applications have been submitted to, and filings and registrations have been made with, such regulatory authorities or other persons, and such consents and approvals have remained in full effect;
- (7) all consents and approvals required to be obtained from third parties have been obtained and notices have been issued to, applications have been submitted to, and filings and registrations have been made with, such third parties, and such consents and approvals have remained in full effect; and

- (8) Guangxi Beibu Gulf Terminal has delivered to the subscribers for the additional registered capital, and Guangxi Qinzhou Terminal has delivered to the other parties to the Capital Increase Agreement, a confirmation that the above conditions have been fulfilled as at the Completion Date, together with supporting documents.

Completion

Upon confirmation by each party in writing that the last condition precedent has been fulfilled or waived, Completion is to take place within 5 working days. The parties agree that Completion shall take place no later than the Long Stop Date.

Each subscriber for the additional registered capital is required to make its capital contribution for the cash portion of its subscription within 10 working days after the Completion Date. Beibu Gulf Port Qinzhou and CSTD are required to complete the company change registration and obtaining of the new business licence of Guangxi Qinzhou Terminal as a wholly-owned subsidiary of Guangxi Beibu Gulf Terminal by no later than the Completion Date. A defaulting subscriber shall pay to the shareholders which have made their capital contributions on time a sum which is equal to 0.02% of the overdue amount payable by it for each day of delay in making its contribution. If the delay exceeds 90 days, the unpaid portion may be subscribed for by the shareholders which have made their capital contributions in proportion to their capital contributions or treated as a capital reduction by Guangxi Beibu Gulf Terminal.

Treatment of interim profits and losses

The profits and losses of Guangxi Beibu Gulf Terminal and Guangxi Qinzhou Terminal during the period from the Benchmark Date to the Completion Date are to be audited and belong to or are to be borne by their respective existing shareholders. Any amounts of such losses are to be paid by the respective existing shareholders to Guangxi Beibu Gulf Terminal. Any such profits are to be distributed as dividends to the respective existing shareholders.

Termination

The Capital Increase Agreement will be terminated upon occurrence of any of the following events:

- (1) all parties agreeing to terminate the Capital Increase Agreement;
- (2) the conditions precedent have not been fulfilled or waived by the Long Stop Date, or a non-defaulting party electing to terminate the Capital Increase Agreement on the ground that the documents required to be exchanged or delivered on the Completion Date are not so exchanged or delivered or have not taken effect on the Completion Date;
- (3) any party substantially breached the Capital Increase Agreement and fails to remedy its breach within 30 days of a written notice given by another party; or
- (4) any party giving a notice of termination to the other parties on the ground that an event of force majeure which materially adversely affects the continuing operation of Guangxi Beibu Gulf Terminal or Guangxi Qinzhou Terminal or the transactions under the Capital Increase Agreement has continued for more than 6 months.

THE SHAREHOLDERS' AGREEMENT AND THE FRAMEWORK AGREEMENT

It is proposed that the Shareholders' Agreement would be entered into on the same day as the Capital Increase Agreement to regulate the management and operation of Guangxi Beibu Gulf Terminal. Under the Shareholders' Agreement, no shareholder may dispose of any equity interest in Guangxi Beibu Gulf Terminal without the prior written consent of the other shareholders. If any shareholder wishes to dispose of any equity in Guangxi Beibu Gulf Terminal to any third party which is not a shareholder, the other shareholders will have a right of first refusal. However, the shareholders agree that a shareholder may dispose of any equity interest in Guangxi Beibu Gulf Terminal to its related parties without being subject to the right of first refusal restriction.

It is proposed that the Framework Agreement in relation to the reorganisation of Guangxi Beibu Gulf Terminal and development of its business would also be entered into on the same day as the Capital Increase Agreement. Under the Framework Agreement, the parties thereto agree, among other things:

- (1) to use reasonable endeavours to procure Guangxi Beibu Gulf Terminal and Guangxi Qinzhou Terminal to merge, with Guangxi Beibu Gulf Terminal as the sole surviving legal entity and the terminal assets originally owned by Guangxi Qinzhou Terminal becoming assets of Guangxi Beibu Gulf Terminal;
- (2) not to agree to transfer or encumber any equity interest in Guangxi Beibu Gulf Terminal before completion of the merger, unless approved by the board of directors of Guangxi Beibu Gulf Terminal in the normal course of operation; and
- (3) to use reasonable efforts to determine and implement the plans for procuring the management and operation of the assets and business of the relevant berths of the Dalanping South Operation Area of Qinzhou Port by Guangxi Beibu Gulf Terminal.

INFORMATION ON GUANGXI BEIBU GULF TERMINAL

Set out below is certain audited financial information for the financial years ended 31 December 2018 and 31 December 2019 and the three months ended 31 March 2020, and the audited net assets as at 31 December 2019 and 31 March 2020, of Guangxi Beibu Gulf Terminal prepared in accordance with the China Accounting Standards for Business Enterprises:

| | For the year ended 31 December 2018 | For the year ended 31 December 2019 | For the three months ended 31 March 2020 |
|----------------------------|--|--|---|
| | <i>RMB'000</i> | <i>RMB'000</i> | <i>RMB'000</i> |
| Net profit before taxation | 69,793 | 89,123 | 20,564 |
| Net profit after taxation | 62,827 | 76,905 | 18,714 |
| | | As at 31 December 2019 | As at 31 March 2020 |
| | | <i>RMB'000</i> | <i>RMB'000</i> |
| Net assets | | 1,441,973 | 1,461,326 |

INFORMATION ON GUANGXI QINZHOU TERMINAL

Set out below is certain audited financial information for the financial years ended 31 December 2018 and 31 December 2019 and the three months ended 31 March 2020, and the audited net assets as at 31 December 2019 and 31 March 2020, of Guangxi Qinzhou Terminal prepared in accordance with the China Accounting Standards for Business Enterprises:

| | For the year ended 31 December 2018 | For the year ended 31 December 2019 | For the three months ended 31 March 2020 |
|-------------------------------|--|--|---|
| | <i>RMB '000</i> | <i>RMB '000</i> | <i>RMB '000</i> |
| Net profit before taxation | 72,912 | 96,858 | 1,023 |
| Net profit after taxation | 61,248 | 82,485 | 870 |
| | | As at 31 December 2019 | As at 31 March 2020 |
| | | <i>RMB '000</i> | <i>RMB '000</i> |
| Net assets | | 728,041 | 729,557 |

REASONS FOR AND BENEFITS OF THE ACQUISITION

Guangxi Beibu Gulf Terminal is principally engaged in the businesses of managing and operating berths numbered 3 to 6 of the container terminal at the Dalanping South Operation Area of Qinzhou Port in Guangxi, the PRC and provision of related services. Guangxi Qinzhou Terminal is principally engaged in the businesses of managing and operating berths numbered 1 and 2 of the container terminal at the Dalanping South Operation Area of Qinzhou Port in Guangxi, the PRC and provision of related services.

The proposed investment in Guangxi Beibu Gulf Terminal will be a meaningful step in realising the Company's strategy of creating greater value and also strengthening the Company's leading position in the Greater China Region, which is in line with the Company's strategy of enhancing control over terminal assets. In addition, the Company believes that the investment will also enhance the Company's competitiveness by optimising its investment portfolio and concentrating on high quality assets, which is expected to result in an increase in the overall profitability of the terminal business of the Company. Guangxi Beibu Gulf Terminal will benefit from the promotion and implementation of the "Western New Land and Marine Routes (西部陸海新通道)" strategy of the PRC, and is expected to share the benefits of economic growth and industrial development in Southwest China and Southeast Asia. In addition, upon completion of the Acquisition, the comprehensiveness and diversity of the ports and logistic services provided by Guangxi Beibu Gulf Terminal will be enhanced.

The Group expects to record an unaudited pre-tax gain of approximately US\$8,440,000 from the disposal of its 40% equity interest in Guangxi Qinzhou Terminal to Guangxi Beibu Gulf Terminal as consideration in part for the Acquisition. The estimated gain on such disposal is calculated with reference to (i) the appraised net asset value of Guangxi Qinzhou Terminal as at the Benchmark Date; (ii) the Group's share of net assets in respect of its 40% equity interest in Guangxi Qinzhou Terminal as at 30 June 2020 and (iii) the exchange rate of RMB to US\$ as at 30 June 2020. The actual gain or loss that the Group is able to realise will depend on the actual share of net assets of the Group in Guangxi Qinzhou Terminal

(calculated in accordance with applicable accounting standards) and the exchange rate of RMB to US\$ on the date of completion of such disposal. As referred to above, part of the consideration for the Acquisition will be settled by such disposal. Accordingly, there will not be any sale proceeds in cash from such disposal.

The Directors believe that the terms of the proposed Capital Increase Agreement (including the Acquisition), Shareholders' Agreement and Framework Agreement are fair and reasonable and in the interests of the shareholders of the Company as a whole.

INFORMATION ON THE PARTIES

The principal business of the Company is investment holding. The Group is principally engaged in the businesses of managing and operating terminals, and related businesses. CSTD is principally engaged in the investment, development, operations and management of container terminals.

Beibu Gulf Port is principally engaged in terminal handling, bulk storage and shipping port services for containers and bulk cargo.

Beibu Gulf Port Qinzhou is principally engaged in the businesses of port operation and provision of support services for vessels in Guangxi, the PRC.

Qinzhou Xinggang is principally engaged in the businesses of investment in and construction and management of ports and terminals in Guangxi, the PRC.

Beibu Gulf Port Group is principally engaged in the businesses of terminal construction and operation management, project investment and asset management, equity investment and operation management, railway transportation, road transportation, real estate leasing, shipping agency business and real estate development. The ultimate beneficial owner of Beibu Gulf Port Group is the Guangxi Zhuang Autonomous Region State-owned Assets Supervision and Administration Commission of the PRC.

PSA Guangxi is principally engaged in the business of container terminal operation and its ultimate beneficial owner is Temasek Holdings Private Limited.

Chengdu Communications is principally engaged in the businesses of investment in and financing of transportation projects such as roads, railways, aviation, water transportation, hubs and stations and ancillary facilities in the PRC. The ultimate beneficial owner of Chengdu Communications is the Chengdu State-owned Assets Supervision and Administration Commission of the PRC.

Chongqing Logistics is principally engaged in the businesses of logistics park development, infrastructure construction, logistics park land improvement, logistics park State-owned assets management and investment promotion and real estate development in the PRC. The ultimate beneficial owner of Chongqing Logistics is the Chongqing Shapingba District State-owned Assets Supervision and Administration Commission of the PRC.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiry, save for the Company's 40% equity interest in Guangxi Qinzhou Terminal and approximately 10.65% equity interest in Beibu Gulf Port, each of the counterparties to the proposed Capital Increase Agreement, Shareholders' Agreement and Framework Agreement and its ultimate beneficial owner are third parties independent of the Company and its connected persons (as defined in the Listing Rules).

LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios in respect of the Acquisition exceeds 5% but is less than 25%, if the Capital Increase Agreement is entered into, the Acquisition will constitute a discloseable transaction of the Company and is subject to the notification and announcement requirements under Chapter 14 of the Listing Rules.

The Company will make a further announcement if and when the proposed Capital Increase Agreement is entered into.

DEFINITIONS

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

| | |
|------------------------------|---|
| “Acquisition” | the acquisition of a 26% equity interest in Guangxi Beibu Gulf Terminal by CSTD in consideration of the injection of CSTD’s entire 40% equity interest in Guangxi Qinzhou Terminal into Guangxi Beibu Gulf Terminal and a cash payment under the Capital Increase Agreement |
| “Beibu Gulf Port” | Beibu Gulf Port Co., Ltd.* (北部灣港股份有限公司), a limited company incorporated in the PRC, the shares of which are listed on the Shenzhen Stock Exchange (Stock Code: 000582) |
| “Beibu Gulf Port Group” | Guangxi Beibu Gulf International Port Group Co., Ltd* (廣西北部灣國際港務集團有限公司), a limited company incorporated in the PRC and the holding company of Beibu Gulf Port |
| “Beibu Gulf Port Qinzhou” | Beibu Gulf Port Qinzhou Terminal Co., Ltd* (北部灣港欽州碼頭有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Beibu Gulf Port |
| “Benchmark Date” | 31 March 2020 |
| “Board” | the board of Directors |
| “Capital Increase” | the increase in the registered capital of Guangxi Beibu Gulf Terminal contemplated under the Capital Increase Agreement |
| “Capital Increase Agreement” | a capital increase agreement proposed to be entered into among Beibu Gulf Port, Beibu Gulf Port Qinzhou, Qinzhou Xinggang, CSTD, PSA Guangxi, Chengdu Communications, Chongqing Logistics, Guangxi Beibu Gulf Terminal and Guangxi Qinzhou Terminal in relation to a proposed increase in the registered capital of Guangxi Beibu Gulf Terminal |

| | |
|-------------------------------|--|
| “Chengdu Communications” | Chengdu Communications Investment Group Corporation Limited* (成都交通投資集團有限公司), a company incorporated in the PRC with limited liability |
| “Chongqing Logistics” | Chongqing International Logistics Hub Park Construction Co., Ltd* (重慶國際物流樞紐園區建設有限責任公司), a company incorporated in the PRC with limited liability |
| “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) |
| “Completion” | each of the conditions precedent for Completion being fulfilled or waived in accordance with the Capital Increase Agreement, the obligations on the Completion Date being fulfilled and Guangxi Beibu Gulf Terminal having completed the company change registration in relation to the Capital Increase with the local administration for market regulation and obtained its new business licence |
| “Completion Date” | the date on which Completion takes place |
| “CSTD” | China Shipping Terminal Development Co., Limited* (中海碼頭發展有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company |
| “Director(s)” | the director(s) of the Company |
| “Framework Agreement” | a framework agreement proposed to be entered into among Beibu Gulf Port Group, the Company and PSA Guangxi in relation to the reorganisation of Guangxi Beibu Gulf Terminal and development of its business |
| “Group” | the Company and its subsidiaries |
| “Guangxi Beibu Gulf Terminal” | Guangxi Beibu Gulf International Container Terminal Co., Ltd* (廣西北部灣國際集裝箱碼頭有限公司), a company incorporated in the PRC with limited liability |
| “Guangxi Qinzhou Terminal” | Guangxi Qinzhou International Container Terminal Co., Ltd* (廣西欽州國際集裝箱碼頭有限公司), a company incorporated in the PRC with limited liability and owned by Beibu Gulf Port Qinzhou and CSTD as to 60% and 40% respectively |

| | |
|---------------------------|---|
| “Hong Kong” | the Hong Kong Special Administrative Region of the PRC |
| “Listing Rules” | the Rules Governing the Listing of Securities on the Stock Exchange |
| “Long Stop Date” | 45 working days after date of the Capital Increase Agreement, but (where applicable) if the final decision of the competent authority on the declaration of concentration of business operators in relation to the Capital Increase has not been received by that date and the deadline for the making of such decision according to the PRC Anti-Monopoly Law has not expired then, the Long Stop Date shall be extended to the end of the period of 6 months commencing from the date of the Capital Increase Agreement (and may be further extended if the parties to the Capital Increase Agreement so agree) |
| “percentage ratios” | has the meaning ascribed to it under Rule 14.07 of the Listing Rules |
| “PRC” | the People’s Republic of China, which for the purpose of this announcement and unless the context suggests otherwise, excludes Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan |
| “PSA Guangxi” | PSA Guangxi Pte. Ltd., a company incorporated in Singapore with limited liability |
| “Qinzhou Xinggang” | Qinzhou Xinggang Terminal Co., Ltd* (欽州興港碼頭有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of Beibu Gulf Port |
| “RMB” | Renminbi, the lawful currency of the PRC |
| “Shareholders’ Agreement” | a shareholders’ agreement proposed to be entered into among Beibu Gulf Port, Beibu Gulf Port Qinzhou, Qinzhou Xinggang, CSTD, PSA Guangxi, Chengdu Communications and Chongqing Logistics in relation to the management and operation of Guangxi Beibu Gulf Terminal |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “US\$” | United States dollars, the lawful currency of the United States of America |
| “%” | per cent |

For the purposes of this announcement, the English name with an asterisk () is an unofficial English transliteration or translation and is for identification purposes only.*

By Order of the Board
COSCO SHIPPING Ports Limited
FENG Boming
Chairman

Hong Kong, 14 September 2020

As at the date of this announcement, the Board comprises of Mr. FENG Boming¹ (Chairman), Mr. ZHANG Dayu¹ (Managing Director), Mr. DENG Huangjun¹, Mr. ZHANG Wei², Mr. CHEN Dong², Dr. WONG Tin Yau, Kelvin¹, Dr. FAN HSU Lai Tai, Rita³, Mr. Adrian David LI Man Kiu³, Mr. LAM Yiu Kin³, Prof. CHAN Ka Lok³ and Mr. YANG Liang Yee Philip³.

¹ Executive Director

² Non-executive Director

³ Independent Non-executive Director