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)

CONTINUING CONNECTED TRANSACTIONS
ENTRUSTMENT AGREEMENT

THE ENTRUSTMENT AGREEMENT

The Board is pleased to announce that, on 6 May 2019, CS Financial and Shanghai Universal, an indirect wholly-owned subsidiary of the Company, entered into the Entrustment Agreement, pursuant to which CS Financial has agreed to entrust to Shanghai Universal, and Shanghai Universal has agreed to accept the entrustment of, the Entrusted Assets for a term of three years commencing from the date of the Entrustment Agreement at the aggregate Entrustment Fee of RMB10.245 million (approximately HK$11.88 million) per annum.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, COSCO SHIPPING and its associates control or are entitled to exercise control over the voting rights in respect of 4,458,195,175 A Shares and 100,944,000 H Shares, representing approximately 39.02% 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. CS Financial is a wholly-owned subsidiary of COSCO SHIPPING and therefore an associate of COSCO SHIPPING. Accordingly, CS Financial is a connected person of the Company.

Pursuant to Rule 14A.81 of the Listing Rules, as the Entrustment Agreement and the Management Services Agreement were entered into by the Group with the COSCO SHIPPING Group and are of a similar nature, the transactions contemplated under the Entrustment Agreement and the Management Services Agreement should be aggregated.

After aggregation, as one or more applicable percentage ratios calculated in accordance with the Listing Rules exceed 0.1% but are less than 5%, the transactions contemplated under the Entrustment Agreement, together with the proposed annual caps for the three years ending 31 December 2021, constitute continuing connected transactions of the Company which are subject to the reporting, annual review and announcement requirements but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

INTRODUCTION

The Board is pleased to announce that, on 6 May 2019, CS Financial and Shanghai Universal, an indirect wholly-owned subsidiary of the Company, entered into the Entrustment Agreement, pursuant to which CS Financial has agreed to entrust to Shanghai Universal, and Shanghai Universal has agreed to accept the entrustment of, the Entrusted Assets for a term of three years commencing from the date of the Entrustment Agreement at the aggregate Entrustment Fee of RMB10.245 million (approximately HK$11.88 million) per annum.

THE ENTRUSTMENT AGREEMENT

The principal terms of the Entrustment Agreement are as follows:

Date

6 May 2019

Parties

(1) CS Financial (as entruster); and

(2) Shanghai Universal (as entrustee).

Subject matter

Pursuant to the Entrustment Agreement, CS Financial has agreed to entrust to Shanghai Universal, and Shanghai Universal has agreed to accept the entrustment of, the Entrusted Assets.

Following the entrustment of the Entrusted Assets, Shanghai Universal shall be entitled to exercise, by itself or through the Target Companies, the following shareholder's rights in respect of each of the Target Companies:

(1) assigning shareholder's representatives to exercise shareholder decision making power in relation to material daily operation matters of the Target Companies in accordance with the respective articles of association;

(2) recommending directors and supervisors, and appointing the management and key management personnel of the Target Companies through the board of directors of the Target Companies;

(3) exercising the daily management rights in respect of the Target Companies, including but not limited to, daily production related matters such as procurement, sales and production;

(4) obtaining relevant information of the Target Companies in accordance with applicable laws and the respective articles of association; and

(5) advising on material non-daily operation matters and implementing the final decisions of CS Financial.

During the term of the Entrustment Agreement, (1) CS Financial shall remain the legal owner of the Entrusted Assets and shall have the right to receive distributions by and the right to dispose of the Target Companies; and (2) the profit or loss arising from the Entrusted Assets shall be attributable to CS Financial.

Term

Subject to the early termination of the Entrustment Agreement as further described below, the term of the Entrustment Agreement shall be three years from the date of the Entrustment Agreement. Subject to the compliance with the requirements under the applicable listing rules and the written consent of the parties, the Entrustment Agreement shall be automatically renewed for a further term of three years upon the expiry of the initial term, unless any party notifies the other party by way of a written notice of termination three months prior to such expiry date.

The Entrustment Agreement shall be terminated upon the earlier of (1) CS Financial no longer holding equity interests in the Target Companies; and (2) the container business of the Target Companies no longer being in competition with the businesses of Shanghai Universal and its wholly-owned subsidiaries.

Entrustment Fee

Pursuant to the Entrustment Agreement, Shanghai Universal shall be entitled to receive the aggregate Entrustment Fee of RMB10.245 million (approximately HK$11.88 million) per annum.

The Entrustment Fee in respect of the relevant Target Company shall begin to incur on the respective Payment Commencement Date, provided that (1) if the Payment Commencement Date falls on a date which is before the 15th day of a month (including the 15th day of that month), the period for calculating the Entrustment Fee payable shall begin that month; and (2) if the Payment Commencement Date falls on a date which is after the 15th day of a month, the period for calculating the Entrustment Fee payable shall begin in the following month.

Basis of determining the Entrustment Fee

The Entrustment Fee payable under the Entrustment Agreement was agreed between the parties after arm's length negotiations with reference to, among other things, the prevailing market prices for the provision of comparable entrustment services, the estimated administrative costs and labour costs of staffs to be assigned to the Target Companies for the purpose conducting the entrustment, and the historical management expenses incurred by the Target Companies.

Proposed annual caps

The table below sets out the proposed annual caps for the transactions contemplated under the Entrustment Agreement for the three years ending 31 December 2021, which are determined with reference to the agreed aggregate annual Entrustment Fee under the Entrustment Agreement:

	Annual caps
For the year ending 31 December 2019:	RMB6 million (approximately HK$6.96 million)
For the year ending 31 December 2020:	RMB10.245 million (approximately HK$11.88 million)
For the year ending 31 December 2021:	RMB10.245 million (approximately HK$11.88 million)

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Company has been informed by COSCO SHIPPING that CS Financial proposed to acquire from Singamas Container 100% of the equity interests in Qidong Singamas, Ningbo Pacific, Singamas Container (Shanghai) and Qingdao Pacific (including 100% of the equity interest in Qidong Pacific held by Qingdao Pacific). As the Target Companies are principally engaged in design, research and development, manufacture, sales and delivery of containers and the related businesses, in order to address any potential competition between the Group and the COSCO SHIPPING Group as a result of completion of the aforementioned acquisition (which is subject to, among other things, the satisfaction or, if applicable, waiver of certain conditions precedent), CS Financial and Shanghai Universal entered into the Entrustment Agreement for the purpose of management of the Target Companies by the Group.

In addition, the Entrustment Agreement will also facilitate increased economies of scale and the unified management of the container business of the Target Companies and the Group, which may increase efficiency and reduce costs. The Entrustment Fee payable to the Group under the Entrustment Agreement will also expand the income stream of the Company and enhance the financial position of the Company.

INFORMATION ON THE GROUP AND THE PARTIES TO THE ENTRUSTMENT AGREEMENT

Information on the Group

The Company is a joint stock company established under the laws of the PRC with limited liability, the H Shares of which are listed on the Main Board of the Hong Kong 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 CS Financial

CS Financial is a company incorporated in Hong Kong with limited liability and is an indirect wholly-owned subsidiary of COSCO SHIPPING. It is principally engaged in providing integrated financial services and investment in financial assets.

Information on Shanghai Universal

Shanghai Universal is a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company. Shanghai Universal and its wholly-owned subsidiaries are principally engaged in the manufacture and sales of containers.

IMPLICATIONS UNDER THE LISTING RULES

As at the date of this announcement, COSCO SHIPPING and its associates control or are entitled to exercise control over the voting rights in respect of 4,458,195,175 A Shares and 100,944,000 H Shares, representing approximately 39.02% 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. CS Financial is a wholly-owned subsidiary of COSCO SHIPPING and therefore an associate of COSCO SHIPPING. Accordingly, CS Financial is a connected person of the Company.

Pursuant to Rule 14A.81 of the Listing Rules, as the Entrustment Agreement and the Management Services Agreement were entered into by the Group with the COSCO SHIPPING Group and are of a similar nature, the transactions contemplated under the Entrustment Agreement and the Management Services Agreement should be aggregated.

After aggregation, as one or more applicable percentage ratios calculated in accordance with the Listing Rules exceed 0.1% but are less than 5%, the transactions contemplated under the Entrustment Agreement, together with the proposed annual caps for the three years ending 31 December 2021, constitute continuing connected transactions of the Company which are subject to the reporting, annual review and announcement requirements but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

CONFIRMATIONS OF THE BOARD

Ms. Sun Yueying, Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, all being executive Directors, and Mr. Feng Boming and Mr. Huang Jian and Mr. Liang Yanfeng, all being non-executive Directors, hold directorship(s) or act as senior management in COSCO SHIPPING and/or its associates, and were nominated by COSCO SHIPPING to the Board. Accordingly, Ms. Sun Yueying, Mr. Wang Daxiong, Mr. Liu Chong, Mr. Xu Hui, Mr. Feng Boming, Mr. Huang Jian and Mr. Liang Yanfeng have therefore abstained from voting on the relevant Board resolution approving the transactions contemplated under the Entrustment Agreement. Save as aforementioned, none of the other Directors has a material interest in the transactions contemplated under the Entrustment Agreement, and hence no other Director has abstained from voting on such Board resolution.

The Board (including the independent non-executive Directors) considers that the Entrustment Agreement is entered into in the ordinary and usual course of business of the Group, and the terms of the Entrustment Agreement are fair and reasonable and on normal commercial terms and determined after arm's length negotiations between the parties. Accordingly, the transactions contemplated under the Entrustment Agreement and the proposed annual caps for the three years ending 31 December 2021 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

INTERNAL CONTROL PROCEDURES FOR THE GROUP

In addition to the annual review by the auditors and independent non-executive Directors pursuant to the requirements of Chapter 14A of the Listing Rules, the Company will implement the following internal control procedures to ensure that the terms of the Entrustment Agreement are no less favourable to the Group than those available to or from independent third parties and the continuing connected transactions will be conducted in accordance with the Entrustment Agreement:

(1) the Company will regularly examine the transactions under the Entrustment Agreement to ensure that they are conducted in accordance with the terms thereof and are no less favourable to the Group than those available to or from independent third parties;

(2) the Company will regularly convene meetings to discuss issues in transactions under the Entrustment Agreement and recommendations for improvement;

(3) the Company will regularly summarise the transaction amounts incurred under the Entrustment Agreement and submit reports to the management of the Company. The management and the relevant departments of the Company can be informed of the status of the continuing connected transactions in a timely manner such that the transactions can be conducted within the applicable annual caps; and

(4) the supervision department of the Company will periodically review and inspect the process of the continuing connected transactions under the Entrustment Agreement.

By implementing the above procedures, the Directors consider that the Company has established sufficient internal control measures to ensure the terms of the Entrustment Agreement will be on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole and the continuing connected transactions will be conducted as agreed under the Entrustment Agreement and in compliance with Chapter 14A of the Listing Rules.

DEFINITIONS

Unless the context requires otherwise, capitalised terms used in this announcement shall have the meanings as follow:

"A Share(s)"	the domestic share(s) in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
"associate"	has the meaning ascribed to it under the Listing Rules
"Board"	the board of directors 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 in the PRC, the H Shares and A Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 2866) and the Shanghai Stock Exchange (Stock Code: 601866), respectively
"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 the indirect controlling shareholder of the Company
"COSCO SHIPPING Group"	COSCO SHIPPING, its subsidiaries and/or its associates (excluding the Group)
"CS Financial"	COSCO SHIPPING Financial Holding Co., Ltd. (中遠海運金融控股有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of COSCO SHIPPING
"Director(s)"	director(s) of the Company
"Entrusted Assets"	100% of the equity interest in each of Qidong Singamas, Ningbo Pacific, Singamas Container (Shanghai), and Qingdao Pacific (including 100% of the equity interest in Qidong Pacific held indirectly through Qingdao Pacific)
"Entrustment Agreement"	the entrustment agreement dated 6 May 2019 entered into between CS Financial and Shanghai Universal in respect of the entrustment of the Entrusted Assets by CS Financial to Shanghai Universal
"Entrustment Fee"	the entrustment fee payable by the relevant Target Companies to Shanghai Universal under the Entrustment Agreement
"Group"	the Company and its subsidiaries
"H Share(s)"	the overseas listed foreign shares in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on Main Board of the Hong Kong Stock Exchange

"HK$"	Hong Kong dollars, the lawful currency of Hong Kong
"Hong Kong"	the Hong Kong Special Administrative Region of the PRC
"Hong Kong Stock Exchange"	The Stock Exchange of Hong Kong Limited
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Management Services Agreement"	the management services agreement dated 28 April 2017 entered into by and among COSCO SHIPPING (as appointor), the Company (as appointee) and CS Financial in respect of the provision of the management services by the Company in connection with CS Financial and its financial assets, further details of which are set out in the announcement of the Company dated 28 April 2017
"Ningbo Pacific"	Ningbo Pacific Container Co., Ltd.# (寧波太平貨櫃有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Singamas Container as at the date of this announcement
"Payment Commencement Date"	with respect to the relevant Target Company, the date of completion of change of its company registration records with the relevant industry and commerce administration authority in the PRC in relation to, among other things, CS Financial becoming its shareholder
"PRC"	the People's Republic of China excluding, for the purpose of this announcement, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
"Qidong Pacific"	Qidong Pacific Port Co., Ltd.# (啓東太平港務有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Qingdao Pacific as at the date of this announcement
"Qidong Singamas"	Qidong Singamas Energy Equipment Co., Ltd.# (啓東勝獅能源裝備有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Singamas Container as at the date of this announcement
"Qingdao Pacific"	Qingdao Pacific Container Co., Ltd.# (青島太平貨櫃有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Singamas Container as at the date of this announcement
"RMB"	Renminbi, the lawful currency of the PRC

"Shanghai Universal"	Shanghai Universal Logistics Equipment Co., Ltd.# (上海寰宇物流裝備有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
"Share(s)"	A Share(s) and H Share(s)
"Shareholder(s)"	holder(s) of the Share(s)
"Singamas Container"	Singamas Container Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 716)
"Singamas Container (Shanghai)"	Singamas Container Holdings (Shanghai) Limited# (勝獅貨櫃管理(上海)有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Singamas Container as at the date of this announcement
"Target Companies"	collectively, Qidong Singamas, Ningbo Pacific, Singamas Container (Shanghai), Qingdao Pacific and Qidong Pacific
"%"	per cent

By order of the Board
COSCO SHIPPING Development Co., Ltd.
Yu Zhen
Company Secretary

Shanghai, the People's Republic of China
6 May 2019

For the purpose of this announcement, translations of RMB into HK$ or vice versa have been calculated by using an exchange rate of RMB1.00 equal to HK$1.16. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.

As at the date of this announcement, the Board comprises Ms. Sun Yueying, Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, being executive Directors, Mr. Feng Boming, Mr. Huang Jian and Mr. Liang Yanfeng, being non-executive Directors, and Mr. Cai Hongping, Ms. Hai Chi Yuet, Mr. Graeme Jack, Mr. Lu Jianzhong, Mr. Gu Xu and Ms. Zhang Weihua, being independent non-executive Directors.

* *The Company is a registered non-Hong Kong company as defined in 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.