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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)

CONTINUING CONNECTED TRANSACTIONS MANAGEMENT SERVICES AGREEMENT

THE MANAGEMENT SERVICES AGREEMENT

The Board is pleased to announce that, on 28 April 2017, COSCO SHIPPING, the Company and CS Financial entered into the Management Services Agreement, pursuant to which COSCO SHIPPING has agreed to appoint the Company, and the Company has agreed to accept such appointment, to provide the Management Services in respect of CS Financial and the Target Equities for a term of three years commencing from the date of the Management Services Agreement at the Management Fee of up to RMB80,000,000 (approximately HK\$90,400,000) 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.

As one or more applicable percentage ratios in respect of each of the proposed annual caps for the three years ending 31 December 2019 under the Management Services Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Management Services Agreement, together with the proposed annual caps for the three years ending 31 December 2019, constitute continuing connected transactions which are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

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The principal terms of the Management Services Agreement are as follows:

Date

28 April 2017

Parties

- (1) COSCO SHIPPING (as appointor);
- (2) the Company (as appointee); and
- (3) CS Financial.

The Management Services

Pursuant to the Management Services Agreement, the scope of the Management Services to be provided by the Company includes, among other things:

- (1) management services in respect of the business operations, financial, human resources, investment, major assets and internal control of CS Financial;
- (2) advising on the exercise of the voting rights of the Target Equities (other than the Shares) directly or indirectly held by CS Financial;
- (3) advising on the dealings of the Target Equities and additional investment by CS Financial in accordance with the laws, regulations, relevant provisions of the securities regulatory authorities of the place of listing of the relevant securities and the articles of association of CS Financial;
- (4) advising on the appointment of directors, supervisors and senior management of the companies which form part of the Target Equities; and
- (5) other matters as separately authorised or entrusted by COSCO SHIPPING.

Term

The term of the Management Services Agreement shall be three years from the date of the Management Services Agreement. Subject to the compliance with the requirements under the applicable listing rules and the written consent of the parties, the Management Services 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 parties by way of a written notice of termination three months prior to such expiry date.

The Management Fee

Pursuant to the Management Services Agreement, the Company shall be entitled to receive the Management Fee, which is subject to a cap of RMB80,000,000 (approximately HK\$90,400,000) per annum and comprises:

- (1) a fixed fee of RMB20,000,000 (approximately HK\$22,600,000); and
- (2) a variable fee calculated by reference to a benchmark rate of return on the net asset value of the Target Equities.

In addition, CS Financial shall be responsible for any reasonable third party costs incurred by the Company as a result of the provision of the Management Services during the term of the Management Services Agreement.

Basis of determining the Management Fee

The Management Fee payable under the Management Services Agreement was agreed between the parties after arm's length negotiations with reference to (i) the prevailing market price and charging methodology adopted by independent fund managers for the management service of financial assets; (ii) the estimated costs of the Company to provide the Management Services; and (iii) the historical management expenses incurred by CS Financial.

Proposed annual caps

The table below sets out the proposed annual caps for the transactions contemplated under the Management Services Agreement for the three years ending 31 December 2019, which are determined with reference to the cap for the Management Fee under the Management Services Agreement:

	Annual caps
For the year ending 31 December 2017:	RMB80,000,000 (approximately HK\$90,400,000)
For the year ending 31 December 2018:	RMB80,000,000 (approximately HK\$90,400,000)
For the year ending 31 December 2019:	RMB80,000,000 (approximately HK\$90,400,000)

REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The Group has transformed from a container liner operator into an integrated financial services platform which provides a range of financial services, including management services of financial assets. The provision of Management Services under the Management Services Agreement is in line with the Group's transformed business.

The Management Services Agreement will facilitate increased economies of scale and the unified management of the financial assets held by CS Financial and the Group, which will increase efficiency and reduce costs. In addition, the Company will receive the Management Fee, which will expand the revenue stream of the Company and enhance the financial position of the Company.

INFORMATION ON THE GROUP AND THE PARTIES TO THE MANAGEMENT SERVICES 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 providing integrated financial services with diversified leasing businesses such as vessel leasing, container leasing and non-shipping finance leasing, supply chain finance, shipping insurance, logistic infrastructure investment and other financial assets investment services.

Information on COSCO SHIPPING

COSCO SHIPPING is a company incorporated under the laws of the PRC, and is a state-owned enterprise wholly-owned and controlled by SASAC. 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.

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 the provision of integrated financial services and investment in financial assets.

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.

As one or more applicable percentage ratios in respect of each of the proposed annual caps for the three years ending 31 December 2019 under the Management Services Agreement is more than 0.1% but less than 5%, the transactions contemplated under the Management Services Agreement, together with the proposed annual caps for the three years ending 31 December 2019, constitute continuing connected transactions which are subject to the reporting, annual review and announcement requirements, but are exempt from the 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, hold directorship(s) or act as senior management in China Shipping and/or its associates, and Mr. Feng Boming, Mr. Chen Dong and Mr. Huang Jian, all being non-executive Directors, were nominated by China Shipping to the Board. Accordingly, Ms. Sun Yueying, Mr. Wang Daxiong, Mr. Liu Chong, Mr. Xu Hui, Mr. Feng Boming, Mr. Chen Dong and Mr. Huang Jian have abstained from voting on the relevant Board resolutions approving the transactions contemplated under the Management Services Agreement. Save as aforementioned, none of the other Directors has a material interest in the transactions contemplated under the Management Services Agreement, and hence no other Director has abstained from voting on such Board resolutions.

The Board (including the independent non-executive Directors) considers that the Management Services Agreement is entered into in the ordinary and usual course of business of the Company, and the terms of the Management Services 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 Management Services Agreement and the proposed annual caps for the three years ending 31 December 2019 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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
“China Shipping”	China Shipping (Group) Company [#] (中國海運(集團)總公司), a PRC state-owned enterprise, the controlling shareholder of the Company and a wholly owned subsidiary of COSCO SHIPPING
“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
“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

“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“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
“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
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Management Fee”	the fee per annum payable by CS Financial to the Company for the provision of the Management Services under the Management Services Agreement
“Management Services”	the management services to be provided by the Company in respect of CS Financial and the Target Equities pursuant to the Management Services Agreement
“Management Services Agreement”	the management services agreement dated 28 April 2017 entered into by and among COSCO SHIPPING, the Company and CS Financial in respect of the provision of the Management Services by the Company
“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
“RMB”	Renminbi, the lawful currency of the PRC

“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中國國務院國有資產監督管理委員會)
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“Target Equities”	the financial assets held directly or indirectly by COSCO SHIPPING through CS Financial, including but not limited to CS Financial and its wholly-owned subsidiaries, companies which CS Financial has a controlling interest or actual control, equity interests in certain financial enterprises and other financial investment products
“%”	per cent

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

Shanghai, the People’s Republic of China
28 April 2017

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\$1.13. 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. Chen Dong, being non-executive Directors, and Mr. Cai Hongping, Mr. Tsang Hing Lun, Ms. Hai Chi Yuet and Mr. Graeme Jack, 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 Developments Co., Ltd.”.*

For identification purposes only.