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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)

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS RENEWAL OF TENANCY AGREEMENTS

THE 2023 TENANCY AGREEMENTS

Reference is made to the announcement of the Company dated 27 November 2020 in relation to the 2020 42F Tenancy Agreement entered into between CSP Management and Malayan Corporations and the 2020 49F Tenancy Agreement entered into between CSP Management and Wing Thye.

As both 2020 Tenancy Agreements will expire on 28 November 2023, CSP Management has on 29 November 2023 entered into the 2023 42F Tenancy Agreement with Malayan Corporations and 2023 49F Tenancy Agreement with Wing Thye to renew the existing 2020 Tenancy Agreements for a new term of three years from 29 November 2023 to 28 November 2026 (fixed term and both days inclusive).

Pursuant to the HKFRS 16, the monthly rentals of the 42F Property and the 49F Property leased under the 2023 Tenancy Agreements will be recognised as right-of-use assets with the estimated aggregate consideration of approximately HK\$56,180,000 (subject to audit). The right-of-use assets represent the Company's right to use the underlying leased assets over the lease term and the lease liabilities represent its obligation to make lease payments (i.e. the rent). The assets and the liabilities arising from the leases are initially measured on present value basis and calculated by discounting the non-cancellable lease payments under the 2023 Tenancy Agreements, using the incremental borrowing rate as the discount rate. Under HKFRS 16 and in the consolidated financial statements of the Group, the Group shall recognise (i) depreciation charge over the life of the right-of-use assets, and (ii) interest on the lease liabilities over the lease term.

LISTING RULES IMPLICATIONS

Both Malayan Corporations and Wing Thye are wholly-owned subsidiaries of COSCO SHIPPING (Hong Kong). CSP Management is a wholly-owned subsidiary of the Company. COSCO SHIPPING is a controlling shareholder of both COSCO SHIPPING (Hong Kong) and the Company. Accordingly, each of Malayan Corporations and Wing Thye is a connected person of the Company. Under Chapter 14A of the Listing Rules, (a) the payment of the Rent will be regarded as acquisitions of assets by the Group and constitutes connected transactions for the Company; and (b) the payment of the Other Charges constitutes continuing connected transactions for the Company.

In view of the relationships among the parties to the 2023 Tenancy Agreements and the landlords under the 2023 Tenancy Agreements are connected persons of the Company, the transactions under the 2023 42F Tenancy Agreement and the 2023 49F Tenancy Agreement are aggregated pursuant to Rules 14A.81 to 14A.83 of the Listing Rules.

As the highest applicable Percentage Ratio in respect of the Right-of-Use Asset (Lease), being the present value of the Rent, exceeds 0.1% but is less than 5%, the payment of the Rent under the 2023 Tenancy Agreements is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios with respect to the Other Charges on an annual basis are less than 0.1%, the payment of the Other Charges under the 2023 Tenancy Agreements constitutes de minimis transactions pursuant to Rule 14A.76(1)(a) of the Listing Rules and is fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the announcement of the Company dated 27 November 2020 in relation to the 2020 42F Tenancy Agreement entered into between CSP Management and Malayan Corporations and the 2020 49F Tenancy Agreement entered into between CSP Management and Wing Thye.

As both 2020 Tenancy Agreements will expire on 28 November 2023, CSP Management has on 29 November 2023 entered into the 2023 42F Tenancy Agreement with Malayan Corporations and 2023 49F Tenancy Agreement with Wing Thye to renew the existing 2020 Tenancy Agreements for a new term of three years from 29 November 2023 to 28 November 2026 (fixed term and both days inclusive).

MAJOR TERMS OF THE 2023 42F TENANCY AGREEMENT

Date	:	29 November 2023
Parties	:	(i) Malayan Corporations as landlord; and (ii) CSP Management as tenant
Properties	:	the 42F Property
Gross floor area	:	approximately 4,932 square feet
Term	:	three years commencing from 29 November 2023 and expiring on 28 November 2026 (fixed term and both days inclusive)
Rental and management fee	:	(i) monthly rental of HK\$325,512 (exclusive of management fees, rates and government rent and all other outgoings) which is payable in advance clear of all deductions on the first day of each and every calendar month; and

- (ii) monthly management fee is HK\$22,194 payable in advance clear of all deductions on the first day of each and every calendar month (subject to revision by the Incorporated Owners and the Manager)
- Rent-free Period (i) 0.5 month (as from 1 November 2024 to 15 November 2024)
- (ii) 0.5 month (as from 1 November 2026 to 15 November 2026)
- Use : office

MAJOR TERMS OF THE 2023 49F TENANCY AGREEMENT

- Date : 29 November 2023
- Parties : (i) Wing Thye as landlord; and
- (ii) CSP Management as tenant
- Properties : the 49F Property
- Gross floor area : approximately 21,280 square feet
- Term : three years commencing from 29 November 2023 and expiring on 28 November 2026 (fixed term and both days inclusive)
- Rental and management fee : (i) monthly rental of HK\$1,404,480 (exclusive of management fees, rates and government rent and all other outgoings) which is payable in advance clear of all deductions on the first day of each and every calendar month; and
- (ii) monthly management fee is HK\$95,760 payable in advance clear of all deductions on the first day of each and every calendar month (subject to revision by the Incorporated Owners and the Manager)
- Rent-free Period (i) 0.5 month (as from 1 November 2024 to 15 November 2024)
- (ii) 0.5 month (as from 1 November 2026 to 15 November 2026)
- Use : office

ACCOUNTING IMPLICATION AND TREATMENT UNDER THE LISTING RULES

The payments to be made by the Group contemplated under the 2023 Tenancy Agreements comprise different components and hence different accounting treatments will apply. Pursuant to HKFRS 16, the monthly rentals of the 42F Property and the 49F Property leased under the 2023 Tenancy Agreements will be recognised as right-of-use assets with the estimated aggregate consideration of approximately HK\$56,180,000 (subject to audit). The right-of-use assets represent the Company's right to use the underlying leased assets over the lease term and the lease liabilities represent its obligation to make lease payments (i.e. the rent). The assets and the liabilities arising from the leases are initially measured on present value basis and calculated by discounting the non-cancellable lease payments under the 2023 Tenancy Agreements, using the incremental borrowing rate as the discount rate. Under HKFRS 16 and

in the consolidated financial statements of the Group, the Group shall recognise (i) depreciation charge over the life of the right-of-use assets, and (ii) interest on the lease liabilities over the lease term.

Accordingly, the Group will recognise the monthly rentals as acquisitions of right-of-use assets taking into account the aggregate discounted amount of the monthly rentals in accordance with HKFRS 16. Such acquisitions of right-of-use assets will constitute one-off connected transactions for the Company under Chapter 14A of the Listing Rules. The Other Charges will be recognised as expenses in the Group's profit and loss accounts in the periods in which they are incurred, and the payment of such expenses will be regarded as continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

REASONS FOR AND BENEFITS OF ENTERING INTO THE TRANSACTIONS

The Company has been occupying the 42F Property for the past three years and the 49F Property for a long period of time as the head office of the Group and as its principal place of business in Hong Kong. The 49F Property were also previously and are still occupied by CSP Management as its offices. The management of the Company considered it to be beneficial and of administrative convenience to the Group to continue to rent the 42F Property and the 49F Property by saving any unnecessary relocation and administration costs.

The terms of the 2023 Tenancy Agreements, including the rentals payable, are arrived at after arm's length negotiations between CSP Management and Malayan Corporations and Wing Thye respectively and conducted through COSCO SHIPPING (Hong Kong) and the Company, and having taken into account the Valuation Reports given by Savills Valuation and Professional Services Limited, an independent professional valuer engaged by CSP Management. According to the Valuation Reports, the current market rental of the 42F Property is HK\$330,000 per month (exclusive of rates, management fees and air-conditioning charges) for a 3-year tenancy with a normal rent free period and the current market rental of the 49F Property is HK\$1,400,000 per month (exclusive of rates, management fees and air-conditioning charges) for a 3-year tenancy with a normal rent free period. After taking into account rent-free period of one (1) month, the effective average monthly rent of the 42F Property is approximately HK\$316,470 per month and the effective average monthly rent of the 49F Property is approximately HK\$1,365,467 per month. The rentals payable under the 2023 Tenancy Agreements are at market level and are fair and reasonable.

Mr. CHEN Dong, a non-executive Director of the Company, is also the director of COSCO SHIPPING (Hong Kong) and has voluntarily abstained from voting on the relevant Board resolutions of the Company approving the 2023 Tenancy Agreements and the transactions contemplated thereunder. None of the other Directors has a material interest in the 2023 Tenancy Agreements and the transactions contemplated thereunder and is required to abstain from voting on the relevant Board resolutions.

The Directors (including independent non-executive Directors and excluding Mr. CHEN Dong who has voluntarily abstained from voting from the relevant Board resolutions approving the 2023 Tenancy Agreements and the transactions contemplated thereunder as referred to in the above) considered that the 2023 Tenancy Agreements have been entered into in the ordinary and usual course of business of the Group and on normal commercial terms and that the terms of the 2023 Tenancy Agreements are fair and reasonable (particularly based on the Valuation Reports) and are in the interests of the Company and its shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

Both Malayan Corporations and Wing Thye are wholly-owned subsidiaries of COSCO SHIPPING (Hong Kong). CSP Management is a wholly-owned subsidiary of the Company. COSCO SHIPPING is a controlling shareholder of both COSCO SHIPPING (Hong Kong) and the Company. Accordingly, each of Malayan Corporations and Wing Thye is a connected person of the Company. Under Chapter 14A of the Listing Rules, (a) the payment of the Rent will be regarded as acquisitions of assets by the Group and constitutes connected transactions for the Company; and (b) the payment of the Other Charges constitutes continuing connected transactions for the Company.

In view of the relationships among the parties to the 2023 Tenancy Agreements mentioned above and the landlords under the 2023 42F Tenancy Agreement and the 2023 49F Tenancy Agreement are connected persons of the Company, the transactions under the 2023 42F Tenancy Agreement and the 2023 49F Tenancy Agreement are aggregated pursuant to Rules 14A.81 to 14A.83 of the Listing Rules.

As the highest applicable Percentage Ratio in respect of the Right-of-Use Asset (Lease), being the present value of the Rent, exceeds 0.1% but is less than 5%, the payment of the Rent under the 2023 Tenancy Agreements is subject to the reporting and announcement requirements but exempt from the circular (including independent financial advice) and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As all the applicable percentage ratios with respect to the Other Charges on an annual basis are less than 0.1%, the payment of the Other Charges under the 2023 Tenancy Agreements constitutes de minimis transactions pursuant to Rule 14A.76(1)(a) of the Listing Rules and is fully exempt from the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

INFORMATION ABOUT THE GROUP AND THE LANDLORDS

THE GROUP

The Group is principally engaged in the businesses of managing and operating terminals, and related businesses. CSP Management is principally engaged in investment holding and provision of management services.

MALAYAN CORPORATIONS

The principal activity of Malayan Corporations is property investment.

WING THYE

The principal activity of Wing Thye is property investment.

DEFINITIONS

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

“2020 42F Tenancy Agreement”	the tenancy agreement dated 27 November 2020 entered into between CSP Management and Malayan Corporations in respect of the 42F Property
“2020 49F Tenancy Agreement”	the tenancy agreement dated 27 November 2020 entered into between CSP Management and Wing Thye in respect of the 49F Property
“2020 Tenancy Agreements”	The 2020 42F Tenancy Agreement and the 2020 49F Tenancy Agreement
“2023 42F Tenancy Agreement”	the tenancy agreement dated 29 November 2023 entered into between CSP Management and Malayan Corporations in respect of the 42F Property
“2023 49F Tenancy Agreement”	the tenancy agreement dated 29 November 2023 entered into between CSP Management and Wing Thye in respect of the 49F Property
“2023 Tenancy Agreements”	The 2023 42F Tenancy Agreement and the 2023 49F Tenancy Agreement
“42F Property”	Unit No. 4206 situated at 42nd Floor of High Block (COSCO Tower), Grand Millennium Plaza, No. 183 Queen’s Road Central, No. 33 Wing Lok Street, Hong Kong
“49F Property”	Unit Nos. 4901, 4902A, 4902B and 4903 situated at 49th Floor of High Block (COSCO Tower), Grand Millennium Plaza, No. 183 Queen’s Road Central, No. 33 Wing Lok Street, Hong Kong
“Board”	the board of directors of the Company
“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)
“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), the ultimate controlling shareholder of the Company and a State-owned enterprise in the PRC

“COSCO SHIPPING (Hong Kong)”	COSCO SHIPPING (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of COSCO SHIPPING
“CSP Management”	COSCO SHIPPING Ports Management Company Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong” “HK\$”	the Hong Kong Special Administrative Region of the PRC Hong Kong dollars, the lawful currency of Hong Kong
“HKFRS 16”	The Hong Kong Financial Reporting Standard 16 “Leases” issued by the Hong Kong Institute of Certified Public Accountants
“Incorporated Owners”	the incorporated owners of the building of which the 42F Property and the 49F Property form part from time to time
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Manager”	the management company of the building of which the 42F Property and the 49F Property form part from time to time
“Malayan Corporation”	Malayan Corporations Limited, a company incorporated in British Virgin Islands with limited liability and a wholly-owned subsidiary of COSCO SHIPPING (Hong Kong)
“Other Charges”	the management fees and other outgoings under the 2023 Tenancy Agreements in respect of the 42F Property and the 49F Property payable by CSP Management to Malayan Corporations and Wing Thye respectively as disclosed in this announcement
“Percentage Ratio”	the percentage ratio(s) as defined in Chapter 14 of the Listing Rules
“PRC”	the People’s Republic of China
“Rent”	the rentals under the 2023 Tenancy Agreements in respect of the 42F Property and the 49F Property payable by CSP Management to Malayan Corporations and Wing Thye respectively as disclosed in this announcement

“Right-of-Use Asset (Lease)”	an asset representing the value of the Group’s right (as lessee) to use the 42F Property and the 49F Property under the 2023 Tenancy Agreements in its consolidated financial statements pursuant to HKFRS 16
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary” or “subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Valuation Reports”	the valuation reports in respect of 42F Property and 49F Property both dated 27 October 2023 issued by Savills Valuation and Professional Services Limited
“Wing Thye”	Wing Thye Holdings Limited, a company incorporated in British Virgin Islands with limited liability and a wholly-owned subsidiary of COSCO SHIPPING (Hong Kong)
“%”	per cent

** For identification purposes only*

By Order of the Board
COSCO SHIPPING Ports Limited
YANG Zhijian
Chairman

Hong Kong, 29 November 2023

As at the date of this announcement, the Board comprises Mr. YANG Zhijian¹ (Chairman), Mr. ZHU Tao¹ (Managing Director), 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