# Report of the Directors and Financial Statements

# Report of the Directors

The board of directors of the Company (the "Board") presents its report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively the "Group") for the year ended 31 December 2016.

## Principal activities and Segmental analysis of operations

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 43 to the consolidated financial statements.

An analysis of the Group's performance for the year by operating segment is set out in note 6 to the consolidated financial statements.

## Business Review

A review of the business of the Group during the year, a discussion on the Group's future business development and principal risks and uncertainties that the Group may be facing are provided in the Chairman's Statement on pages 14 to 17 and Financial Review on pages 36 to 41 of this annual report.

The financial risk management objectives and policies of the Group can be found in note 4 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the financial year ended 31 December 2016 are provided in note 40 to the consolidated financial statements.

An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial and Operational Highlights on pages 12 to 13 of this annual report.

## Results and Appropriations

The results of the Group for the year ended 31 December 2016 are set out in the consolidated income statement on page 116 of this annual report.

The directors declared an interim dividend of HK18.0 cents (equivalent to US2.320 cents) per share with a scrip dividend alternative, totalling HK$534,523,000 (equivalent to US$68,894,000), which was paid on 26 October 2016.

The directors recommend the payment of a final dividend of HK7.8 cents (equivalent to US1.000 cents) per share with a scrip dividend alternative, totalling HK$235,249,000 (equivalent to US$30,160,000), payable on 19 July 2017.

## Five-year Financial Summary

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 201 of this annual report.

## Donations

Charitable and other donations made by the Group during the year amounted to US$46,000.

## Shares issued in the year

Details of the shares issued of the Company during the year are shown in note 20 to the consolidated financial statements.

## Distributable Reserves

The distributable reserves of the Company as at 31 December 2016 calculated under the Companies Act of Bermuda amounted to US$2,465,459,000.

## Borrowings

Details of the borrowings of the Group are set out in note 22 to the consolidated financial statements.

## Retirement benefit schemes

Details of retirement benefit schemes of the Group are set out in notes 3.23 and 32 to the consolidated financial statements.

## Directors

The directors of the Company during the year and up to the date of this report were:

| | |
|---|---|
| Mr. WAN Min[2] *(Chairman)* | (resigned on 29 March 2016) |
| Mr. HUANG Xiaowen[2] *(Chairman)* | (appointed as Chairman and a Non-executive Director on 29 March 2016) |
| Mr. QIU Jinguang[1] *(Vice Chairman and Managing Director)* | (resigned on 27 April 2016) |
| Mr. ZHANG Wei (張為)[1] *(Vice Chairman and Managing Director)* | (re-designated from a Non-executive Director to an Executive Director and appointed as Vice Chairman and Managing Director on 27 April 2016) |
| Mr. FANG Meng[1] | (appointed on 27 April 2016) |
| Mr. DENG Huangjun[1] | |
| Mr. TANG Runjiang[1] | (resigned on 7 July 2016) |
| Mr. FENG Bo[1] | (resigned on 24 October 2016) |
| Mr. WANG Wei[2] | (resigned on 24 October 2016) |
| Mr. FENG Boming[2] | (appointed on 24 October 2016) |
| Mr. ZHANG Wei (張煒)[2] | (appointed on 24 October 2016) |
| Mr. CHEN Dong[2] | (appointed on 24 October 2016) |
| Mr. XU Zunwu[2] | (appointed on 24 October 2016) |
| Mr. WANG Haimin[2] | |
| Dr. WONG Tin Yau, Kelvin[1] | |
| Dr. FAN HSU Lai Tai, Rita[3] | |
| Mr. Adrian David LI Man Kiu[3] | |
| Mr. IP Sing Chi[3] | (resigned on 24 October 2016) |
| Mr. FAN Ergang[3] | |
| Mr. LAM Yiu Kin[3] | |
| Prof. CHAN Ka Lok[3] | (appointed on 24 October 2016) |

[1] Executive Director
[2] Non-executive Director
[3] Independent Non-executive Director

In accordance with Clause 86(2) of the Bye-laws of the Company, Mr. XU Zunwu, being a new director appointed by the Board, shall retire at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

In accordance with Clauses 87(1) and (2) of the Bye-laws of the Company, Mr. DENG Huangjun, Dr. WONG Tin Yau, Kelvin, Dr. FAN HSU Lai Tai, Rita and Mr. Adrian David LI Man Kiu, being directors longest in office since their last re-election, shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Company has received annual confirmation from each of the independent non-executive directors confirming their independence to the Company and considers that each of the independent non-executive directors is independent to the Company.

## Biographical Details of Directors and Senior Management

Biographical details of directors and senior management are set out on pages 76 to 84 of this annual report.

## Directors' Service Contracts

No director proposed for re-election at the forthcoming annual general meeting has a service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

## Directors' Material Interests in Transactions, Arrangements and Contracts

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, fellow subsidiaries or its parent company was a party and in which a director of the Company and the director's connected party had a material interests, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

## Permitted Indemnity Provisions

The Bye-laws of the Company provide that the Directors of the Company shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty. Directors liability insurance is in place to protect the Directors of the Company or of its subsidiaries against any potential costs and liabilities arising from claims brought against the Directors.

## Share Options

At a special general meeting of the Company held on 23 May 2003, the shareholders of the Company approved the adoption of a share option scheme (the "2003 Share Option Scheme") and the termination of the share option scheme adopted by the shareholders of the Company on 30 November 1994.

On 5 December 2005, the shareholders of the Company approved the amendments to the 2003 Share Option Scheme at a special general meeting. The definitions of "Participant" and "relevant company" in paragraph 1 of the 2003 Share Option Scheme were amended by deleting all references to COSCO SHIPPING (Hong Kong) Co., Limited (formerly COSCO (Hong Kong) Group Limited) ("COSCO SHIPPING (Hong Kong)") and replacing them by COSCO SHIPPING Holdings Co., Ltd. (formerly China COSCO Holdings Company Limited) ("COSCO SHIPPING Holdings"), an intermediate holding company of the Company, and paragraph 8(e) of the 2003 Share Option Scheme was changed to allow a grantee who ceases to be an employee or an executive director of the relevant company (as defined in the 2003 Share Option Scheme) by reason of voluntary resignation from his employment, directorship, secondment or nomination to exercise the option up to his entitlement at the date of cessation within a period of three months following the date of such cessation pursuant to paragraph 7.3(a) of the 2003 Share Option Scheme. These amendments came into effect on 28 February 2006 after the approval of the shareholders of COSCO SHIPPING Holdings at the general meeting held on the same date.

The following is a summary of the principal terms of the 2003 Share Option Scheme:

The 2003 Share Option Scheme was designed to attract, retain and motivate talented participants (the "Participants" or a "Participant") (as defined in note 1 below) to strive for future development and expansion of the Group and to provide the Company with a flexible means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to the Participants and for such other purposes as the Board might approve from time to time.

Under the 2003 Share Option Scheme, the Board might, at its discretion, invite any Participants to take up options. In determining the basis of eligibility of each Participant, the Board would mainly take into account the experience of the Participant on the Group's business, the length of service of the Participant with the Group or the length of business relationship the Participant has established with the Group and such other factors as the Board might at its discretion consider appropriate.

The maximum number of shares which might be issued upon exercise of all options to be granted under the 2003 Share Option Scheme and any other share option schemes of the Company should not in aggregate exceed 10% of the total number of shares in issue as at the date of the adoption of the 2003 Share Option Scheme.

The maximum entitlement for any one Participant (including exercised, cancelled and outstanding options) in any twelve months' period should not exceed 1% of the total number of shares in issue.

The period under which an option must be exercised should be such period as the Board might in its absolute discretion determine at the time of grant, save that such period should not be longer than ten years from the date on which an offer is accepted or deemed to be accepted by the grantee pursuant to the 2003 Share Option Scheme. The minimum period for which an option must be held before it can be exercised was determined by the Board upon the grant of an option. The amount payable on acceptance of an offer of the grant of options was HK$1.00. The full amount of the exercise price for the subscription of shares must be paid upon exercise of an option.

The exercise price in relation to each option should be determined by the Board in its absolute discretion, but in any event should be at least the highest of (i) the closing price of the shares as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date when an option was offered; (ii) a price being the average of the closing prices of the shares as stated in the daily quotation sheets of the Stock Exchange for the five business days immediately preceding the date on which an option was offered; and (iii) the nominal value of a share.

The 2003 Share Option Scheme was valid and effective for a period of 10 years commencing from the date of adoption and was expired on 22 May 2013. No further options shall thereafter be granted under the 2003 Share Option Scheme but in respect of the outstanding options granted under the 2003 Share Option Scheme, the provisions of the 2003 Share Option Scheme shall remain in full force and effect.

As at the date of this report, a total of 9,940,000 shares (representing approximately 0.33% of the existing total number of issued shares of the Company) may be issued upon exercise of all options which had been granted and yet to be exercised under the 2003 Share Option Scheme.

Notes:

(1) As defined in the 2003 Share Option Scheme (as amended), "Participants" include:

(i) any employee of the Group (including any executive director of the Group);

(ii) any management of COSCO SHIPPING Holdings, or China Ocean Shipping (Group) Company ("COSCO"), both being intermediate holding companies of the Company; and

(iii) any person seconded or nominated by the Group to represent the Group's interest in any of the Group's associated companies or jointly controlled entities (as defined in note 2 below), or any other company or organisation.

As to whether a particular person falls within the definition of Participants, it shall be determined by the Board in its absolute discretion.

(2) Under the 2003 Share Option Scheme, associated companies and jointly controlled entities refer to those companies and/or enterprises which have defined and/or disclosed as associates and/or associated companies and joint ventures and/or jointly controlled entities of the Company in the latest audited financial statements of the Company.

Movements of the options, which were granted under the 2003 Share Option Scheme, during the year are set out below:

| | | Number of share options | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Category | Exercise Price HK$ | Outstanding at 1 January 2016 | Granted during the year | Exercised during the year | Transfer (to)/ from other categories during the year | Lapsed during the year | Outstanding at 31 December 2016 | % of total number of issued shares | Exercisable period | Note |
| **Director** | | | | | | | | | | |
| Dr. WONG Tin Yau, Kelvin | 19.30 | 500,000 | – | – | – | – | 500,000 | 0.017% | 18.4.2007– 17.4.2017 | (1), (2) |
| | | 500,000 | – | – | – | – | 500,000 | | | |
| **Continuous contract employees** | 19.30 | 11,050,000 | – | – | – | (2,740,000) | 8,310,000 | 0.276% | (refer to note 1) | (1) |
| **Others** | 19.30 | 1,430,000 | – | – | – | (300,000) | 1,130,000 | 0.037% | (refer to note 1) | (1) |
| | | 12,480,000 | – | – | – | (3,040,000) | 9,440,000 | | | |
| | | 12,980,000 | – | – | – | (3,040,000) | 9,940,000 | | | |

Notes:

(1) The share options were granted during the period from 17 April 2007 to 19 April 2007 under the 2003 Share Option Scheme at an exercise price of HK$19.30. The options are exercisable at any time within ten years from the commencement date which is the date on which an offer is accepted or deemed to be accepted by the grantee pursuant to the 2003 Share Option Scheme (the "Commencement Date"). The Commencement Date of the options was from 17 April 2007 to 19 April 2007.

(2) These options represent personal interest held by the relevant director as beneficial owner.

(3) No share options were granted, exercised or cancelled under the 2003 Share Option Scheme during the year ended 31 December 2016.

## Directors' Interest in Shares, Underlying Shares and Debentures

As at 31 December 2016, the interest of the Company's directors in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") were as follows:

### (a) Long positions in shares of the Company

| Name of director | Capacity | Nature of interest | Number of ordinary shares held | % of total number of issued shares of the Company |
|---|---|---|---|---|
| Mr. ZHANG Wei (張煒) | Beneficial owner | Personal | 30,000 | 0.001% |
| Dr. WONG Tin Yau, Kelvin | Beneficial owner | Personal | 564,062 | 0.019% |

### (b) Long positions in underlying shares of equity derivatives of the Company

Share options were granted by the Company to the directors of the Company pursuant to the 2003 Share Option Scheme. Details of the directors' interest in share options granted by the Company are set out under the previous section headed "Share Options" of this report.

### (c) Long positions in shares of associated corporations

| Name of associated corporation | Name of director | Capacity | Nature of interest | Number of H shares held | % of total number of issued H shares of the relevant associated corporation |
|---|---|---|---|---|---|
| COSCO SHIPPING Holdings Co., Ltd. | Dr. FAN HSU Lai Tai, Rita | Beneficial owner | Personal | 10,000 | 0.0004% |
| COSCO SHIPPING Energy Transportation Co., Ltd. | Mr. Adrian David LI Man Kiu | Beneficial owner | Personal | 508,000 | 0.04% |

| Name of associated corporation | Name of director | Capacity | Nature of interest | Number of A shares held | % of total number of issued A shares of the relevant associated corporation |
|---|---|---|---|---|---|
| COSCO SHIPPING Development Co., Ltd. | Mr. FENG Boming | Beneficial owner | Personal | 29,100 | 0.0004% |

## (d) Long positions in underlying shares of equity derivatives of associated corporations

Movements of the share appreciation rights granted to the directors of the Company by an associated corporation during the year are set out below:

| Name of associated corporation | Name of director | Capacity | Nature of interest | Exercise price HK$ | Number of units of share appreciation rights: Outstanding at 1 January 2016 | Granted during the year | Exercised during the year | Lapsed during the year | Outstanding at 31 December 2016 | % of total number of issued H shares of the relevant associated corporation | Note |
|---|---|---|---|---|---|---|---|---|---|---|---|
| COSCO SHIPPING Holdings Co., Ltd. | Mr. ZHANG Wei (張為) | Beneficial owner | Personal | 3.588 | 90,000 | – | – | (90,000) | – | – | (1) |
| | | | | 9.540 | 75,000 | – | – | – | 75,000 | 0.003% | (2) |
| | Mr. DENG Huangjun | Beneficial owner | Personal | 3.588 | 280,000 | – | – | (280,000) | – | – | (1) |
| | | | | 9.540 | 260,000 | – | – | – | 260,000 | 0.01% | (2) |
| | Mr. FENG Boming | Beneficial owner | Personal | 9.540 | 35,000 | – | – | – | 35,000 | 0.001% | (2) |
| | Mr. ZHANG Wei (張煒) | Beneficial owner | Personal | 9.540 | 50,000 | – | – | – | 50,000 | 0.002% | (2) |
| | Mr. WANG Haimin | Beneficial owner | Personal | 3.588 | 90,000 | – | – | (90,000) | – | – | (1) |
| | | | | 9.540 | 75,000 | – | – | – | 75,000 | 0.003% | (2) |

Notes:

(1) The share appreciation rights were granted by COSCO SHIPPING Holdings, an associated corporation of the Company and a company listed on the Stock Exchange and the Shanghai Stock Exchange, in units with each unit representing one H share of COSCO SHIPPING Holdings on 5 October 2006 pursuant to the share appreciation rights plan adopted by COSCO SHIPPING Holdings (the "Plan"). Under the Plan, no shares of COSCO SHIPPING Holdings will be issued. The share appreciation rights were exercisable at HK$3.588 per unit at any time between 5 October 2008 and 4 October 2016, and lapsed on 5 October 2016.

(2) The share appreciation rights were granted by COSCO SHIPPING Holdings in units with each unit representing one H share of COSCO SHIPPING Holdings on 4 June 2007 pursuant to the Plan. Under the Plan, no shares of COSCO SHIPPING Holdings will be issued. The share appreciation rights are exercisable at HK$9.540 per unit at any time between 4 June 2009 and 3 June 2017.

Save as disclosed above, as at 31 December 2016, none of the directors or chief executive of the Company had any interest or short positions in any shares or underlying shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interest or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

# Directors' Interest in Competing Business

As at 31 December 2016, the directors namely Mr. HUANG Xiaowen, Mr. ZHANG Wei (張為), Mr. FANG Meng, Mr. DENG Huangjun, Mr. FENG Boming, Mr. ZHANG Wei (張煒), Mr. CHEN Dong, Mr. XU Zunwu and Mr. WANG Haimin held directorships and/or senior management positions in China COSCO Shipping Corporation Limited ("COSCO SHIPPING"), the ultimate holding company of the Company and its subsidiaries or associates and/or other companies which have interest in terminal operation and management business (the "Terminals Interest").

The Board is of the view that the Group is capable of carrying on its businesses independently of the Terminals Interest. When making decisions on the terminals business of the Group, the relevant directors, in the performance of their duties as directors of the Company, have acted and will continue to act in the best interest of the Group.

## Substantial Interest in the Share Capital of the Company

So far as is known to any directors or chief executive of the Company, as at 31 December 2016, the interest of shareholders in the shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company or the Stock Exchange were as follows:

| | | | Number of ordinary shares/Percentage of total number of issued shares as at 31 December 2016 | | | |
|---|---|---|---|---|---|---|
| Name | Capacity | Nature of interests | Long positions | % | Short positions | % |
| COSCO Investments Limited | Beneficial owner | Beneficial interest | 213,989,277 | 7.10 | – | – |
| China COSCO (Hong Kong) Limited | Beneficial owner and interest of controlled corporation | Beneficial interest and corporate interest | 1,366,459,469 | 46.06 | – | – |
| COSCO SHIPPING Holdings Co., Ltd. | Interest of controlled corporation | Corporate interest | 1,366,459,469 | 46.06 | – | – |
| China Ocean Shipping (Group) Company | Interest of controlled corporation | Corporate interest | 1,366,459,469 | 46.06 | – | – |
| China COSCO Shipping Corporation Limited | Interest of controlled corporation | Corporate interest | 1,366,459,469 | 46.06 | – | – |
| Silchester International Investor LLP | Investment manager | Other interest | 241,916,263 | 8.02 | – | – |

Note: The 1,366,459,469 shares relate to the same batch of shares of the Company. COSCO Investments Limited ("COSCO Investments") is a wholly owned subsidiary of China COSCO (Hong Kong) Limited ("China COSCO (HK)"). Accordingly, the 213,989,277 shares of the Company held by COSCO Investments are also included as part of China COSCO (HK)'s interest in the Company. China COSCO (HK) is a wholly owned subsidiary of COSCO SHIPPING Holdings and it itself held 1,152,470,192 shares of the Company beneficially. Accordingly, China COSCO (HK)'s interest in relation to the 1,366,459,469 shares of the Company is also recorded as COSCO SHIPPING Holdings' interest in the Company. COSCO held 45.47% equity interest in COSCO SHIPPING Holdings as at 31 December 2016, and accordingly, COSCO is deemed to have the interest of 1,366,459,469 shares of the Company held by China COSCO (HK). COSCO is a wholly owned subsidiary of COSCO SHIPPING. Accordingly, COSCO's interest in relation to the 1,366,459,469 shares of the Company is also recorded as COSCO SHIPPING's interest in the Company.

As informed by China COSCO (HK), it was interested in a total of 1,409,061,609 shares (representing 46.72% of the total issued shares of the Company) as at 31 December 2016 because of the allotment of 24,300,597 shares under the 2016 scrip dividend scheme of the Company and the acquisition of 18,301,543 shares.

Save as disclosed above, as at 31 December 2016, the Company has not been notified of any other interest or short positions in the shares and underlying shares of the Company which had to be recorded in the register required to be kept under Section 336 of the SFO.

## Public Float

Based on information that is publicly available to the Company and within the knowledge of its directors, as at the date of this report, there is sufficient public float of the shares of the Company with not less than 25% of the total number of issued shares of the Company held by the public as required under the Listing Rules.

## Purchase, Sale or Redemption of Listed Shares

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed shares in 2016.

## Pre-Emptive Rights

There are no provisions for pre-emptive rights under the Bye-laws of the Company and there are no restrictions against such rights under the laws in Bermuda which would oblige the Company to offer new shares on a pro-rata basis to existing shareholders.

## Management Contracts

No contract concerning the management and administration of the whole or any substantial part of the business of the Company was entered into or existed during the year.

## Major Suppliers and Customers

The percentage of the Group's purchases and revenues attributable to major suppliers and customers are as follows:

| | |
|---|---|
| Percentage of purchases attributable to the Group's largest supplier, which is a subsidiary of COSCO SHIPPING | 17% |
| Percentage of purchases attributable to the Group's five largest suppliers | 53% |
| Percentage of revenue from sales of goods or rendering of services attributable to the Group's largest customer, which is a subsidiary of COSCO SHIPPING | 12% |
| Percentage of revenue from sales of goods or rendering of services attributable to the Group's five largest customers | 42% |

None of the directors or their associates has interest in any of the suppliers or customers of the Group.

Save as disclosed above, to the knowledge of the directors, none of the shareholders owning more than 5% of the Company's shares has interest in any of the suppliers and customers of the Group.

## Corporate Governance

The Company is committed to maintaining high standards of corporate governance so as to ensure better transparency and protection of shareholders' interest. The Company has fully complied with the code provisions of the Corporate Governance Code set out in Appendix 14 of the Listing Rules throughout the year ended 31 December 2016.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 48 to 75 of this annual report.

## Connected Transactions

During the year, the Group conducted certain continuing related party transactions, as disclosed in note 39 (Related party transactions) of the audited consolidated financial statements of the Company for the year ended 31 December 2016, some of which constituted continuing connected transactions of the Group (exempted and non-exempted), in respect of which the Company has complied with the relevant applicable requirements under Chapter 14A of the Listing Rules:

### (I) Connected Transactions

#### (1) (A) Acquisition of the entire issued share capital of China Shipping Ports Development Co., Limited ("CSPD") and (B) disposal of the entire issued share capital of Florens Container Holdings Limited (now known as Florens International Limited) ("FCHL")

On 11 December 2015, the Company as the purchaser entered into a conditional sale and purchase agreement (the "CSPD SPA") with COSCO SHIPPING Development Co., Ltd. (formerly China Shipping Container Lines Company Limited) ("COSCO SHIPPING Development") and COSCO SHIPPING Financial Holdings Co., Limited (formerly China Shipping (Hong Kong) Holdings Co., Limited) ("COSCO SHIPPING Financial Holdings") as the sellers pursuant to which COSCO SHIPPING Development and COSCO SHIPPING Financial Holdings conditionally agreed to sell and the Company conditionally agreed to purchase the entire issued share capital of CSPD for an initial consideration of RMB7,632,455,300, subject to certain adjustments contemplated under the CSPD SPA (the "Acquisition").

Also on 11 December 2015, the Company as the seller entered into a conditional sale and purchase agreement (the "FCHL SPA") with COSCO SHIPPING Development (Hong Kong) Co., Limited (formerly China Shipping Container Lines (Hong Kong) Co., Limited) ("CSDHK") as the purchaser pursuant to which the Company conditionally agreed to dispose and CSDHK conditionally agreed to acquire (i) the entire issued share capital of FCHL, a then direct wholly owned subsidiary of the Company, for an initial consideration of RMB7,784,483,300 (subject to certain adjustments contemplated under the FCHL SPA), and (ii) the shareholder's loans in the amount of US$285,000,000 owed by FCHL to the Company and remained outstanding immediately before the date of completion of the transaction contemplated under the FCHL SPA for a consideration of US$285,000,000 (the "Disposal").

CSPD is a company incorporated in Hong Kong. Prior to completion of the Acquisition, the shares of CSPD were held by COSCO SHIPPING Development and COSCO SHIPPING Financial Holdings as to 49% and 51% respectively. COSCO SHIPPING Development is a joint stock limited company incorporated in the People's Republic of China (the "PRC") with limited liability and its A shares and H shares are listed and traded on the Shanghai Stock Exchange and the Stock Exchange respectively. COSCO SHIPPING Financial Holdings is a company incorporated in Hong Kong and a wholly owned subsidiary of China Shipping (Group) Company ("China Shipping"). CSDHK is a company incorporated in Hong Kong and a subsidiary of COSCO SHIPPING Development.

The Acquisition and the Disposal (together the "Transactions") were part of the reorganisation exercise (the "Reorganisation") involving the businesses of COSCO, a controlling shareholder of the Company, and its subsidiaries (the "COSCO Group") and the businesses of China Shipping, a controlling shareholder of COSCO SHIPPING Development, and its subsidiaries (the "CS Group"). Being a reform of PRC state-owned enterprises ("SOEs"), the Reorganisation was intended to enhance the competitiveness of the SOEs in the global market by creating synergies for and improving the operating efficiency of SOEs in different positions on the same value chain. Under the Reorganisation, businesses of the COSCO Group and the CS Group would be organised such that container shipping, terminals operation and financial services would become the respective core businesses of COSCO SHIPPING Holdings and its subsidiaries, the Group, and the CS Group respectively.

On 23 December 2015, a conditional special cash dividend of HK80 cents per share (the "Special Dividend") was declared, payment of which was conditional on (a) the passing of a resolution approving the Transactions by shareholders of the Company other than China COSCO (Hong Kong) Limited and COSCO Investments Limited, both being indirect subsidiaries of COSCO, and any other shareholders of the Company who were required by the Listing Rules to abstain from voting on the resolution proposed at the special general meeting of the Company held on 1 February 2016 (the "2016 SGM") (the "Independent Shareholders"); and (b) completion of the Transactions in accordance with the provisions of the CSPD SPA and the FCHL SPA.

On 27 January 2016, the Company was informed that according to the State-owned Assets Supervision and Administration Commission ("SASAC") of the State Council of the PRC, the valuation of CSPD shall be adjusted. Therefore, a supplemental agreement to the CSPD SPA was entered into by COSCO SHIPPING Development, COSCO SHIPPING Financial Holdings and the Company on the same date, pursuant to which the initial consideration for the CSPD shares of RMB7,632,455,300 as provided in the CSPD SPA was adjusted to RMB7,625,152,000, representing a decrease of approximately 0.10%.

The Transactions were approved by the Independent Shareholders at the 2016 SGM. Furthermore, completion of the Acquisition took place on 18 March 2016 and completion of the Disposal took place on 24 March 2016. CSPD has become a wholly owned subsidiary of the Company and FCHL has ceased to be a subsidiary of the Company. The Special Dividend was paid on 4 May 2016 to shareholders of the Company whose names appear on the register of members of the Company on 15 April 2016.

The Transactions were deemed by the Stock Exchange as connected transactions of the Company under Chapter 14A of the Listing Rules. The Transactions also constituted major transactions of the Company.

On 4 May 2016, the Company has received notification from COSCO that SASAC has transferred its entire equity interest in COSCO at nil consideration to COSCO SHIPPING, a state-owned enterprise wholly owned and controlled by SASAC, upon completion of which COSCO SHIPPING indirectly held approximately 45.47% equity interest in COSCO SHIPPING Holdings through COSCO, and became an indirect controlling shareholder of COSCO SHIPPING Holdings. As a result, COSCO SHIPPING became an indirect controlling shareholder of the Company.

## (2) Syndicated Loan Agreement

On 27 June 2013, Jinzhou New Age Container Terminal Co., Ltd. ("Jinzhou New Age", a subsidiary of the Company) as borrower entered into a syndicated loan agreement (the "Syndicated Loan Agreement") with China Shipping Finance Company Ltd. ("CS Finance") as lender and Industrial and Commercial Bank of China Limited ("ICBC") (through its Shanghai Municipal Waitan sub-branch) as mandated lead arranger, lender and agent bank. Pursuant to the Syndicated Loan Agreement, CS Finance and ICBC agreed to provide a term loan of up to RMB285,000,000 to Jinzhou New Age for a term from 27 June 2013 to 27 June 2025. Under the Syndicated Loan Agreement, the maximum commitments of ICBC and CS Finance were RMB171,000,000 and RMB114,000,000 respectively. The interest rate is 10% discount to the benchmark Renminbi loan interest rate for one-year loans published by the People's Bank of China ("PBOC") from time to time as at the relevant interest rate reference date under the Syndicated Loan Agreement.

Further, on 27 June 2013, Jinzhou New Age and ICBC (through its Shanghai Municipal Waitan sub-branch and acting on behalf of all lenders under the Syndicated Loan Agreement) entered into a pledge agreement, pursuant to which certain fixed assets of Jinzhou New Age (including certain machinery and land use rights) were pledged as security for the outstanding loan amount and other obligations owed by Jinzhou New Age under the Syndicated Loan Agreement.

Jinzhou New Age was a former member of the CS Group and, following the completion of the Acquisition, became a member of the Group. The funds borrowed by Jinzhou New Age under the Syndicated Loan Agreement was used to refinance certain project loans of Jinzhou New Age.

COSCO SHIPPING is an indirect controlling shareholder of the Company. COSCO SHIPPING is also the controlling shareholder of China Shipping. As CS Finance is a member of the CS Group and members of the CS Group are connected persons of the Company, the Syndicated Loan Agreement constituted a connected transaction of the Company under the Listing Rules.

## (3) Acquisition of Interest in the Vado Terminals in Italy

On 12 October 2016, COSCO SHIPPING Ports (Vado) Limited ("CSP (Vado)", a wholly owned subsidiary of the Company) as purchaser and the Company as guarantor entered into an agreement for the sale and purchase of shares (the "Share Sale and Purchase Agreement") with APM Terminals B.V. ("APM Terminals") as seller, pursuant to which APM Terminals agreed to sell and CSP (Vado) agreed to purchase 40% of the issued share capital of APM Terminals Vado Holding B.V. ("Vado Holding") for a fixed purchase price of €7,052,015.60 (the "Vado Acquisition"). The Company as guarantor provided a guarantee regarding CSP (Vado)'s obligations under the Share Sale and Purchase Agreement.

Vado Holding is the holding company of Reefer Terminal S.p.A., which operates a reefer terminal ("Vado Reefer Terminal") located at the port of Vado Ligure in Liguria, Italy (the "Vado Port"). Further, Vado Holding is currently expected to complete a purchase of the entire issued share capital of APM Terminals Vado Ligure S.p.A. ("Vado CT") in 2018. Vado CT has been granted the right to construct, manage and operate a container terminal ("Vado Container Terminal") located at the Vado Port and is in the process of constructing the terminal.

Further, CSP (Vado) entered into a shareholders' agreement with Vado Investment B.V. (a subsidiary of APM Terminals to whom APM Terminals sold the remaining 60% of the issued share capital of Vado Holding) with respect to, amongst other things, certain corporate governance provisions for Vado Holding on the same date.

Vado Reefer Terminal and Vado Container Terminal are situated at the Vado Port which is a major port area in Northern Italy and the Mediterranean. The Vado Acquisition is in line with the Company's strategy of developing overseas shipping hubs and strengthening its global network of container terminals.

APM Terminals is an associate of APM Terminals Invest Company Limited, a substantial shareholder of a subsidiary of the Company, and is therefore a connected person of the Company. The Vado Acquisition constituted a connected transaction of the Company under the Listing Rules.

Completion of the Vado Acquisition took place on 8 March 2017. As stipulated in the Share Sale and Purchase Agreement, CSP (Vado) would provide an amount of up to €46,000,000 to Vado Holding in order to fund, amongst other things, certain capital expenditures in relation to the construction of the Vado Container Terminal and the purchase price for the entire issued share capital of Vado CT. As at the date of this report, CSP (Vado) made available an amount of €24,743,155 to Vado Holding.

## (II) Continuing Connected Transactions

### (1) Financial Services Master Agreement

On 28 August 2014, the Company entered into a financial services master agreement (the "Financial Services Master Agreement") with COSCO Finance Co., Ltd. ("COSCO Finance"). Under the Financial Services Master Agreement, COSCO Finance agreed to provide deposit services (the "Deposit Services"), loan services (the "Loan Services"), settlement services (the "Settlement Services") and further financial services which COSCO Finance may from time to time offer (the "Further Financial Services") (collectively the "Transactions") to the Group for the period from 1 November 2014 to 31 December 2016 (both dates inclusive).

On 30 March 2016, the Company announced that following the completion of the Acquisition (i.e. 18 March 2016), the annual cap for the daily outstanding amount of the Loan Services for the year ended 31 December 2016 has been increased from RMB1,000,000,000 to RMB2,000,000,000. For the avoidance of doubt, no amendment has been made to the Finance Services Master Agreement.

In respect of the Deposit Services, the interest which will accrue on any deposit placed by the Group with COSCO Finance under the Financial Services Master Agreement will not be lower than (a) the minimum interest rate prescribed by PBOC for the same type of deposits; (b) the interest rates offered by commercial banks in the PRC to the Group for the same type of deposits; and (c) the interest rates offered by COSCO Finance to other members of the COSCO Group (including COSCO and subsidiaries held by COSCO as to more than 51%, companies held by COSCO and/or its subsidiaries held by COSCO as to more than 51% (individually or jointly) as to more than 20%, companies held by COSCO and/or its subsidiaries held by COSCO as to more than 51% (individually or jointly) as to less than 20% with COSCO and/or its subsidiaries (individually or jointly) being the largest shareholder, and enterprise legal entities (事業單位法人) and social organisation legal entities (社會團體法人) under COSCO and/or its subsidiaries held by COSCO as to more than 51%) for the same type of deposits. The caps of the daily aggregate of deposits placed by the Group with COSCO Finance (including interest accrued thereon) for each of the period from 1 November 2014 to 31 December 2014 and the two years ending 31 December 2015 and 2016 is RMB1,000,000,000. The maximum daily aggregate of deposits for the year ended 31 December 2016 was RMB982,290,000.

In respect of the Loan Services, the interest rate at which any loan to be provided by COSCO Finance to the Group under the Financial Services Master Agreement will not be higher than (a) the maximum interest rate published by the PBOC for the same type of loans; and (b) the interest rates offered by commercial banks in the PRC to the Group for the same type of loans. The caps of the daily outstanding amount of loans to be provided by COSCO Finance to the Group (including any interest accrued thereon) for each of the period from 1 November 2014 to 31 December 2014 and the two years ending 31 December 2015 and 2016 (as revised) is RMB1,000,000,000, RMB1,000,000,000 and RMB2,000,000,000 respectively. The maximum daily aggregate of loans for the year ended 31 December 2016 was RMB1,222,807,000.

In respect of the Settlement Services, any fee which COSCO Finance will charge the Group (a) will comply with any requirements of PBOC and China Banking Regulatory Commission ("CBRC") in respect of the charges for the same type of settlement services; and (b) will not exceed the fees charged by commercial banks in the PRC to the Group for the same type of settlement services or the fees charged by COSCO Finance to other members of the COSCO Group for the same type of settlement services. The annual caps of the aggregate of any fees which COSCO Finance may charge the Group for the Settlement Services for the period from 1 November 2014 to 31 December 2014 and for the two years ending 31 December 2015 and 2016 are RMB800,000, RMB5,000,000 and RMB5,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2016 was RMB1,300.

In respect of the Further Financial Services, any fee which COSCO Finance will charge the Group (a) will comply with any requirements of PBOC and CBRC in respect of the charges for the same type of financial services; and (b) will not exceed the fees charged by commercial banks in the PRC to the Group for the same type of financial services or the fees charged by COSCO Finance to other members of the COSCO Group for the same type of financial services. For the year ended 31 December 2016, no such services were provided.

The deposit interest rates and the lending rates offered by COSCO Finance to the Group will be equal to or more favourable to the Group than those offered by commercial banks in the PRC to the Group for comparable deposits or, as the case may be, loans. The Financial Services Master Agreement is therefore expected not only to provide the Group with a new means of financing but also to improve the efficiency of the use of its funds through higher interest income and lower costs of financing. The Group also expects to be in a better position to manage the security of its funds since COSCO Finance is not considered to be exposed to any significant capital risk.

For the avoidance of doubt, the Financial Services Master Agreement does not preclude the Group from using the services of other financial institutions. The Group still has the freedom to select any major and independent PRC commercial banks as its financial services providers as it thinks fit and appropriate for the benefit of the Group.

COSCO Finance is a subsidiary of COSCO SHIPPING, a controlling shareholder of the Company, and is therefore a connected person of the Company. The Transactions under the Financial Services Master Agreement constituted continuing connected transactions of the Company under the Listing Rules.

As the Financial Services Master Agreement expired on 31 December 2016, and it was expected that the Group would continue to enter into transactions of similar nature with COSCO Finance under the existing agreement, the Company had on 25 August 2016 entered into a new master agreement with COSCO Finance for a term of three years from 1 January 2017 to 31 December 2019.

## (2) Rental of office premises

On 28 November 2014, COSCO SHIPPING Ports Management Company Limited (formerly COSCO Pacific Management Company Limited) ("COSCO SHIPPING Ports Management") as tenant entered into a tenancy agreement with Wing Thye Holdings Limited ("Wing Thye") as landlord (the "Tenancy Agreement") in respect of the leasing of Units 4901, 4902A and 4903 situated at 49th Floor of COSCO Tower, 183 Queen's Road Central, Hong Kong (the "Premises"). Pursuant to the Tenancy Agreement, COSCO SHIPPING Ports Management agreed to rent from Wing Thye the Premises for a term of three years commencing from 29 November 2014 at a monthly rental of HK$1,038,390 exclusive of government rent, rates and management fees. The monthly management fees payable to Wing Thye is HK$76,619.40 (subject to revision by the management company of the buildings of which the Premises form part from time to time). During the subsistence of the Tenancy Agreement, the maximum aggregate annual value of the rental and the management fee for the two years ending 31 December 2015 and 2016 and for the period from 1 January 2017 to 28 November 2017 are HK$13,400,000, HK$13,485,000 and HK$11,315,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2016 was HK$13,379,000.

The Company intended to continue to occupy the Premises on a long term basis as the head office of itself and its subsidiaries and as the principal place of business of the Company in Hong Kong. In negotiating the rental under the Tenancy Agreement, the directors of the Company had made reference to the professional opinion given by DTZ Debenham Tie Leung Limited ("DTZ"), an independent professional valuer. DTZ opined that the monthly rental agreed for the Premises as provided in the Tenancy Agreement was at market level and was fair and reasonable.

Wing Thye is a wholly owned subsidiary of COSCO SHIPPING (Hong Kong). COSCO SHIPPING Ports Management is a wholly owned subsidiary of the Company. COSCO SHIPPING is a controlling shareholder of both the Company and COSCO SHIPPING (Hong Kong). Accordingly, Wing Thye is a connected person of the Company. The Tenancy Agreement and the transactions contemplated thereunder constituted continuing connected transactions of the Company under the Listing Rules.

## (3) Master agreements relating to shipping and terminal related services and container and related services transactions (together the "Shipping and Terminal and Container Related Services Master Agreements")

On 28 October 2015, certain subsidiaries of the Company entered into the following master agreements each for a term of three years from 1 January 2016 to 31 December 2018:

(1) COSCO Shipping Services and Terminal Services Master Agreement entered into between COSCO Ports (Holdings) Limited ("COSCO Ports", a wholly owned subsidiary of the Company), Piraeus Container Terminal S.A. ("PCT", a wholly owned subsidiary of the Company) and COSCO in respect of the following transactions:

   (a) Provision of shipping related services by COSCO Ports and its subsidiaries (collectively the "COSCO Ports Group") and PCT to COSCO and COSCO SHIPPING Lines Co., Ltd. (formerly COSCO Container Lines Company Limited) ("COSCO SHIPPING Lines") and their respective associates (excluding the COSCO SHIPPING Holdings Group (as defined below)) (collectively the "Restricted COSCO Group"). The annual caps of the aggregate amount receivable by the COSCO Ports Group and PCT from the Restricted COSCO Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB562,291,000, RMB705,513,000 and RMB881,877,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2016 was RMB55,446,000.

(b) Provision of terminal related services by the Restricted COSCO Group to the COSCO Ports Group. The annual caps of the aggregate amount payable by the COSCO Ports Group to the Restricted COSCO Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB124,590,000, RMB159,528,000 and RMB198,434,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2016 was RMB2,581,000.

It was agreed that the service fees payable by the relevant members of the Restricted COSCO Group shall be at rates no less favourable to the relevant members of the COSCO Ports Group or to PCT (as the case may be) than those at which the relevant members of the COSCO Ports Group or PCT charges other independent third party customers for the relevant services. It was also agreed that the service fees payable by the relevant members of COSCO Ports Group shall be at rates no less favourable to the relevant members of the COSCO Ports Group than those which independent third party providers charge relevant members of COSCO Ports Group for the relevant services.

Since CSPD, which became a member of the Group following completion of the Acquisition on 18 March 2016, has been carrying on similar transactions with the Restricted COSCO Group and is expected to continue to do so, an amendment agreement to the COSCO Shipping Services and Terminal Services Master Agreement was entered into between the Company, COSCO Ports, PCT and COSCO on 30 March 2016 under which the Company has become a party to the COSCO Shipping Services and Terminal Services Master Agreement in place of COSCO Ports and PCT. The shipping related services would be provided by the Group to the Restricted COSCO Group and the terminal related services would be provided by the Restricted COSCO Group to the Group under the COSCO Shipping Services and Terminal Services Master Agreement (as amended).

The annual caps for the transactions under the COSCO Shipping Services and Terminal Services Master Agreement as approved by the independent shareholders of the Company remain unchanged. For the avoidance of doubt, the duration of the COSCO Shipping Services and Terminal Services Master Agreement, which will expire on 31 December 2018, remains unchanged.

(2) China COSCO Shipping Services and Terminal Services Master Agreement entered into between COSCO Ports, PCT, COSCO SHIPPING Holdings and COSCO SHIPPING Lines in respect of the following transactions:

(a) Provision of shipping related services by the COSCO Ports Group and PCT to COSCO SHIPPING Holdings and COSCO SHIPPING Lines and their respective associates (excluding the Group, COSCO and its subsidiaries) (collectively the "COSCO SHIPPING Holdings Group"). The annual caps of the aggregate amount receivable by the COSCO Ports Group and PCT from the COSCO SHIPPING Holdings Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB2,592,045,000, RMB2,920,650,000 and RMB3,294,169,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2016 was RMB465,055,000.

(b) Provision of terminal related services by the COSCO SHIPPING Holdings Group to the COSCO Ports Group. The annual caps of the aggregate amount payable by the COSCO Ports Group to the COSCO SHIPPING Holdings Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB2,500,000, RMB2,750,000 and RMB3,025,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2016 was RMB18,000.

It was agreed that the service fees payable by the relevant members of the COSCO SHIPPING Holdings Group shall be at rates no less favourable to the relevant members of the COSCO Ports Group or to PCT (as the case may be) than those at which the relevant members of the COSCO Ports Group or PCT charges other independent third party customers for the relevant services. It was also agreed that the service fees payable by the relevant members of the COSCO Ports Group shall be at rates no less favourable to the relevant members of the COSCO Ports Group than those at which independent third party providers charge relevant members of COSCO Ports Group for the relevant services.

Since CSPD, which became a member of the Group following completion of the Acquisition on 18 March 2016, has been carrying on similar transactions with the COSCO SHIPPING Holdings Group and is expected to continue to do so, an amendment agreement to the China COSCO Shipping Services and Terminal Services Master Agreement was entered into between the Company, COSCO Ports, PCT, COSCO SHIPPING Holdings and COSCO SHIPPING Lines on 30 March 2016 under which the Company has become a party to the China COSCO Shipping Services and Terminal Services Master Agreement in place of COSCO Ports and PCT. The shipping related services would be provided by the Group to the COSCO SHIPPING Holdings Group and the terminal related services would be provided by the COSCO SHIPPING Holdings Group to the Group under the China COSCO Shipping Services and Terminal Services Master Agreement (as amended).

The annual caps for the transactions under the China COSCO Shipping Services and Terminal Services Master Agreement as approved by the independent shareholders of the Company remain unchanged. For the avoidance of doubt, the duration of the China COSCO Shipping Services and Terminal Services Master Agreement, which will expire on 31 December 2018, remains unchanged.

(3) Maersk Line Shipping Services Master Agreement entered into between COSCO Ports, PCT and Maersk Line A/S (for and on behalf Maersk Line and its subsidiaries, including entities trading under the names of Maersk Line, Safmarine, Sealand, or any other entities as Maersk Line A/S shall designate with agreement of relevant members of the Group (as may be applicable) (collectively "MaerskLine")) in respect of the provision of shipping related services by the COSCO Ports Group or PCT to Maersk Line.

The annual caps of the aggregate amount receivable by the COSCO Ports Group and PCT from Maersk Line for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB1,598,518,000, RMB1,747,734,000 and RMB1,914,560,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2016 was RMB305,317,000.

The terms on pricing under the Maersk Line Shipping Services Master Agreement shall be at rates no less favourable to members of COSCO Port Group or PCT than that at which members of the COSCO Ports Group or PCT charge(s) independent third parties for the relevant services.

(4) Florens-Maersk Line Container Purchasing and Related Services Master Agreement entered into between FCHL (which ceased to be a wholly owned subsidiary of the Company after completion of the Disposal on 24 March 2016) and the Maersk Line A/S (for and on behalf of Maersk Line) in respect of the following transactions:

(a) Provision of container related services by Maersk Line to FCHL and its subsidiaries (collectively the "Florens Group"). The annual caps of the aggregate amount payable by the Florens Group to the Maersk Line for the provision of container related services by Maersk Line for the three years ended 31 December 2016, 2017 and 2018 are US$500,000, US$750,000 and US$1,000,000 respectively. No aforesaid services were provided by Maersk Line to the Florens Group for the period from 1 January 2016 to completion of the Disposal (i.e. 24 March 2016).

(b) Purchase of containers and related materials by members of the Florens Group from Maersk Line. The annual cap of the aggregate amount payable by the Florens Group from the Maersk Line for such services for each of the three years ended 31 December 2016, 2017 and 2018 are US$14,000,000, US$21,000,000 and US$28,000,000 respectively. No aforesaid purchases were made by the Florens Group from Maersk Line for the period from 1 January 2016 to completion of the Disposal (i.e. 24 March 2016).

The consideration for the purchase of containers and related materials by the relevant members of the Florens Group and the provision of services by the Maersk Line was agreed to be at rates no less favourable to the relevant members of the Florens Group (as purchaser or service receiving party, as the case may be) than those at which independent third parties charge members of the Florens Group for the relevant transactions.

(5) Guangzhou Port Company Container Terminal Services Master Agreement entered into between COSCO Ports, Guangzhou South China Oceangate Container Terminal Company Limited ("GZ South China", a subsidiary of the Company) and Guangzhou Port Holdings Company Limited ("GZ Port Company") in respect of the following transactions:

(a) Provision of container terminal related services by GZ South China to GZ Port Company and its subsidiaries, branches and associates excluding GZ South China and COSCO Ports (collectively the "GZ Port Company Group") and excluding any service providing party of the GZ Port Holding Group under the Guangzhou Port Holding Container Terminal Services Master Agreement. The annual caps of the aggregate amount receivable by GZ South China from the GZ Port Company Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB49,220,000, RMB58,522,000 and RMB70,069,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2016 was RMB12,045,000.

(b) Provision of container terminal related services by the GZ Port Company Group to GZ South China (but excluding any service providing party of the GZ Port Holding Group under the Guangzhou Port Holding Container Terminal Services Master Agreement). The annual caps of the aggregate amount payable by GZ South China to the GZ Port Company Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB325,856,000, RMB369,467,000 and RMB421,114,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2016 was RMB52,969,000.

(c) The provision of high-frequency wireless communication services at Guangzhou port by GZ Port Company Group to GZ South China. The annual caps of the aggregate amount payable by GZ South China to the GZ Port Company Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB4,000,000 RMB6,000,000 and RMB9,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2016 was RMB531,000.

It was agreed that the terms for the provision of services by GZ South China to GZ Port Company Group and the provision of services by GZ Port Company Group to GZ South China shall be no less favourable to GZ South China (as service providing party or as service receiving party) than terms available to GZ South China from independent third parties for the relevant services.

(6) Guangzhou Port Holding Container Terminal Services Master Agreement entered into between COSCO Ports, GZ South China and Guangzhou Port Group Company Limited ("GZ Port Holding") in respect of the provision of container terminal related services by GZ Port Holding and its subsidiaries, branches and associates (but excluding GZ Port Company and GZ South China) (collectively the "GZ Port Holding Group") to GZ South China.

The annual caps of the aggregate amount payable by GZ South China to GZ Port Holding Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB34,650,000, RMB41,515,000 and RMB47,067,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2016 was RMB14,909,000.

It was agreed that the terms (including without limitation, the service fees) for the provision of services by members of the GZ Port Holding Group will be no less favourable to GZ South China (as service receiving party) than terms available to GZ South China from independent third parties for the relevant services.

(7) Xiamen Container Terminal Services Master Agreement entered into between COSCO Ports, Xiamen Ocean Gate Container Terminal Co., Ltd. ("Xiamen Ocean Gate", a subsidiary of the Company) and Xiamen Haicang Investment Group Co., Ltd. ("Xiamen Haicang Holding") in respect of the following transactions:

(a) Provision of container terminal related services by Xiamen Haicang Holding and its subsidiaries, branches and associates (collectively the "Xiamen Haicang Group") to Xiamen Ocean Gate. The annual caps of the aggregate amount payable by Xiamen Ocean Gate to the Xiamen Haicang Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB46,000,000, RMB57,000,000 and RMB72,000,000 respectively. The total amount for the aforesaid transactions for the year ended 31 December 2016 was RMB9,779,000.

(b) Provision of container terminal related services by Xiamen Ocean Gate to the members of the Xiamen Haicang Group. The annual caps of the aggregate amount payable by the Xiamen Haicang Group to Xiamen Ocean Gate for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB20,000,000, RMB27,200,000 and RMB37,800,000 respectively. The total amount for the aforesaid transactions for the year ended 31 December 2016 was RMB1,808,000.

It was agreed that the terms (including without limitation, the service fees) for the provision of services by the relevant members of the Xiamen Haicang Group shall be no less favourable to Xiamen Ocean Gate (as service receiving party) than terms available to Xiamen Ocean Gate from independent third parties for the relevant services. It was also agreed that the terms (including without limitation, the service fees) for the provision of services by Xiamen Ocean Gate shall be no less favourable to Xiamen Ocean Gate (as service providing party) than terms available to it from independent third parties for the relevant services.

(8) COSCON Container Services Master Agreement entered into between Plangreat Limited ("Plangreat", a wholly owned subsidiary of the Company), COSCO and COSCO SHIPPING Lines in respect of the provision of container related services by Plangreat and its subsidiaries to the COSCO Group (excluding the Group).

The annual caps of the aggregate amount receivable by Plangreat and its subsidiaries from the COSCO Group (excluding the Group) for the three years ended 31 December 2016, 2017 and 2018 are US$2,151,000, US$2,366,000 and US$2,603,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2016 was US$949,000.

It was agreed that the service fees payable by the relevant members of the COSCO Group (excluding the Group) shall be at rates no less favourable to Plangreat and its subsidiaries than those at which Plangreat and its subsidiaries charge other independent third party customers for the relevant services.

(9) Florens-COSCON Container Leasing, Sales and Related Services Master Agreement entered into between FCHL, COSCO and COSCO SHIPPING Lines in respect of the following transactions:

(a) Grant of leases of containers for a term of not more than three years by the members of the Florens Group to the relevant members of the COSCO Group (excluding the Group). The annual caps of the aggregate amount receivable by the Florens Group from relevant members of the COSCO Group (excluding the Group) for such transactions for the three years ended 31 December 2016, 2017 and 2018 are US$8,000,000, US$13,000,000 and US$23,000,000 respectively. The total amount of the aforesaid transactions for the period from 1 January 2016 to completion of the Disposal (i.e. 24 March 2016) was US$297,000.

(b) Sales of containers by the relevant members of the Florens Group to the relevant members of the COSCO Group (excluding the Group). The annual caps of the aggregate amount receivable by the Florens Group from members of the COSCO Group (excluding the Group) for such transactions for the three years ended 31 December 2016, 2017 and 2018 are US$5,470,000, US$5,742,000 and US$6,030,000 respectively. The total amount of the aforesaid transactions for the period from 1 January 2016 to completion of the Disposal (i.e. 24 March 2016) was US$2,400.

(c) Provision of container related services by the relevant members of the Florens Group to the relevant members of the COSCO Group (excluding the Group). The annual caps of the aggregate amount receivable by the Florens Group from the relevant members of the COSCO Group (excluding the Group) for such services for the three years ended 31 December 2016, 2017 and 2018 are US$1,700,000, US$1,800,000 and US$1,900,000 respectively. The total amount of the aforesaid transactions for the period from 1 January 2016 to completion of the Disposal (i.e. 24 March 2016) was US$597,000.

The consideration for each of the leasing and sales of containers and the provision of services by the members of the Florens Group to the relevant members of the COSCO Group (excluding the Group) was agreed to be at rates no less favourable to the relevant members of the Florens Group (as lessor, seller or service providing party, as the case may be) than those at which the relevant members of the Florens Group charge other independent third parties for the relevant transactions.

(10) Florens-COSCON Container Related Services and Purchase of Materials Master Agreement entered into between FCHL, COSCO and COSCO SHIPPING Lines in respect of the following transactions:

(a) Provision of container related services by the relevant members of the COSCO Group (excluding the Group) to the Florens Group. The annual caps of the aggregate amount payable by the Florens Group to the relevant members of the COSCO Group (excluding the Group) for the aforesaid services for the three years ended 31 December 2016, 2017 and 2018 are US$4,881,000, US$5,020,000 and US$5,146,000 respectively. The total amount of the aforesaid transactions for the period from 1 January 2016 to completion of the Disposal (i.e. 24 March 2016) was US$315,000.

(b) Purchase of container related materials by the relevant members of the Florens Group from the COSCO Group (excluding the Group). The annual caps of the aggregate amount payable by the relevant members of Florens Group to the COSCO Group (excluding the Group) for such purchase for the three years ended 31 December 2016, 2017 and 2018 are US$80,000, US95,000 and US$105,000 respectively. No aforesaid purchases were made by the relevant members of the Florens Group from the COSCO Group (excluding the Group) for the period from 1 January 2016 to completion of the Disposal (i.e. 24 March 2016).

The consideration for the purchase of each of the container related materials by the relevant members of the Florens Group and the provision of services by the relevant members of the COSCO Group (excluding the Group) to the Florens Group was agreed to be at rates no less favourable to the relevant members of the Florens Group (as purchaser or service receiving party, as the case may be) than those which independent third parties charge the relevant members of the Florens Group for the relevant transactions.

(11) Nansha Diesel Oil Purchase Master Agreement entered into between COSCO Ports, GZ South China and China Marine Bunker Guangzhou Co., Ltd. ("CM Supply") in respect of the purchase of diesel oil by GZ South China from CM Supply.

The annual caps of the aggregate amount payable by GZ South China to CM Supply for the three years ended 31 December 2016, 2017 and 2018 are RMB30,000,000, RMB33,000,000 and RMB36,300,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2016 was RMB2,706,000.

It was agreed that the terms for the supply of diesel oil by CM Supply shall be no less favourable to GZ South China (as purchaser) than terms available to GZ South China from independent third parties for the relevant transactions.

(12) Xiamen Diesel Oil Purchase Master Agreement entered into between COSCO Ports, Xiamen Ocean Gate and China Marine Bunker Supply Fujian Co., Ltd. ("Chimbusco Fujian") in respect of the purchase of diesel oil by Xiamen Ocean Gate and its subsidiaries (collectively, the "Xiamen Ocean Gate Group") from Chimbusco Fujian.

The annual caps of the aggregate amount payable by Xiamen Ocean Gate Group to Chimbusco Fujian for the three years ended 31 December 2016, 2017 and 2018 are RMB20,000,000, RMB24,000,000 and RMB28,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2016 was RMB3,860,000.

It was agreed that the terms (including without limitation, the prices) for the supply of diesel oil by Chimbusco Fujian shall be at rates no less favourable to the members of the Xiamen Ocean Gate Group (as purchaser) than terms available to members of the Xiamen Ocean Gate Group from independent third parties for the relevant transactions.

(13) Yangzhou Terminal Services Master Agreement entered into between COSCO Ports, Yangzhou Yuanyang International Ports Co., Ltd. ("Yangzhou Yuanyang", a subsidiary of the Company) and Yangzhou Port of Jiangsu Province Group Co., Ltd. ("Yangzhou Port Holding") in respect of the provision of terminal related services by Yangzhou Port Holding and its subsidiaries, branches and associates (collectively the "Yangzhou Port Group") to Yangzhou Yuanyang.

The annual caps of the aggregate amount payable by Yangzhou Yuanyang to the Yangzhou Port Group for such services for the three years ended 31 December 2016, 2017 and 2018 are RMB159,195,000, RMB190,714,000 and RMB228,506,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2016 was RMB41,088,000.

It was agreed that the terms (including without limitation, the service fees) for the provision of services by the Yangzhou Port Group shall be no less favourable to Yangzhou Yuanyang (as service receiving party) than terms available to the Yangzhou Yuanyang from independent third parties for the relevant services.

Since COSCO SHIPPING, COSCO and COSCO SHIPPING Holdings are controlling shareholders of the Company, members of the Restricted COSCO Group and the COSCO SHIPPING Holdings Group (including COSCO SHIPPING, COSCO, China Shipping, COSCO SHIPPING Holdings and COSCO SHIPPING Lines) are connected persons of the Company.

Maersk Line A/S is an associate of a substantial shareholder of subsidiary of the Company, and accordingly Maersk Line A/S and members of the Maersk Line are connected persons of the Company.

GZ Port Company directly and GZ Port Holding indirectly hold a 41% equity interest in GZ South China, a subsidiary of the Company. Accordingly, members of the GZ Port Holding Group and GZ Port Company Group are connected persons of the Company.

Xiamen Haicang Holding has a 30% equity interest in Xiamen Ocean Gate which is a subsidiary of the Company. During the year ended 31 December 2016, Xiamen Ocean Gate ceased to be an "insignificant subsidiary" (the term as defined under the Listing Rules) and therefore, members of the Xiamen Haicang Group (including Xiamen Haicang Holding) are connected persons of the Company.

Each of CM Supply and Chimbusco Fujian is owned as to 50% by COSCO SHIPPING (an indirect controlling shareholder of the Company) and hence are connected persons of the Company.

The continuing connected transactions under agreements numbered (1) and (2) above were subject to the reporting, annual review, announcement and independent shareholders' approval requirements and were approved by the independent shareholders of the Company at the special general meeting held on 26 November 2015 ("2015 SGM"), whilst the transactions under agreements numbered (3) to (7) were exempted from the independent shareholders' approval requirement (so far as applicable) under Rule 14A.101 of the Listing Rules.

With respect to the continuing connected transactions under agreements numbered (8) to (12), they were subject to the reporting, annual review and announcement requirements, but were exempt from the independent shareholders' approval requirements under Rule 14A.76 of the Listing Rules.

In addition, the transactions under agreement numbered (13) did not constitute continuing connected transactions of the Group for the year ended 31 December 2016 for the reason that although Yangzhou Port Holding has a 40% equity interest in Yangzhou Yuanyang, a subsidiary of the Company, members of the Yangzhou Port Group (including Yangzhou Port Holding), being persons connected with an insignificant subsidiary for the relevant period under Rule 14A.09(1) of the Listing Rules, did not constitute connected persons of the Company.

After completion of the Disposal on 24 March 2016, FCHL ceased to be a subsidiary of the Company and accordingly, the transactions under agreements numbered (4), (9) and (10) ceased to be continuing connected transactions of the Company after the said date.

### (4) Master agreement relating to finance lease arrangements (the "Finance Leasing Master Agreement")

On 28 October 2015, COSCO Ports entered into the Finance Leasing Master Agreement with Florens Capital Management Company Limited ("Florens Capital Management", a then non-wholly owned subsidiary of the Company and owned as to 50% by COSCO) for a term of three years from 1 January 2016 to 31 December 2018 in respect of the provision of the Finance Leasing (as defined below) by Florens Capital Management and its subsidiary(ies) (collectively the "Florens Capital Management Group") to the COSCO Ports Group.

Finance Leasing refers to the provision of finance leasing on any machinery, equipment or other property related to shipping and the operation of terminal to be leased to the members of the COSCO Ports Group by the members of the Florens Capital Management Group or to be sold by the members of the COSCO Ports Group to, and then leased back from, members of the Florens Capital Management Group (the "Leasing Equipment") by any member of the Florens Capital Management Group to any member of the COSCO Ports Group pursuant to the Finance Leasing Master Agreement and such other related services as may be agreed between the relevant member of the Florens Capital Management Group and the relevant member of the COSCO Ports Group.

The lease method includes sale and leaseback pursuant to which the lessor (a member of the Florens Capital Management Group) shall purchase from the lessee (a member of the COSCO Ports Group) the Leasing Equipment which will be leased back to the lessee by the lessor; finance leasing arrangement involving the execution of an entrusted purchase agreement for the intended purchase of Leasing Equipment by the lessee and the subsequent provision of finance lease services to the lessee and the making of lease payments to the lessor; and finance lease arrangement involving the leasing of Leasing Equipment acquired by with the option for the lessee to purchase the Leasing Equipment.

The total consideration payable by the relevant members of the COSCO Ports Group for the provision of the Financial Leasing by members of Florens Capital Management Group, including the amounts of principal lease payments and interest, handling fees and exercise price of purchase options, will be at rates no less favourable to the relevant members of COSCO Ports Group than those available to the COSCO Ports Group from other independent third party for the relevant Finance Leasing.

The annual caps of the aggregate amount payable by the COSCO Ports Group to the Florens Capital Management Group for such services for the three years ended 31 December 2016, 2017 and 2018 are US$120,000,000, US$140,000,000 and US$200,000,000 respectively. No new Financial Leasing were arranged between members of the COSCO Ports Group and members of the Florens Capital Management Group for the year ended 31 December 2016.

After completion of the Disposal on 24 March 2016, Florens Capital Management ceased to be a non-wholly owned subsidiary of the Company. However, it remains a subsidiary of COSCO, which is a controlling shareholder of the Company. Accordingly, the Florens Capital Management Group (including Florens Capital Management) are connected persons of the Company and the entering into of the Finance Leasing Master Agreement constituted a continuing connected transaction of the Company under the Listing Rules. The transaction also constituted a disclosable transaction of the Company.

The Finance Lease Master Agreement was approved by the independent shareholders of the Company at the 2015 SGM.

### (5) Master agreement relating to provision of shipping and terminal related services with China Shipping

CSPD and other members of the Group have been carrying on shipping and terminal related transactions with members of China Shipping and its subsidiaries and their respective associates (the "Extended CS Group") and are expected to continue to do so. Since members of the Extended CS Group are deemed to be connected persons of the Company, those transactions constitute continuing connected transactions of the Company under the Listing Rules.

On 30 March 2016, the Company entered into an agreement with China Shipping for a term from 18 March 2016 (i.e. the date of completion of the Acquisition) to 31 December 2016 (the "CS Master Agreement") in relation to the provision of the following shipping and terminal services:

(a) Provision of shipping related services by members of the Group to members of the Extended CS Group, including but not limited to the handling, storage, stevedoring, transshipment and maintenance of cargoes, and provision of container storage space and terminal premises. The annual cap of the aggregate amount receivable by the Group from the Extended CS Group for such services for the period from 18 March 2016 to 31 December 2016 is RMB64,840,000. The total amount of the aforesaid transactions for the year ended 31 December 2016 was RMB12,627,000.

(b) Provision of terminal related services by the members of the Extended CS Group to members of the Group, including but not limited to the provision of manpower services, cargo handling services, logistics services, purchase of materials, and subsidy on port construction fee. The annual cap of the aggregate amount payable by the Group from the Extended CS Group for such services for the period from 18 March 2016 to 31 December 2016 is RMB19,200,000. The total amount of the aforesaid transactions for the year ended 31 December 2016 was RMB9,856,000.

It was agreed that the service fees payable by members of the Extended CS Group shall be at rates no less favourable to the relevant members of the Group than those at which the relevant members of the Group charges independent third party customers for the relevant services. It was also agreed that the service fees payable by members of the Group shall be at rates no less favourable to the relevant members of the Group than those which independent third party providers charge relevant members of the Group for the relevant services.

### (6) Concession Agreement

On 25 November 2008, PCT as concessionaire and the Company as the sole shareholder of PCT entered into a concession agreement with Piraeus Port Authority S.A. ("PPA") as grantor, which was further amended by an amendment agreement dated 27 November 2014 that became effective on 20 December 2014 (the "Concession Agreement").

PPA became a subsidiary of COSCO SHIPPING (Hong Kong) on 10 August 2016. COSCO SHIPPING is a controlling shareholder of both the Company and COSCO SHIPPING (Hong Kong). Accordingly, PPA has become a connected person of the Company. The continuing transactions under the Concession Agreement have therefore become continuing connected transactions of the Company under the Listing Rules.

Under the Concession Agreement, in consideration of the payments contemplated thereunder (which include, among others, two fixed annual fees, and a variable annual concession fee based on the aggregate revenue of PCT for pier 2 of the Piraeus Port ("Pier 2") and pier 3 of the Piraeus Port, including, following construction of the western part of pier 3 of the Piraeus Port, the turnover generated by the western part of pier 3 of the Piraeus Port), (a) PPA has granted a concession to PCT, (i) for the development, operation and utilisation of Pier 2 and (ii) for the construction, operation and utilisation of the eastern part of pier 3 of the Piraeus Port and the western part of pier 3 of the Piraeus Port; and (b) PCT has agreed to construct and put into operation, on behalf of PPA, a new oil pier on the southern part of pier 3 of the Piraeus Port (at PPA's costs).

The concession is for an initial term of 30 years (which commenced on 1 October 2009), with a mandatory extension for a term of 5 years subject to PCT's fulfillment of its obligations to construct the eastern part of pier 3 of the Piraeus Port in accordance with the timetable agreed in the Concession Agreement.

In view of the commercial and strategic importance of the Piraeus Port, and the growth potential of the Piraeus Port Container Terminal, the Concession Agreement represents a good opportunity for the Company to invest in a major container outside China and is in line with the Company's strategy to become a leading global port operator.

## Long term container leasing transactions (with waiver granted by the Stock Exchange)

During the year, long term container leasing transactions were entered into between COSCO Group and the Group in respect of the provision of long term container leases by the Group to COSCO Group to which the Stock Exchange had, subject to certain conditions, granted waiver dated 14 December 1994 to the Company from strict compliance with the requirements stipulated in the then Chapter 14 of the Listing Rules to disclose details of such connected transactions by press notice and/or circular and/or to obtain prior independent shareholders' approval. The total consideration of the aforesaid transactions for the period from 1 January 2016 to completion of the Disposal (i.e. 24 March 2016) amounted to US$38,005,000. In the opinion of the directors of the Company, the aforesaid transactions were conducted in the ordinary and normal course of business of the Group and using average leasing rates by reference to, if applicable, the average of the available leasing rates quoted from five of the top ten independent container leasing companies.

After completion of the Disposal on 24 March 2016, FCHL ceased to be a subsidiary of the Group and accordingly, the abovementioned transactions ceased to be continuing connected transactions of the Company after the said date.

## Opinion from the independent non-executive directors on the continuing connected transactions

Pursuant to the conditions of the waiver in relation to long term container leasing transactions and Rule 14A.55 of the Listing Rules, Mr. Adrian David LI Man Kiu, Mr. FAN Ergang, Mr. LAM Yiu Kin and Prof. CHAN Ka Lok, independent non-executive directors of the Company, have reviewed the above continuing connected transactions (either during the period from 1 January 2016 to completion of the Disposal (i.e. 24 March 2016) or for the year ended 31 December 2016, as the case may be) and opined that:

(i) the long term container leasing transactions had been conducted in the ordinary course of business of the Group and using average market rates by reference to, if applicable, the average of the available leasing rates quoted from five of the top ten independent container leasing companies and were fair and reasonable so far as the shareholders of the Company were concerned; and

(ii) the rental of office premises transaction and the transactions entered into by the Company, COSCO Ports, PCT, FCHL, GZ South China, Yangzhou Yuanyang, Plangreat and Xiamen Ocean Gate under the Financial Services Master Agreement, the Shipping and Terminal and Container Related Services Master Agreements, the Finance Leasing Master Agreement and the CS Master Agreement were:

- entered into in the ordinary and usual course of the Group's businesses;

- entered into on normal commercial terms or terms no less favourable to the Group than terms available from/to independent third parties; and

- entered into in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interest of the shareholders of the Company as a whole.

Dr. FAN HSU Lai Tai, Rita confirmed that in view of her position of also being an independent non-executive director of COSCO SHIPPING Holdings and that COSCO SHIPPING, COSCO (both being controlling shareholders of COSCO SHIPPING Holdings) and COSCO SHIPPING Holdings and their respective associates (including but not limited to China Shipping, COSCO SHIPPING Lines, Wing Thye, COSCO Finance, CM Supply, Chimbusco Fujian and Florens Capital Management Group) are parties of the long term container leasing transactions, the rental of office premises transaction and the transactions under the Financial Services Master Agreement, the Shipping and Terminal and Container Related Services Master Agreements, the Finance Leasing Master Agreement and the CS Master Agreeement respectively, for good corporate governance practices, she would not take part in the review process in respect of the above mentioned continuing connected transactions and would not express her opinion in relation to such transactions reviewed by the other independent non-executive directors of the Company.

## Report from the auditor on the continuing connected transactions

For the purposes of the conditions of the waiver in relation to long term container leasing transactions, the Board engaged the auditor of the Company to perform certain agreed-upon procedures on the long term container leasing transactions for the period from 1 January 2016 to completion of the Disposal (i.e. 24 March 2016) (the "Relevant Period") in accordance with Hong Kong Standard on Related Services 4400 "Engagements to Perform Agreed-Upon Procedures Regarding Financial Information" issued by the Hong Kong Institute of Certified Public Accountants, and the auditor reported that the long term container leasing transactions for the Relevant Period had been conducted in the ordinary and normal course of business of the Group and by reference to, if applicable, the average of the available leasing rates quoted from five of the top ten independent container leasing companies.

For the purposes of Rule 14A.56 of the Listing Rules in relation to the other continuing connected transactions, the Board engaged the auditor of the Company to report on the above continuing connected transactions that are subject to annual review for the year ended 31 December 2016 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised)"Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the such continuing connected transactions, in accordance with Rule 14A.56 of Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

## Disclosure under Rule 13.22 of Chapter 13 of the Listing Rules

In relation to the financial assistance granted by the Group to certain affiliated companies, a proforma combined balance sheet of the affiliated companies as at 31 December 2016 required to be disclosed under Rule 13.22 of Chapter 13 of the Listing Rules is set out below:

| | US$'000 |
|---|---|
| Non-current assets | 1,388,504 |
| Current assets | 314,721 |
| Current liabilities | (79,029) |
| Non-current liabilities | (1,060,593) |
| Net assets | 563,603 |
| Share capital | 103,246 |
| Reserves | 415,180 |
| Non-controlling interest | 45,177 |
| Capital and reserves | 563,603 |

As at 31 December 2016, the Group's attributable interests in these affiliated companies amounted to US$494,625,000.

# Audit Committee

As at the date of this report, the Audit Committee of the Company consists of three independent non-executive directors.

The Audit Committee reviews the systems of internal controls throughout the Group, the completeness and accuracy of its financial statements and liaises on behalf of the Board with external auditor and the Group's internal auditor. During the year, the Audit Committee members met regularly with management, external auditor and the Group's internal auditor and reviewed the internal and external audit reports and the interim and annual consolidated financial statements of the Group.

# Auditor

The consolidated financial statements for the year have been audited by PricewaterhouseCoopers who retire and, being eligible, offer themselves for re-appointment at the forthcoming annual general meeting.

On behalf of the Board

**ZHANG Wei**
*Vice Chairman and Managing Director*

Hong Kong, 28 March 2017