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SITC International Holdings Company Limited

海豐國際控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1308)

REVISED ANNUAL CAP FOR CONTINUING CONNECTED TRANSACTION MASTER AGENCY AGREEMENT

Reference is made to the announcement of the Company dated 18 December 2020.

REVISION OF ANNUAL CAPS – MASTER AGENCY AGREEMENT

On 16 August 2021, due to the combined impact of rising of freight rates and fluctuation in exchange rate, the Company and Qingdao SITC entered into the Supplemental Agreement to increase the annual caps for the Container Shipping Services payable by Qingdao SITC to the Group under the 2021 Master Agency Agreement for the three years ending 31 December 2023.

LISTING RULES IMPLICATIONS

Qingdao SITC is a company owned as to (i) 43.05% by Ms. Liu Rongli, the spouse of Mr. Yang Shaopeng, one of the controlling shareholders of the Company, chairman and an executive Director, and the mother of Ms. Yang Xin, a non-executive Director; (ii) as to 17.97% by Ms. Lin Limei (the spouse of Mr. Yang Xianxiang, an executive Director); (iii) as to 5.13% by Ms. Li Xuerao (the spouse of Mr. Liu Kecheng, an executive Director); (iv) as to 2.11% by Ms. Zhang Qiongye (the spouse of Mr. Lai Zhiyong, an executive Director); (v) as to 3.06% by Ms. Sheng Jiejun (the spouse of Mr. Xue Mingyuan, an executive Director); and (vi) with the remaining 28.68% being held by 184 individuals whom are employees and/or ex-employees of the Group. Accordingly, Qingdao SITC is a connected person of the Company and the entering into of the 2021 Master Agency

Agreement, the Supplemental Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios under Chapter 14A of the Listing Rules in respect of the revised annual cap amount under the Supplemental Agreement are more than 0.1% but less than 5%, the revision to the annual caps for the provision of the Container Shipping Services under the Supplemental Agreement are subject to the reporting and announcement requirements but are exempted from the circular and the independent shareholders' approval requirements under the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 18 December 2020 in relation to the 2021 Master Agency Agreement.

2021 MASTER AGENCY AGREEMENT

On 18 December 2020, the Company and Qingdao SITC entered into the 2021 Master Agency Agreement pursuant to which the Company agreed that it will procure its subsidiaries to provide container shipping services (the “**Container Shipping Services**”) to the shipping agency companies of Qingdao SITC and Qingdao SITC agreed to provide agency services (the “**Agency Services**”) to the Group from time to time during the term for a period of three years commencing from 1 January 2021 and ending on 31 December 2023.

Set out below is a summary of the principal terms of the 2021 Master Agency Agreement:

Date: 18 December 2020

Parties: (i) the Company.

(ii) Qingdao SITC, a company owned as to (i) 43.05% by Ms. Liu Rongli, the spouse of Mr. Yang Shaopeng, one of the controlling shareholders of the Company, chairman and an executive Director, and the mother of Ms. Yang Xin, a non-executive Director; (ii) as to 17.97% by Ms. Lin Limei (the spouse of Mr. Yang Xianxiang, an executive Director); (iii) as to 5.13% by Ms. Li Xuerao (the spouse of Mr. Liu Kecheng, an executive Director); (iv) as to 2.11% by Ms. Zhang Qiongye (the spouse of Mr. Lai Zhiyong, an executive Director); (v) as to 3.06% by Ms. Sheng Jiejun (the spouse of Mr. Xue Mingyuan, an executive Director); and (vi) with the remaining 28.68% being held by 184 individuals whom are employees and/or ex-employees of the Group.

Subject:

Pursuant to the 2021 Master Agency Agreement, the Company agreed that it will procure its subsidiaries to provide the Container Shipping Services to the shipping agency companies of Qingdao SITC and Qingdao SITC agreed to provide Agency Services to the Group from time to time during the term of the 2021 Master Agency Agreement.

Term:

The 2021 Master Agency Agreement has a fixed term of three years which commenced from 1 January 2021 and ending on 31 December 2023 (both days inclusive).

Pricing policy:

As a general principle, the price and terms in respect of the Container Shipping Services to be provided by the Group and the Agency Services to be provided by Qingdao SITC pursuant to the 2021 Master Agency Agreement will be on normal commercial terms, negotiated on an arm's length basis, on similar basis as the Group transacts business with other independent third party and shall be on terms which are no more favourable to Qingdao SITC than those provided by the Group to other independent third party (in term of the Container Shipping Services) and no less favourable to the Group than those provided by independent third party supplies (in term of the Agency Services).

In relation to the Container Shipping Services, subject to the general principle disclosed above, the Group will also take into account the following factors when determining the service fee for the Container Shipping Services under the 2021 Master Agency Agreement: (i) the prevailing market rates of the services similar to the Container Shipping Services to be provided by the Group to other independent third party; and (ii) the expected cost to be incurred by the Group in providing such Container Shipping Services. Further, the Group also evaluates and assesses the scope of the Container Shipping Services required by Qingdao SITC and prepare a detailed cost calculation by reference to cost of personnel and quotes of the Group to other independent customers to ensure that the service fees by the Group are competitive and not more than those being offered to independent third parties. The evaluation and assessment above and the preparation of costs calculations are mainly prepared by the Group's finance department and sales department and subject to final approval by the head of the finance department and sales department.

In relation to the Agency Services, subject to the general principle disclosed above, the Group will also take into account the following factors when determining the service fee for the Agency Services under the 2021 Master Agency Agreement: (i) the prevailing market rates of the similar services to the Agency Services to be provided by Qingdao SITC to the Group; (ii) the quality and fees of the services available in the market; and (iii) the expected costs to be incurred by the Group in performing the services itself. In determining the prevailing market price of the similar services to the Agency Services to be provided by Qingdao SITC to the Group, the Company will ascertain information with reference to the relevant pricing of independent third party shipping agency companies, which have extensive experience in provision of agency service within the region. Once the information on the prevailing market price has been gathered, relevant information will then be passed on to the relevant personnel of the business department of the Company and information will then be used by the Company as a reference to determine whether individual quotations obtained by the Company is fair and reasonable.

Payment:

Payment of the Container Shipping Services and the Agency Services is payable to the designated accounts of the respective parties on a monthly basis.

REVISION OF ANNUAL CAPS FOR THE CONTAINER SHIPPING SERVICES

The 2021 Master Agency Agreement has a fixed term, which commenced from 1 January 2021 to 31 December 2023 (both days inclusive), subject to, among other things, it is expected that the cap amounts for the Container Shipping Services and the Agency Services will not exceeding the followings:

For the year ending 31 December	Service fees for the Container Shipping Services received by the Company (US\$)	Services fees for the Agency Services paid by the Company (US\$)
2021	25,300,000	2,200,000
2022	30,000,000	2,600,000
2023	34,500,000	3,000,000

For the period from 1 January 2021 to 31 July 2021, the actual transaction amount for the Container Shipping Services and the Agency Services amounted to US\$16,864,510 and US\$893,299, respectively. The Directors confirm that the annual caps for the 2021 Master Agency Agreement for the year ending 31 December 2021 has not been exceeded up to the date of this announcement.

Reasons for the revision of annual caps for the Container Shipping Services

As the freight rates continue to rise since January 2021 and coupled with the fluctuation in exchange rate, it is expected that the service fees to be received by the Group in relation to the provision of the Container Shipping Services under the 2021 Master Agency Agreement will exceed the annual caps provided under the 2021 Master Agency Agreement for the three years ending 31 December 2023.

Accordingly, on 16 August 2021, the Company and Qingdao SITC entered into the Supplemental Agreement to increase the annual caps for the Container Shipping Services under the 2021 Master Agency Agreement for the three years ending 31 December 2023 as follows:

	Service fees for the Container Shipping Services received by the Company (US\$)
For the year ending 31 December	

2021	36,800,000
2022	43,000,000
2023	49,000,000

The annual caps for the years ending 31 December 2023 for the Agency Services under the 2021 Master Agency Agreement will remain unchanged.

The service fees for the Container Shipping Services to be received by the Company for the years ending 31 December 2023 are determined with reference to (i) the expected amount of Container Shipping Services; (ii) the historical transaction amounts between the Company and Qingdao SITC; and (iii) the open market rates and the anticipated increases in business demand. The increase of the annual caps for the Container Shipping Services under the Supplemental Agreement was determined by reference to (i) the actual fee paid by Qingdao SITC to the Group for the Container Shipping Services for the period from 1 January 2021 to 31 July 2021; and (ii) the projected requirements of the Container Shipping Services required from the Group for the remaining term of the 2021 Master Agency Agreement.

The Directors (including the independent non-executive Directors) consider that the transactions under the Supplemental Agreement are entered into in the usual and ordinary course of business of the Group are conducted on an arm's length basis and on normal commercial terms between the Group and Qingdao SITC, the increase of the annual cap under the Supplemental Agreement is fair and reasonable and in the interests of the Company and its shareholders as a whole.

LISTING RULES IMPLICATIONS

Qingdao SITC is a company owned as to (i) 43.05% by Ms. Liu Rongli, the spouse of Mr. Yang Shaopeng, one of the controlling shareholders of the Company, chairman and an executive Director, and the mother of Ms. Yang Xin, a non-executive Director; (ii) as to 17.97% by Ms. Lin Limei (the spouse of Mr. Yang Xianxiang, an executive Director); (iii) as to 5.13% by Ms. Li Xuerao (the spouse of Mr. Liu Kecheng, an executive Director); (iv) as to 2.11% by Ms. Zhang Qiongye (the spouse of Mr. Lai Zhiyong, an executive Director); (v) as to 3.06% by Ms. Sheng Jiejun (the spouse of Mr. Xue Mingyuan, an executive Director); and (vi) with the remaining

28.68% being held by 184 individuals whom are employees and/or ex-employees of the Group. Accordingly, Qingdao SITC is a connected person of the Company and the entering into of the 2021 Master Agency Agreement, the Supplemental Agreement and the transactions contemplated thereunder constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the applicable percentage ratios under Chapter 14A of the Listing Rules in respect of the revised annual cap amount under the Supplemental Agreement are more than 0.1% but less than 5%, the revision to the annual caps for the provision of the Container Shipping Services under the Supplemental Agreement are subject to the reporting and announcement requirements but are exempted from the circular and the independent shareholders' approval requirements under the Listing Rules.

INTERNAL CONTROL

The pricing policy for all the continuing connected transactions of the Group will be supervised and monitored by the finance department, the sales department and management of the Group in charge to ensure that the 2021 Master Agency Agreement (and as supplemented by the Supplemental Agreement) are conducted on normal commercial terms and in accordance with the pricing policy of the Group and will not be prejudicial to the interests of the Company and its Shareholders as a whole. The relevant personnel and management of the Group will conduct regular checks to review and assess whether the transactions contemplated under the 2021 Master Agency Agreement (and as supplemented by the Supplemental Agreement) are conducted in accordance with the terms of the 2021 Master Agency Agreement (and as supplemented by the Supplemental Agreement) and in accordance with the aforesaid pricing policy. Further, the management of the Group will continue to closely monitor the local restrictions applicable for the provision of shipping agency services in the PRC, and shall eliminate the need to seek for shipping agency services from other parties as and when local rules and regulations in the PRC permit the Group to engage in such services itself. The independent non-executive Directors will review the transactions contemplated under all continuing connected transactions of the Company and the auditors of the Group will also conduct an annual review on the pricing terms and annual caps thereof. Accordingly, the Directors consider that the internal control mechanism is effective to ensure that the transactions contemplated under all continuing connected transactions have been and will be conducted on normal commercial terms and in accordance with the pricing policy of the Group and not prejudicial to the interests of the Company and the Shareholders as a whole.

GENERAL

The Group is an Asia-based shipping logistics company that provides integrated transportation and logistics solutions.

Qingdao SITC is a company incorporated in the PRC, mainly engaged in investment holding, owning of ships and shipping agency.

As at the date of this announcement, Ms. Liu Rongli, the spouse of Mr. Yang Shaopeng, an executive Director, and the mother of Ms. Yang Xin, a non-executive Director, indirectly holds 43.05% interests in Qingdao SITC. Further, Ms. Lin Limei (the spouse of Mr. Yang Xianxiang, an executive Director), Ms. Li Xuerao (the spouse of Mr. Liu Kecheng, an executive Director), Ms. Zhang Qiongye (the spouse of Mr. Lai Zhiyong, an executive Director) and Ms. Sheng Jiejun (the spouse of Mr. Xue Mingyuan, an executive Director), each an executive Director, also holds 17.97%, 5.13%, 2.11% and 3.06% interests in Qingdao SITC, respectively. Accordingly, each of Mr. Yang Shaopeng, Mr. Yang Xianxiang, Mr. Liu Kecheng, Mr. Lai Zhiyong and Mr. Xue Mingyuan is considered to be interested in the transaction and each of them has therefore abstained from voting for the Board resolution to approve the Supplemental Agreement.

DEFINITIONS

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

“2021 Master Agency Agreement”	a master agency agreement dated 18 December 2020 entered into by and between the Company and Qingdao SITC, details of which are set out herein this announcement;
“Board”	the board of Directors
“Company”	SITC International Holdings Company Limited, a company incorporated in the Cayman Islands with limited liability, the shares of which are listed on the main board of the Stock Exchange;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;

“controlling shareholders”	has the meaning ascribed to it under the Listing Rules;
“Director(s)”	the director(s) of the Company;
“Group”	the Company and its subsidiaries;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“PRC”	the People’s Republic of China;
“Qingdao SITC”	SITC Maritime Group Company Limited (青島海豐國際航運集團有限公司), a connected person of the Company in which 43.05% interest is owned by Ms. Liu Rongli, the spouse of Mr. Yang Shaopeng, an executive Director and the controlling shareholder of the Company, and the mother of Ms. Yang Xin, a non-executive director of the Company;
“Shareholders”	holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Agreement”	the supplemental agreement dated 16 August 2021 entered into between the Company and Qingdao SITC in relation to the revision to the annual caps for the years ending 31 December 2023 in relation to the Container Shipping Services payable by the Qingdao SITC Group contemplated under the 2021 Master Agency Agreement; and
“%”	per cent.

By Order of the Board
SITC International Holdings Company Limited
Yang Shaopeng
Chairman

The People’s Republic of China, Hong Kong, 16 August 2021

As at the date of this announcement, the executive directors of the Company are Mr. Yang Shaopeng, Mr. Yang Xianxiang, Mr. Liu Kecheng, Mr. Xue Mingyuan and Mr. Lai Zhiyong; and the non-executive director is Ms. Yang Xin; and the independent non-executive directors are Dr. Liu Ka Ying, Rebecca, Mr. Tse Siu Ngan and Dr. Hu Mantian (Mandy).