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COSCO SHIPPING Ports Limited

中遠海運港口有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

ANNOUNCEMENT

CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 30 October 2018 in relation to, among others, the proposed entering into of the GZ Port Company Container Terminal Services Master Agreement between GZ South China (a non wholly-owned subsidiary of the Company) and GZ Port Company.

The Group has been carrying on transactions pursuant to the Existing GZ Port Master Agreements which will expire on 31 December 2018. It is expected that the Group will from time to time continue to enter into transactions of a similar nature to the transactions under the Existing GZ Port Master Agreements. Accordingly, on 23 November 2018, GZ South China entered into the New GZ Port Master Agreements with GZ Port Company and GZ Port Holding respectively each for a term of 3 years from 1 January 2019 to 31 December 2021.

GZ Port Company directly, and GZ Port Holding (through its non wholly-owned subsidiary GZ Port Company) indirectly, holds a 41% equity interest in GZ South China. Accordingly, GZ Port Company and GZ Port Holding are substantial shareholders of a subsidiary of the Company, and therefore members of the GZ Port Company Group and of the GZ Port Holding Group are connected persons of the Company and the transactions under the New GZ Port Master Agreements constitute continuing connected transactions of the Company and are subject to the reporting, annual review and announcement requirements, but are exempt from the independent shareholders' approval requirement, under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 30 October 2018 in relation to, among others, the proposed entering into of the GZ Port Company Container Terminal Services Master Agreement between GZ South China (a non wholly-owned subsidiary of the Company) and GZ Port Company.

The Group has been carrying on transactions pursuant to the Existing GZ Port Master Agreements which will expire on 31 December 2018. It is expected that the Group will from time to time continue to enter into transactions of a similar nature to the transactions under the Existing GZ Port Master Agreements. Accordingly, on 23 November 2018, GZ South China entered into the New GZ Port Master Agreements with GZ Port Company and GZ Port Holding respectively each for a term of 3 years from 1 January 2019 to 31 December 2021.

CONTINUING CONNECTED TRANSACTIONS

1. *GZ Port Company Container Terminal Services Master Agreement*

Date: 23 November 2018

Parties: GZ South China
GZ Port Company

Term: 1 January 2019 to 31 December 2021

Nature of transaction: (a) Provision of terminal related services by GZ South China to members of the GZ Port Company Group, including but not limited to cargo inspection related services, leasing of frontloaders, port related services (including without limitation, provision of berths, loading and unloading, inspection, transportation, shifting, boxing and unboxing of containers, transshipment of passenger liners, operation and management of transshipment of cargoes and provision of container storage space), provision of vehicles for hire, repairing services to pontoon, leasing of terminal areas and provision of machinery, and all other ancillary and related services.

(b) Provision of terminal related services by members of the GZ Port Company Group to GZ South China, including but not limited to container handling services, provision of fuel and oil, port related services (including without limitation, provision of berths, cargoes loading and unloading, operation and management of transshipment of cargoes, transshipment and transportation of containers, and provision of container storage space), inspection center services, construction services, electricity supply services, supervision services, surveying services, pollution prevention, manpower services relating to the appointment of seconded staff, leasing and maintenance of frontloaders, floating cranes and pontoons, logistics services, customs declaration and inspection declaration services, procurement and purchase of tyres and materials, marketing centers services (which are mainly in the nature of market expansion, sales and promotion and external coordination) and all other ancillary and related services.

Pricing: The transactions shall be conducted on normal commercial terms, in particular, the terms (including without limitation, the service fees) for the provision of services by members of the GZ Port Company Group shall 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, and the terms (including without limitation, the service fees) for the provision of services by GZ South China shall be no less favourable to GZ South China (as service providing party) than terms offered by it to independent third parties for the relevant services.

Historical transaction amounts:

The historical amounts for transactions of a similar nature to the transactions under the GZ Port Company Container Terminal Services Master Agreement were as follows:

	For the year ended 31 December 2016	For the year ended 31 December 2017	For the nine months ended 30 September 2018
(a) Aggregate amount received by GZ South China from the GZ Port Company Group	RMB12,046,000 (approximately HK\$14,441,000)	RMB24,462,000 (approximately HK\$29,324,000)	RMB16,619,000 (approximately HK\$19,922,000)
(b) Aggregate amount paid by GZ South China to the GZ Port Company Group	RMB94,661,000 (approximately HK\$113,474,000)	RMB71,433,000 (approximately HK\$85,630,000)	RMB52,849,000 (approximately HK\$63,353,000)

Estimated annual caps and basis of determination:

The estimated annual caps for the transactions under the GZ Port Company Container Terminal Services Master Agreement and the basis of determination thereof are as follows:

	For the year ending 31 December		
	2019	2020	2021
(a) Aggregate amount receivable by GZ South China from the GZ Port Company Group	RMB86,972,000 (approximately HK\$104,257,000)	RMB113,063,000 (approximately HK\$135,534,000)	RMB146,982,000 (approximately HK\$176,194,000)
(b) Aggregate amount payable by GZ South China to the GZ Port Company Group	RMB490,435,000 (approximately HK\$587,904,000)	RMB629,866,000 (approximately HK\$755,045,000)	RMB810,355,000 (approximately HK\$971,404,000)

The estimated annual caps for the aggregate amount receivable by GZ South China from the GZ Port Company Group were determined with reference to the scope of transactions covered by the GZ Port Company Container Terminal Services Master Agreement and the expected increase in the business volume of GZ South China, including (i) new fees expected to be received from the GZ Port Company Group as a result of the expected provision of inspection services by GZ South China in 2019; (ii) increase in rental income expected to be received from the GZ Port Company Group as a result of the expected coming into operation of a new storage house of GZ South China in 2018; and (iii) new rental income expected to be received from the GZ Port Company Group as a result of the expected coming into operation of additional storage houses over the next few years.

The estimated annual caps for the aggregate amount payable by GZ South China to the GZ Port Company Group were determined with reference to the historical transaction amounts and the expected increase in the business volume of GZ South China, including the expected increase in GZ South China's usage of the construction and related services provided by the GZ Port Company Group in relation to the newly constructed storage houses, terminal equipment enhancement and other capital expenditures.

Connected relationship:

GZ Port Company directly holds a 41% equity interest in GZ South China. Accordingly, GZ Port Company is a substantial shareholder of a subsidiary of the Company, and therefore members of the GZ Port Company Group are connected persons of the Company.

Listing Rules implications:

Notwithstanding that one or more of the applicable percentage ratios in respect of the estimated annual caps for the transactions under the GZ Port Company Container Terminal Services Master Agreement exceed 5%, since members of the GZ Port Company Group are connected persons of the Company at the subsidiary level and the terms of the transactions under the GZ Port Company Container Terminal Services Master Agreement (1) have been approved by the Board; and (2) have been confirmed by the independent non-executive Directors to be fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole, such transactions are only subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules, and are exempt from the independent shareholders' approval requirement pursuant to rule 14A.101 of the Listing Rules.

2. *GZ Port Holding Container Terminal Services Master Agreement*

Date: 23 November 2018

Parties: GZ South China
GZ Port Holding

Term: 1 January 2019 to 31 December 2021

Nature of transaction: Provision of terminal related services by members of the GZ Port Holding Group to GZ South China, including but not limited to property management, property cleaning, pest control and garbage clean up services, "shuttle bus" service, provision of vehicle for staff commuting, safety management, security services, training services, printing services, marketing centers services (which are mainly in the nature of market expansion, sales and promotion and external coordination) and travel agency services.

Pricing: The transactions shall be conducted on normal commercial terms, in particular, the terms (including without limitation, the service fees) for the provision of services by members of the GZ Port Holding Group shall be no less favourable to GZ South China than terms available to GZ South China from independent third parties for the relevant services.

Historical transaction amounts:

The historical amounts for transactions of a similar nature to the transactions under the GZ Port Holding Container Terminal Services Master Agreement were as follows:

	For the year ended 31 December 2016	For the year ended 31 December 2017	For the nine months ended 30 September 2018
Aggregate amount paid by GZ South China to the GZ Port Holding Group	RMB21,287,000 (approximately HK\$25,518,000)	RMB16,887,000 (approximately HK\$20,244,000)	RMB12,928,000 (approximately HK\$15,498,000)

Estimated annual caps and basis of determination:

The estimated annual caps for the transactions under the GZ Port Holding Container Terminal Services Master Agreement and the basis of determination thereof are as follows:

	For the year ending 31 December		
	2019	2020	2021
Aggregate amount payable by GZ South China to the GZ Port Holding Group	RMB46,963,000 (approximately HK\$56,297,000)	RMB61,052,000 (approximately HK\$73,186,000)	RMB79,367,000 (approximately HK\$95,141,000)

The estimated annual caps for the aggregate amount payable by GZ South China to the GZ Port Holding Group were determined with reference to the historical transaction amounts and the expected increase in the business volume of GZ South China, including the expected increase in GZ South China's usage of (i) property cleaning and security related services provided by the GZ Port Holding Group as a result of the expected coming into operations of a new storage house of GZ South China in 2018 and additional storage houses over the next few years; and (ii) transportation related service provided by the GZ Port Holding Group as a result of the proposed re-arrangement of shift schedule plan of terminal staff.

Connected relationship:

GZ Port Holding (through its non wholly-owned subsidiary GZ Port Company) indirectly holds a 41% equity interest in GZ South China. Accordingly, GZ Port Holding is a substantial shareholder of a subsidiary of the Company, and therefore members of the GZ Port Holding Group are connected persons of the Company.

Listing Rules implications:

Notwithstanding that one or more of the applicable percentage ratios in respect of the estimated annual caps for the transactions under the GZ Port Holding Container Terminal Services Master Agreement, when aggregated with the estimated annual caps for the transactions under the GZ Port Company Container Terminal Services Master Agreement exceed 5%, since members of the GZ Port Holding Group are connected persons of the Company at the subsidiary level and the terms of the transactions under the GZ Port Holding Container Terminal Services Master Agreement (1) have been approved by the Board; and (2) have been confirmed by the independent non-executive Directors to be fair and reasonable, on normal commercial terms and in the interests of the Company and its shareholders as a whole, such transactions are only subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules, and are exempt from the independent shareholders' approval requirement pursuant to rule 14A.101 of the Listing Rules.

REASONS FOR AND BENEFITS OF THE GZ PORT CONTINUING CONNECTED TRANSACTIONS

The GZ Port Continuing Connected Transactions are part of or related to the principal business activities of the Group and are expected to either increase the revenue of the Group, and/or provide the Group with overall business and operational convenience and synergy.

None of the Directors has any material interest in the GZ Port Continuing Connected Transactions. The Directors including all the independent non-executive Directors, were of the view that the transactions are in the ordinary and usual course of business of the Group, on normal commercial terms and that the terms thereof are fair and reasonable and in the interests of the Company and its shareholders as a whole.

INTERNAL CONTROL PROCEDURES

In addition to the annual review by the auditors and independent non-executive Directors pursuant to the requirements of Chapter 14A of the Listing Rules, as part of the Group's internal control systems to ensure that the transactions between the Group and its connected persons are conducted in accordance with the terms of the New GZ Port Master Agreements, the Company will implement the following internal control arrangements:

- (i) Before entering into any agreements pursuant to the respective continuing connected transaction master agreements (including the New GZ Port Master Agreements), the Group will observe the General Pricing Principles, and where available, the relevant personnel of the Group would compare at least two other transactions or quotations for similar transactions with independent third parties for similar products and/or services in similar quantities and ensure that the terms offered to or by the relevant connected persons are no less favourable to the Group than those available to or from independent third parties.
- (ii) The relevant departments in the head office of the Company and each subsidiary of the Company has a designated person to record the entering into of continuing connected transactions.
- (iii) The Finance Department of the Company will prepare a "Summary for Continuing Connected Transactions" each quarter and organize meetings regularly to review and assess whether the relevant continuing connected transactions are conducted in accordance with the terms of their respective continuing connected transaction master agreements. After the "Summary for Continuing Connected Transactions" is reviewed by the relevant departments of the Company and the management, it will be submitted to the Audit Committee of the Company and the Board for further review.
- (iv) The Audit and Supervision Department of the Company will monitor the risks related to continuing connected transactions by reviewing the minutes of important meetings as well as accounting records to identify if the Group has any undisclosed connected transactions.
- (v) The Audit and Supervision Department will also check the terms and implementation status of the Group's policies and requirements related to continuing connected transactions from time to time, including investigating the audited entities' processes for identification of connected persons and their procedures for dealing with continuing connected transactions. It is also responsible for monitoring the prices of the transactions with connected persons by reviewing samples of the relevant sales contracts and costs etc. to ensure such prices are in compliance with the pricing policies under the terms of their respective continuing connected transaction master agreements.

The Board is of the view that the above methods and procedures can ensure that the pricing and other contract terms for the GZ Port Continuing Connected Transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders as a whole and will be conducted on terms no less favourable to the Group than the terms available from independent third parties for the relevant transactions.

GENERAL INFORMATION

The Group is principally engaged in the businesses of managing and operating terminals, and related businesses.

The GZ Port Company Group is principally engaged in the businesses of loading and unloading, and storage of petroleum, coal, foodstuff, steels and automobiles etc. (including in-harbour and at-anchor lightering operation), warehousing, local and foreign goods agency and shipping agency, handling of transshipment on behalf of carriers, passenger transportation agency, pilotage of ships for entry into and departure from ports, water transportation of goods and logistics services.

The GZ Port Holding Group is principally engaged in the businesses of loading and unloading, and storage of petroleum, coal, foodstuff, chemical fertilizers, steels, ores, containers and automobiles etc., bonded goods business, local and foreign goods agency and shipping agency, pilotage of ships for entry into and departure from ports, water transportation of goods and passengers, logistics services and port related services.

DEFINITIONS

“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“Company”	COSCO SHIPPING Ports Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1199)
“connected person(s)”	has the meaning ascribed thereto in the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing GZ Port Master Agreements”	the two master agreements entered into by GZ South China with GZ Port Company and GZ Port Holding respectively in relation to transactions of a similar nature to those under the New GZ Port Master Agreements with those counterparties conducted between the years 2016 to 2018 and details of which are set out in the Company’s announcement dated 28 October 2015
“General Pricing Principles”	the principles for pricing determination generally adopted by the Group: (i) State-prescribed prices; (ii) where there is no State-prescribed price, according to the relevant market prices (being the prices at which comparable types of products and/or services are provided by independent third parties in the same area in the ordinary course of business); and (iii) where there is no relevant market price, according

to the costs of the products plus an appropriate margin which would be determined with reference to, among others, the inflation rate and valuation conducted by independent valuer (where appropriate)

“Group”	the Company and its subsidiaries
“GZ Port Company Container Terminal Services Master Agreement”	the agreement dated 23 November 2018 between GZ South China and GZ Port Company in relation to the provision of terminal related services
“GZ Port Holding Container Terminal Services Master Agreement”	the agreement dated 23 November 2018 between GZ South China and GZ Port Holding in relation to the provision of terminal related services
“GZ Port Company”	Guangzhou Port Holdings Company Limited* 廣州港股份有限公司, a company established in the PRC and the A shares of which are listed on the Shanghai Stock Exchange (Stock Code: 601228)
“GZ Port Company Group”	GZ Port Company and its subsidiaries and branches
“GZ Port Continuing Connected Transactions”	the transactions to be conducted under the New GZ Port Master Agreements
“GZ Port Holding”	Guangzhou Port Group Company Limited* 廣州港集團有限公司, a company established in the PRC
“GZ Port Holding Group”	GZ Port Holding and its subsidiaries, branches and associates, but which for purpose of this announcement, exclude GZ Port Company, its subsidiaries and branches
“GZ South China”	Guangzhou South China Oceangate Container Terminal Company Limited 廣州南沙海港集裝箱碼頭有限公司, a company established in the PRC and a non wholly-owned subsidiary of the Company, and directly owned as to 41% by GZ Port Company
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“New GZ Port Master Agreements”	the GZ Port Company Container Terminal Services Master Agreement and the GZ Port Holding Container Terminal Services Master Agreement
“percentage ratios”	percentage ratios calculated by the Company pursuant to Rule 14.07 of the Listing Rules

“PRC”	the People’s Republic of China, which for the purpose of this announcement and unless the context suggests otherwise, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“RMB”	Renminbi, the lawful currency of the PRC
“%”	Percentage

For the purposes of this announcement, the exchange rate of RMB1 = HK\$1.198739 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at any particular rate on the date or dates in question or any other date.

For the purposes of this announcement, the English name with an asterisk () is an unofficial English transliteration or translation and is for identification purposes only.*

By Order of the Board
COSCO SHIPPING Ports Limited
ZHANG Wei (張為)
Vice Chairman & Managing Director

Hong Kong, 23 November 2018

As at the date of this announcement, the Board comprises Mr. HUANG Xiaowen² (Chairman), Mr. ZHANG Wei (張為)¹ (Vice Chairman & Managing Director), Mr. FANG Meng¹, Mr. DENG Huangjun¹, Mr. FENG Boming², Mr. ZHANG Wei (張煒)², Mr. CHEN Dong², Mr. WANG Haimin², Dr. WONG Tin Yau, Kelvin¹, Dr. FAN HSU Lai Tai, Rita³, Mr. Adrian David LI Man Kiu³, Mr. FAN Ergang³, Mr. LAM Yiu Kin³ and Prof. CHAN Ka Lok³.

¹ Executive Director

² Non-executive Director

³ Independent Non-executive Director