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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 CHARTER AGREEMENT

Reference is made to the announcement of the Company dated 20 December 2019 in relation to the 2020 Master Charter Agreement.

REVISION OF ANNUAL CAP FOR VESSEL CHARTERING SERVICES

On 17 December 2021, the Company and Qingdao SITC entered into the Supplemental Agreement to increase the annual cap of the charter fee to be paid by the Group to Qingdao SITC under the 2020 Master Charter Agreement for the year ending 31 December 2022.

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 18.03% 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 2020 Master Charter

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 under the Supplemental Agreement are more than 0.1% but less than 5% on an annual basis, the revision to the annual cap for the provision of Vessel Chartering Services by the Qingdao SITC Group under the Supplemental Agreement is subject to the reporting and announcement requirements but is 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 20 December 2019 in relation to the 2020 Master Charter Agreement.

2020 MASTER CHARTER AGREEMENT

On 20 December 2019, the Company and Qingdao SITC entered into the 2020 Master Charter Agreement pursuant to which the parties agreed that the Qingdao SITC Group will provide the Vessel Chartering Services to meet the Group's operational requirements from time to time during the term of the 2020 Master Charter Agreement.

Set out below is a summary of the principal terms of the 2020 Master Charter Agreement:

Date	:	20 December 2019
Parties	:	(i) the Company; and
	:	(ii) Qingdao SITC.
Subject	:	Qingdao SITC Group will provide the Vessel Chartering Services to meet the Group's operational requirements from time to time during the term of the 2020 Master Charter Agreement.

- Term : a fixed term of three years from 1 January 2020 to 31 December 2022 (both days inclusive).
- Pricing policy : the price and terms of the individual services agreement in respect of the Vessel Chartering Services to be provided pursuant to the 2020 Master Charter Agreement will be determined in the ordinary course of business, on normal commercial terms, negotiated on arm's length basis and at prices and on terms no less favorable than those provided by independent third parties to the Group. Subject to the general principle disclosed above, the charter fee payable by the Group to Qingdao SITC for the Vessel Chartering Services shall be determined with reference to (i) the total number and type of container vessels required by the Group (the "**Required Vessels**") for which the operation of the Group's shipping business where chartered vessels are required; and (ii) the comparable market rate for the same or comparable type of container vessels provided by independent third parties (the "**Comparable Market Price**").

Pricing policies and mechanism for the Comparable Market Price

The Company obtains and ascertains the prevailing market price of the relevant container vessels through professional charter brokerage firms, which have extensive experience in vessel chartering within the region. Typically, the professional charter brokerage firm will gather relevant information through (i) market research; and (ii) third parties quotation. Once the information on the prevailing market price has been gathered by the professional charter brokerage firm, 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 the Comparable Market Price to determine whether individual quotations obtained by the Company for a particular vessel chartering service is fair and reasonable.

Basis of determination of the final charter fee

The quotations on charter fee obtained by the Group will be assessed by the Group with reference to the number, type (as specified by the business operation and marketing department of the Company from time to time) and lease term of container vessels required by the Group as well as the number, type and lease term of container vessels that the relevant charterer has available. For example, it may be acceptable for the Group to accept a fee proposal from a particular charterer who will be able to offer the exact type of container vessel required by the Group, the proposed fee of which may be higher than another charterer who can only offer a similar type of container vessel required by the Group. On the other hand, if both charterers can offer the exact same type of container vessel, the Group will choose to enter into chartering arrangement with the charterer who offers the lower charter fee as compared to the other. Under the condition that the type of vessels and charter fee are the same, the Company will opt for a charterer who can offer a longer lease term. The final charter fee payable by the Group, which will be within the limit as approved by the Board and will not be at a level higher than the Comparable Market Price, will also be submitted by the general manager of the business department of the Company for verification by the finance department of the Company with cost and profit considerations and final approval by the Group's CEO and all independent non-executive Directors.

Payment : Payment for the Vessel Chartering Services is payable to the designated accounts of Qingdao SITC 15 days in advance of the relevant invoice day.

REVISION OF ANNUAL CAP FOR VESSEL CHARTERING SERVICES

The 2020 Master Charter Agreement has a fixed term, which commenced from 1 January 2020 and ending on 31 December 2022 (both days inclusive), subject to, among other things, the cap amounts for the Vessel Chartering Services during the term of the agreement will not exceed the followings:

	For the year ended 31 December 2020 (US\$)	For the year ending 31 December 2021 (US\$)	For the year ending 31 December 2022 (US\$)
Provision of Vessel Chartering Services	14,000,000	14,000,000	14,000,000

The total charter fee paid by the Group to Qingdao SITC pursuant to the 2020 Master Charter Agreement for the year ended 31 December 2020 and the eleven months ended 30 November 2021 amounted to approximately US\$10,241,801 and approximately US\$11,977,218, respectively. The Directors confirm that the annual cap for the 2020 Master Charter 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 cap for Vessel Chartering Services

As the current market rate of vessel charter is generally at a higher level and shipowners' costs have increased significantly, it is expected that the charter fee to be paid by the Group in relation to the provision of the Vessel Chartering Services by the Qingdao SITC Group under the 2020 Master Charter Agreement will exceed the annual cap provided under the 2020 Master Charter Agreement for the year ending 31 December 2022.

Accordingly, on 17 December 2021, the Company and Qingdao SITC entered into the Supplemental Agreement to increase the annual cap of the charter fee to be paid by the Group to Qingdao SITC under the 2020 Master Charter Agreement for the year ending 31 December 2022 to US\$24,000,000.

The service fee to be paid by the Group under the Supplemental Agreement for the year ending 31 December 2022 was determined after arm's length negotiation between the Company and Qingdao SITC, with reference to (i) the Required Vessels for which the Group's operation of shipping business where chartered vessel is required; and (ii) the Comparable Market Price. The increase of the annual cap was determined by reference to (i) the actual charter fee paid by the Group to Qingdao SITC for the Vessel Chartering Services for the year ended 31 December 2020 and the eleven months ended 30 November 2021; and (ii) the projected requirements of the Vessel Chartering Services required from the Group for the remaining term of the 2020 Master Charter Agreement.

The Directors (including the independent non-executive Directors) consider that the Supplemental Agreement was entered into in the usual and ordinary course of business of the Group and the transactions contemplated thereunder will be conducted on arm's length basis and on normal commercial terms between the Group and Qingdao SITC Group, and 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 18.03% 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 2020 Master Charter 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 under the Supplemental Agreement are more than 0.1% but less than 5% on an annual basis, the revision to the annual cap for the provision of Vessel Chartering Services by the Qingdao SITC Group under the Supplemental

Agreement is subject to the reporting and announcement requirements but is 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 transactions contemplated under the 2020 Master Charter 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 2020 Master Charter Agreement (and as supplemented by the Supplemental Agreement) are conducted in accordance with the terms of the 2020 Master Charter 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 the spouse of each of Mr. Yang Shaopeng, Mr. Yang Xianxiang, Mr. Liu Kecheng, Mr. Lai Zhiyong and Mr. Xue Mingyuan holds interest in Qingdao SITC and Ms. Yang Xin is the daughter of Ms. Liu Rongli, the spouse of Mr. Yang Shaopeng, they are considered to be interested in the Supplemental Agreement 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:

“2020 Master Charter Agreement”	a master charter agreement dated 20 December 2019 entered into between the Company and Qingdao SITC in relation to the provision of Vessel Chartering Services by the Qingdao SITC Group to the Group;
“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;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“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;
“Qingdao SITC Group”	Qingdao SITC and its subsidiaries;
“Shareholders”	shareholders of the Company;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Supplemental Agreement”	the supplemental agreement dated 17 December 2021 entered into between the Company and Qingdao SITC in relation to the revision to the annual cap for the year ending 31 December 2022 in relation to the provision of Vessel Chartering Services by the Qingdao SITC Group contemplated under the 2020 Master Charter Agreement;
“US\$”	US dollars, the lawful currency in the United States;
“Vessel Chartering Services”	the provision of chartered vessels by the Qingdao SITC Group to the Group contemplated under the 2020 Master Charter Agreement (as supplemented by the Supplemental Agreement); and
“%”	per cent.

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

Hong Kong, 17 December 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; the non-executive director of the Company is Ms. Yang Xin, and the independent non-executive directors of the Company are Dr. Liu Ka Ying, Rebecca, Mr. Tse Siu Ngan and Dr. Hu Mantian (Mandy).