**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer, bank manager, solicitor, professional accountant or other professional advisor.

**If you have sold or transferred** all your shares in **COSCO Pacific Limited**, you should at once hand this circular and the accompanying form of proxy to the purchaser or transferee or to the bank, the registered dealer in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.



# COSCO Pacific Limited
# 中遠太平洋有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1199)**

## DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS AND RE-ELECTION OF RETIRING DIRECTORS

**Independent Financial Adviser**
**to the Independent Board Committee and the Independent Shareholders**

亞洲資產管理
ASIA INVESTMENT MANAGEMENT

**Asia Investment Management Limited**

A letter from the Board is set out on pages 6 to 17 of this circular and a letter from the Independent Board Committee is set out on page 18 of this circular. A letter from AIM, the independent financial adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 46 of this circular.

A notice convening the SGM to be held at 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong on Thursday, 26 November 2015 at 3:00 p.m. is set out on pages 56 to 58 of this circular. Whether or not you are able to attend the SGM, please complete the accompanying proxy form in accordance with the instructions printed thereon and return the same to the principal place of business of the Company in Hong Kong at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude shareholders from attending and voting in person at the SGM or any adjourned meeting should you so wish.

9 November 2015

# CONTENT

*In this circular, the following expressions shall have the following meanings unless the context requires otherwise:*

| | |
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| "AIM" or "Independent Financial Adviser" | Asia Investment Management Limited, a licensed corporation under the SFO to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, being the independent financial adviser appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions requiring Independent Shareholders' approval |
| "associate(s)" | has the meaning as ascribed thereto in the Listing Rules |
| "Board" | the board of Directors |
| "China COSCO" | China COSCO Holdings Company Limited* 中國遠洋控股股份有限公司, a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1919) and the A shares of which are listed on the Shanghai Stock Exchange in the PRC (Stock Code: 601919), and an intermediate controlling Shareholder |
| "China COSCO Group" | means China COSCO and COSCON and their respective associates, excluding the Group and COSCO and its subsidiaries |
| "China COSCO Shipping Services and Terminal Services Master Agreement" | the agreement dated 28 October 2015 between COSCO Ports, PCT, China COSCO and COSCON in relation to the provision of shipping and terminal related services |
| "Company" | COSCO Pacific 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 |
| "connected subsidiary(ies)" | has the meaning ascribed thereto in the Listing Rules |
| "Continuing Connected Transactions" | transactions to be conducted under the New Master Agreements |
| "COSCO" | China Ocean Shipping (Group) Company* 中國遠洋運輸(集團)總公司, the ultimate controlling Shareholder and a state-owned enterprise in the PRC |
| "COSCO Group" | COSCO and COSCON and their respective associates |

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| "COSCO Ports" | COSCO Ports (Holdings) Limited(中遠碼頭控股有限公司), a company established in the British Virgin Islands and a wholly-owned subsidiary of the Company |
| "COSCO Ports Group" | COSCO Ports and its subsidiaries |
| "COSCO Shipping Services and Terminal Services Master Agreement" | the agreement dated 28 October 2015 between COSCO Ports, PCT and COSCO in relation to the provision of shipping and terminal related services |
| "COSCON" | COSCO Container Lines Company Limited* 中遠集裝箱運輸有限公司, a company established in the PRC and a wholly-owned subsidiary of China COSCO |
| "COSCON Container Services Master Agreement" | the agreement dated 28 October 2015 between Plangreat, COSCO and COSCON in relation to the provision of container related services, details of which were disclosed in the announcement of the Company dated 28 October 2015 |
| "Director(s)" | the director(s) of the Company |
| "Finance Leasing" | the provision of finance leasing on any Leasing Equipment by any member of the Florens Capital Management Group to any member of the COSCO Ports Group and such other related services as such parties may agree, and for such period as determined with reference to the useful life of the relevant Leasing Equipment, the needs of the Lessee and the funding availability of the Lessor (which in general should not exceed the useful life of such Leasing Equipment) |
| "Finance Lease Agreement" | the separate contract(s) to be entered into between the Lessor and Lessee pursuant to the Finance Leasing Master Agreement in respect of the Finance Leasing required by such Lessee |
| "Finance Leasing Master Agreement" | the agreement dated 28 October 2015 between COSCO Ports and Florens Capital Management in relation to the provision of Finance Leasing |
| "Florens Capital Management" | Florens Capital Management Company Limited, a company incorporated in Hong Kong with limited liability and a non wholly-owned subsidiary of the Company owned as to 50% by COSCO |
| "Florens Capital Management Group" | Florens Capital Management and its subsidiary(ies) |

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| "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 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 |
| "Hong Kong" | the Hong Kong Special Administrative Region of the PRC |
| "Independent Board Committee" | an independent committee of the Board comprising Mr. Adrian David LI Man Kiu, Mr. IP Sing Chi, Mr. FAN Ergang and Mr. LAM Yiu Kin, being independent non-executive Directors |
| "Independent Shareholders" | Shareholders who are not prohibited from voting under the Listing Rules to approve the relevant transaction(s) at a general meeting of the Company |
| "Latest Practicable Date" | 4 November 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein |
| "Leasing Equipment" | any machinery, equipment or other property related to shipping and the operation of terminal to be leased to members of the COSCO Ports Group by members of the Florens Capital Management Group or to be sold by members of the COSCO Ports Group to, and then leased back from, members of the Florens Capital Management Group |
| "Lessee" | any member of COSCO Ports Group which obtains the Finance Leasing under a Finance Lease Agreement |
| "Lessor" | any member of Florens Capital Management Group which provides the Finance Leasing under a Finance Lease Agreement |
| "Listing Rules" | the Rules Governing the Listing of Securities on the Stock Exchange |

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| "New Master Agreements" | the Finance Leasing Master Agreement, the COSCO Shipping Services and Terminal Services Master Agreement, and the China COSCO Shipping Services and Terminal Services Master Agreement |
| "PCT" | Piraeus Container Terminal S.A., a company established in Greece and a wholly-owned subsidiary of the Company |
| "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 |
| "SFO" | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) |
| "SGM" | the special general meeting of the Company to be held for considering and approving, if appropriate, the Finance Leasing Master Agreement, the COSCO Shipping Services and Terminal Services Master Agreement and the China COSCO Shipping Services and Terminal Services Master Agreement, and the transactions contemplated thereunder and the re-election of retiring Directors |
| "Shareholder(s)" | shareholder(s) of the Company |
| "Stock Exchange" | The Stock Exchange of Hong Kong Limited |
| "subsidiary(ies)" | has the meaning ascribed thereto in the Listing Rules |
| "HK$" | Hong Kong dollars, the lawful currency of Hong Kong |
| "RMB" | Renminbi, the lawful currency of the PRC |
| "US$" | U.S. dollars, the lawful currency of the United States of America |
| "%" | Percentage |

*For the purposes of this circular, the exchange rates of RMB1 = HK$1.2552 and US$1 = HK$7.7522 have been used, where applicable, for purpose of illustration only and do not constitute a representation that any amounts 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 circular, the English name with an asterisk (*) is an unofficial English transliteration or translation and is for identification purposes only.*

# COSCO Pacific Limited
# 中遠太平洋有限公司

*(Incorporated in Bermuda with limited liability)*
**(Stock Code: 1199)**

**Directors:**
Mr. WAN Min[2] *(Chairman)*
Mr. QIU Jinguang[1] *(Vice Chairman & Managing Director)*
Mr. DENG Huangjun[1]
Mr. TANG Runjiang[1]
Mr. FENG Bo[1]
Mr. WANG Wei[2]
Mr. WANG Haimin[2]
Mr. ZHANG Wei[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]
Mr. FAN Ergang[3]
Mr. LAM Yiu Kin[3]

**General Counsel & Company Secretary:**
Ms. HUNG Man, Michelle

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

**Registered office:**
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

**Principal place of business:**
49th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

9 November 2015

*To the Shareholders*

Dear Sir or Madam,

## DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS AND RE-ELECTION OF RETIRING DIRECTORS

## 1. INTRODUCTION

The Board refers to the announcement of the Company dated 28 October 2015 whereby it was announced that, among others, the relevant members of the Group entered into the following New Master Agreements on 28 October 2015 each for a term of 3 years from

1 January 2016 to 31 December 2018 constituting Continuing Connected Transactions of the Company which are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules:

(a) the Finance Leasing Master Agreement between COSCO Ports and Florens Capital Management;

(b) the COSCO Shipping Services and Terminal Services Master Agreement between COSCO Ports, PCT and COSCO; and

(c) the China COSCO Shipping Services and Terminal Services Master Agreement between COSCO Ports, PCT, China COSCO and COSCON.

The purposes of this circular are:

(i) to provide you with further details of the New Master Agreements, the Continuing Connected Transactions and the respective proposed annual caps;

(ii) to provide you with the letter of recommendation from the Independent Board Committee and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in relation to terms of the New Master Agreements;

(iii) to provide you with further information regarding the re-election of retiring Directors; and

(iv) to give the Shareholders the notice convening the SGM at which ordinary resolutions will be proposed to consider and approve, if appropriate, the New Master Agreements, the Continuing Connected Transactions and the respective proposed annual caps and the re-election of retiring Directors.

## 2. THE CONTINUING CONNECTED TRANSACTIONS

The principal terms of the New Master Agreements and the Continuing Connected Transactions are summarized as follows:

### 2.1. Finance Leasing Master Agreement

**Date:** 28 October 2015

**Parties:** COSCO Ports (a subsidiary of the Company)
Florens Capital Management (a connected subsidiary of the Company)

**Duration:** 1 January 2016 to 31 December 2018

**Condition precedent:** Conditional upon the approval of the Independent Shareholders being obtained on or before 31 December 2015 (or such later date, no later than 31 January 2016, as COSCO Ports may notify Florens Capital Management).

**Nature of transaction:** Provision of Finance Leasing of the Leasing Equipment by members of the Florens Capital Management Group as Lessor to members of the COSCO Ports Group as Lessee by way of sale and leaseback and other finance leasing arrangement including by way of (i) entrusted purchase of Leasing Equipment by the Lessee with payment of purchase price by Lessor and the subsequent provision of finance lease services by the Lessor to the Lessee and the making of lease payments to the Lessor; or (ii) the leasing of Leasing Equipment acquired by the Lessor to the Lessee with the option for the Lessee to purchase the Leasing Equipment. With respect to each Finance Leasing, the relevant Lessor and Lessee will enter into a separate Finance Lease Agreement.

**Pricing:** The transactions are required to be on normal commercial terms, in particular, the total consideration payable by the relevant members of the COSCO Ports Group for the provision of the Finance Leasing by members of the Florens Capital Management Group, including without limitation, the amount 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 the COSCO Ports Group than those available to the COSCO Ports Group from other independent third party for the relevant Finance Leasing.

**Historical transaction amounts:**

The historical amounts for transactions of a similar nature to the transactions under the Finance Leasing Master Agreement were as follows:

| | **For the year ended 31 December 2013** | **For the year ended 31 December 2014** | **For the nine months ended 30 September 2015** |
|---|---|---|---|
| Aggregate amount paid by the COSCO Ports Group to the Florens Capital Management Group | US$9,324,000 (approximately HK$72,282,000) | US$7,755,000 (approximately HK$60,119,000) | US$28,468,000 (approximately HK$220,690,000) |

**Proposed annual caps and basis of determination:**

The proposed annual caps for the transactions under the Finance Leasing Master Agreement and the basis of determination thereof are as follows:

| | For the year ending 31 December 2016 | 2017 | 2018 | Basis of determination |
|---|---|---|---|---|
| Aggregate amount payable by the COSCO Ports Group to the Florens Capital Management Group | US$120,000,000 (approximately HK$930,264,000) | US$140,000,000 (approximately HK$1,085,308,000) | US$200,000,000 (approximately HK$1,550,440,000) | Determined with reference to the financing market conditions and the expected maximum amount of assets of COSCO Ports Group to be arranged with finance lease, the large transaction amount involved per Finance Leasing, the expected positive long term outlook in market conditions and growth capacity of the Group's business, such annual cap represents the estimated maximum aggregate amount payable by COSCO Ports Group (including but without limitation lease payments and handling fees and expenses) under the Finance Lease Agreements during the year and the year-on-year growth thereof |

**Connected relationship:**

Florens Capital Management is owned as to 50% by COSCO, which is the ultimate controlling Shareholder. Accordingly, members of the Florens Capital Management Group are connected subsidiaries of the Company.

**Listing Rules implications:**

Since the applicable percentage ratios in respect of the proposed annual caps for the transactions under the Finance Leasing Master Agreement exceed 5% but are below 25% and the proposed annual caps exceed HK$10 million, the transactions constitute a discloseable transaction and continuing connected transactions of the Company. Accordingly, the Finance Leasing Master Agreement is subject to the notification, announcement and reporting requirements under Chapter 14 of the Listing Rules and the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

### 2.2. COSCO Shipping Services and Terminal Services Master Agreement

**Date:** 28 October 2015

**Parties:** COSCO Ports (a subsidiary of the Company)
PCT (a subsidiary of the Company)
COSCO

**Duration:** 1 January 2016 to 31 December 2018

**Condition precedent:** Conditional upon the approval of the Independent Shareholders being obtained on or before 31 December 2015 (or such later date, no later than 31 January 2016, as COSCO Ports and PCT may notify COSCO).

**Nature of transaction:**

(a) Provision of shipping related services by relevant members of the COSCO Ports Group and PCT to members of the COSCO Group (excluding the China COSCO Group), including but not limited to the handling, storage, stevedoring, transshipment and maintenance of cargoes, and provision of container storage space and terminal premises.

(b) Provision of terminal related services by relevant members of the COSCO Group (excluding the China COSCO Group) to members of the COSCO Ports 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 services as mentioned in (a) above are mainly provided by the subsidiaries of COSCO Ports (not being Plangreat and its subsidiaries) in the PRC and by PCT in Greece; and are of different nature to those pursuant to the COSCON Container Services Master Agreement, of which are containers related services.

**Pricing:** The transactions are required to be on normal commercial terms, in particular, (i) the service fees payable by the relevant members of the COSCO Group (excluding the China COSCO Group) will 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 charge(s) other independent third party customers for the relevant services; and (ii) the service fees payable by the relevant members of COSCO Ports Group will be at rates no less favourable to the relevant members of the COSCO Ports Group than those which independent third party providers charge the relevant member of the COSCO Ports Group for the relevant services.

**Historical transaction amounts:**

The historical amounts for transactions of a similar nature to the transactions under the COSCO Shipping Services and Terminal Services Master Agreement were as follows:

| | | For the year ended 31 December 2013 | For the year ended 31 December 2014 | For the nine months ended 30 September 2015 |
|---|---|---|---|---|
| (a) | Aggregate amount received by the COSCO Ports Group and PCT from the COSCO Group (excluding the China COSCO Group) | RMB14,646,000 (approximately HK$18,384,000) | RMB18,589,000 (approximately HK$23,333,000) | RMB15,133,000 (approximately HK$18,995,000) |
| (b) | Aggregate amount paid by the COSCO Ports Group to the COSCO Group (excluding the China COSCO Group) | RMB3,152,000 (approximately HK$3,957,000) | RMB3,667,000 (approximately HK$4,603,000) | RMB2,480,000 (approximately HK$3,113,000) |

**Proposed annual caps and basis of determination:**

The proposed annual caps for the transactions under the COSCO Shipping Services and Terminal Services Master Agreement and the basis of determination thereof are as follows:

| | | For the year ending 31 December | | | Basis of determination |
|---|---|---|---|---|---|
| | | 2016 | 2017 | 2018 | |
| (a) | Aggregate amount receivable by the COSCO Ports Group and PCT from the COSCO Group (excluding the China COSCO Group) | RMB562,291,000 (approximately HK$705,788,000) | RMB705,513,000 (approximately HK$885,560,000) | RMB881,877,000 (approximately HK$1,106,933,000) | Determined with reference to the existing scale and operations of the businesses of COSCO Ports Group and PCT, the anticipated growth and development of such businesses and the anticipated demand for such services *(Note 1)* |

| | For the year ending 31 December 2016 | 2017 | 2018 | Basis of determination |
|---|---|---|---|---|
| (b) Aggregate amount payable by the COSCO Ports Group to the COSCO Group (excluding the China COSCO Group) | RMB124,590,000 (approximately HK$156,386,000) | RMB159,528,000 (approximately HK$200,240,000) | RMB198,434,000 (approximately HK$249,075,000) | Determined with reference to the existing scale and operations of the businesses of COSCO Ports Group, the anticipated growth and development of such businesses and the anticipated demand for such services *(Note 1)* |

*Note 1: The annual caps also take into account of the anticipated growth of business year-on-year which may result from any expected new terminal projects of the Group and expected positive long term outlook in market conditions.*

**Connected relationship:**

COSCO is the ultimate controlling Shareholder. Accordingly, members of the COSCO Group (excluding the China COSCO Group) are connected persons of the Company.

**Listing Rules implications:**

Since the applicable percentage ratios in respect of the proposed annual caps for the transactions under the COSCO Shipping Services and Terminal Services Master Agreement are higher than 5% and the proposed annual caps exceed HK$10 million, the transactions constitute continuing connected transactions of the Company and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

**2.3. China COSCO Shipping Services and Terminal Services Master Agreement**

**Date:** 28 October 2015

**Parties:** COSCO Ports (a subsidiary of the Company)
PCT (a subsidiary of the Company)
China COSCO
COSCON

**Duration:** 1 January 2016 to 31 December 2018

**Condition precedent:** Conditional upon the approval of the Independent Shareholders being obtained on or before 31 December 2015 (or such later date, no later than 31 January 2016, as COSCO Ports and PCT may notify China COSCO and COSCON).

| | |
|---|---|
| **Nature of transaction:** | (a) Provision of shipping related services by relevant members of the COSCO Ports Group and PCT to members of the China COSCO Group, including but not limited to the handling, storage, stevedoring, transshipment and maintenance of cargoes, and provision of container storage space and terminal premises.<br><br>(b) Provision of terminal related services by relevant members of the China COSCO Group to members of the COSCO Ports 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.<br><br>The services as mentioned in (a) above are mainly provided by the subsidiaries of COSCO Ports (not being Plangreat and its subsidiaries) in the PRC and by PCT in Greece; and are of different nature to those pursuant to the COSCON Container Services Master Agreement, of which are containers related services. |
| **Pricing:** | The transactions are required to be on normal commercial terms, in particular, (i) the service fees payable by the relevant members of the China COSCO Group will 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 charge(s) other independent third party customers for the relevant services; and (ii) the service fees payable by the relevant members of COSCO Ports Group will be at rates no less favourable to the relevant members of the COSCO Ports Group than those which independent third party providers charge the relevant members of the COSCO Ports Group for the relevant services. |

**Historical transaction amounts:**

The historical amounts for transactions of a similar nature to the transactions under the China COSCO Shipping Services and Terminal Services Master Agreement were as follows:

| | | For the year ended 31 December 2013 | For the year ended 31 December 2014 | For the nine months ended 30 September 2015 |
|---|---|---|---|---|
| (a) | Aggregate amount received by the COSCO Ports Group and PCT from the China COSCO Group | RMB239,904,000 (approximately HK$301,128,000) | RMB241,899,000 (approximately HK$303,632,000) | RMB157,070,000 (approximately HK$197,155,000) |
| (b) | Aggregate amount paid by the COSCO Ports Group to the China COSCO Group | RMB243,000 (approximately HK$306,000) | RMB75,000 (approximately HK$95,000) | RMB40,000 (approximately HK$51,000) |

**Proposed annual caps and basis of determination:**

The proposed annual caps for the transactions under the China COSCO Shipping Services and Terminal Services Master Agreement and the basis of determination thereof are as follows:

| | | For the year ending 31 December | | | Basis of determination |
|---|---|---|---|---|---|
| | | 2016 | 2017 | 2018 | |
| (a) | Aggregate amount receivable by the COSCO Ports Group and PCT from the China COSCO Group | RMB2,592,045,000 (approximately HK$3,253,535,000) | RMB2,920,650,000 (approximately HK$3,666,000,000) | RMB3,294,169,000 (approximately HK$4,134,841,000) | Determined with reference to the existing scale and operations of the businesses of COSCO Ports Group and PCT, the anticipated growth and development of such businesses and the anticipated demand for such services *(Note 2)* |
| (b) | Aggregate amount payable by the COSCO Ports Group to the China COSCO Group | RMB2,500,000 (approximately HK$3,138,000) | RMB2,750,000 (approximately HK$3,452,000) | RMB3,025,000 (approximately HK$3,797,000) | Determined with reference to the existing scale and operations of the businesses of COSCO Ports Group, the anticipated growth and development of such businesses and the anticipated demand for such services *(Note 2)* |

*Note 2: The annual caps also take into account of the anticipated growth of businesses year-on-year which may result from any expected new terminal projects of the Group and expected positive long term outlook in market conditions.*

**Connected relationship:**

China COSCO is a controlling Shareholder. COSCON is a subsidiary of China COSCO. Accordingly, members of the China COSCO Group, including COSCON, are connected persons of the Company.

**Listing Rules implications:**

Since the applicable percentage ratios in respect of the annual caps for the transactions under the China COSCO Shipping Services and Terminal Services Master Agreement are higher than 5% and the proposed annual caps exceed HK$10 million, the transactions constitute continuing connected transactions of the Company and are subject to the reporting, annual review, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## 3. REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS

The 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, as well as help optimise the Group's finance and capital usage. In ensuring that the Continuing Connected Transactions will be conducted on terms no less favourable to the Group than the terms available from independent third parties for the relevant transactions, the Group would observe the General Pricing Principles, and where available, the management of the Company or its relevant subsidiaries would solicit at least two other similar transactions with independent third parties for products and/or services in similar quantities for comparison.

None of the Directors has any material interest in the Continuing Connected Transactions. Mr. WAN Min, a non-executive Director and the chairman of the Board, and Dr. FAN HSU Lai Tai, Rita, an independent non-executive Director, voluntarily abstained from voting on the relevant board resolutions approving the New Master Agreements and had not expressed their views thereon for reason of their respective positions as non-executive director and independent non-executive director of China COSCO. Mr. WANG Haimin and Mr. ZHANG Wei, both non-executive Directors of the Company voluntarily abstained from voting on the relevant board resolution approving the China COSCO Shipping Services and Terminal Services Master Agreement and had not expressed their views thereon for reason of their positions as directors of COSCON.

## 4. INDEPENDENT BOARD COMMITTEE

An Independent Board Committee comprising Mr. Adrian David LI Man Kiu, Mr. IP Sing Chi, Mr. FAN Ergang and Mr. LAM Yiu Kin, all being independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether the terms of the Finance Leasing Master Agreement, the COSCO Shipping Services and Terminal Services Master Agreement and the China COSCO Shipping Services and Terminal Services Master Agreement are and will be on normal commercial terms and in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interests of the Company and the

Shareholders as a whole and to advise the Independent Shareholders on how to vote, taking into account the recommendation of the Independent Financial Adviser, in respect of such matters at the SGM. AIM has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

## 5. PRINCIPAL ACTIVITIES OF THE PARTIES

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

The COSCO Group is a diversified group focusing mainly on shipping and modern logistics businesses. They also serve as shipping agencies and provide services in freight forwarding, ship building, ship repairing, terminal operation, container paint manufacturing, trade, financing, real estate, information technology, business consulting and contract employment.

The China COSCO Group provides a wide range of container shipping, dry bulk shipping, terminals and container leasing services covering the whole shipping value chain for both international and domestic customers. COSCON is principally engaged in container shipping businesses.

The Florens Capital Management Group is principally engaged in the business of finance leasing.

## 6. RE-ELECTION OF RETIRING DIRECTORS

In accordance with Bye-law 87 of the Bye-laws of the Company, Mr. LAM Yiu Kin ("**Mr. LAM**") who was appointed as an independent non-executive Director with effect from 14 August 2015 and Mr. DENG Huangjun ("**Mr. DENG**") who was appointed as an executive Director with effect from 16 October 2015, both to fill casual vacancies on the Board, will respectively hold office until the next following general meeting of the Company and, being eligible, have each offered himself for re-election at the SGM.

Brief biographical and other details of Mr. LAM and Mr. DENG are set out in appendix I to this circular.

## 7. SGM

In view of the interests of COSCO and China COSCO in the Finance Leasing Master Agreement, the COSCO Shipping Services and Terminal Services Master Agreement and/or the China COSCO Shipping Services and Terminal Services Master Agreement, China COSCO (Hong Kong) Limited and COSCO Investments Limited (both being subsidiaries of COSCO and China COSCO), which together are interested in an aggregate of approximately 44.83% of the total issued share capital of the Company as at the Latest Practicable Date, and other associates of COSCO and China COSCO, if any, are required to abstain from voting on the resolutions to be proposed at the SGM to approve the Finance Leasing Master Agreement, the

COSCO Shipping Services and Terminal Services Master Agreement, the China COSCO Shipping Services and Terminal Services Master Agreement and the transactions contemplated thereunder.

A notice convening the SGM to be held at 3:00 p.m. on Thursday, 26 November 2015, at 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong is set out on pages 56 to 58 of this circular.

A proxy form for use at the SGM is enclosed with this circular. Whether or not you intend to attend the SGM or any adjournment thereof, you are requested to complete the proxy form in accordance with the instructions printed thereon and return the same to the principal place of business of the Company in Hong Kong at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the proxy form will not preclude you from attending and voting in person at the SGM or any adjourned meeting if you so wish.

## 8. RECOMMENDATION

The Board considers that the Finance Leasing Master Agreement, the COSCO Shipping Services and Terminal Services Master Agreement and the China COSCO Shipping Services and Terminal Services Master Agreement are and will be on normal commercial terms and that terms thereof are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

## 9. ADDITIONAL INFORMATION

Your attention is drawn to:

(a) the letter from the Independent Board Committee, the text of which is set out on page 18 of this circular;

(b) the letter from AIM, the text of which is set out on pages 19 to 46 of this circular; and

(c) the additional information set out in the appendices of this circular.

Yours faithfully,
For and on behalf of
**COSCO Pacific Limited**
**QIU Jinguang**
*Vice Chairman & Managing Director*

**COSCO Pacific Limited**

**中遠太平洋有限公司**

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1199)**

9 November 2015

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS**

The Independent Board Committee has been established to advise you in connection with the Continuing Connected Transactions, details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 9 November 2015 (the "**Circular**"), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein, unless the context otherwise requires.

Having considered the terms of the Finance Leasing Master Agreement, the COSCO Shipping Services and Terminal Services Master Agreement and the China COSCO Shipping Services and Terminal Services Master Agreement, and the advice of AIM in relation thereto as set out on pages 19 to 46 of the Circular, we are of the opinion that the New Master Agreements and the Continuing Connected Transactions are and will be on normal commercial terms and in the ordinary and usual course of business of the Group, and are fair and reasonable and in the interest of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the SGM to approve the New Master Agreements and the transactions thereunder (including the respective proposed annual caps for each of the Continuing Connected Transactions for the period from 1 January 2016 to 31 December 2018).

Yours faithfully,
Independent Board Committee of
**COSCO Pacific Limited**

**Adrian David LI Man Kiu** **IP Sing Chi**
**FAN Ergang** **LAM Yiu Kin**
*Independent non-executive Directors*

*The following is the text of a letter from Asia Investment Management Limited in connection with its advice to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions, which has been prepared for the purpose of inclusion in this circular.*

投資 亞洲
亞洲資產管理
ASIA INVESTMENT MANAGEMENT

**Asia Investment Management Limited**

14th Floor, Vulcan House,
21-23 Leighton Road,
Causeway Bay, Hong Kong

9 November 2015

*To the Independent Board Committee and*
*the Independent Shareholders of*
**COSCO Pacific Limited**

Dear Sirs,

**DISCLOSEABLE TRANSACTION**
**AND**
**CONTINUING CONNECTED TRANSACTIONS**

## INTRODUCTION

We refer to our engagement as the independent financial adviser to make recommendations to the independent board committee (the "**Independent Board Committee**") and the independent shareholders (the "**Independent Shareholders**") of COSCO Pacific Limited (the "**Company**") in relation to the continuing connected transactions (the "**Continuing Connected Transactions**") contemplated under the master agreements, namely (i) the Finance Leasing Master Agreement; (ii) the COSCO Shipping Services and Terminal Services Master Agreement; and (iii) the China COSCO Shipping Services and Terminal Services Master Agreement (thereafter collectively referred to as the "**New Master Agreements**"), with the proposed annual caps (the "**Annual Caps**").

Details of the Continuing Connected Transactions were disclosed in the announcement of the Company dated 28 October 2015 (the "**Announcement**") and in the letter from the board (the "**Letter from the Board**") set out on pages 6 to 17 of the circular of the Company dated 9 November 2015 (the "**Circular**") to its Shareholders, of which this letter forms part. Capitalized terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 28 October 2015, the relevant members of the Group entered into the following New Master Agreements, each for a term of three years commencing from 1 January 2016 and ending on 31 December 2018:

(1) the Finance Leasing Master Agreement between COSCO Ports and Florens Capital Management;

(2) the COSCO Shipping Services and Terminal Services Master Agreement between COSCO Ports, PCT and COSCO; and

(3) the China COSCO Shipping Services and Terminal Services Master Agreement between COSCO Ports, PCT, China COSCO and COSCON.

COSCO is the ultimate controlling Shareholder. Accordingly, members of the COSCO Group (including COSCO, China COSCO and COSCON) are connected persons of the Company.

Florens Capital Management is owned as to 50% by COSCO. Accordingly, members of the Florens Capital Management Group are connected subsidiaries of the Company.

Since all counter-contract parties of the New Master Agreements are connected persons of the Company, the transactions contemplated under the New Master Agreements constitute continuing connected transactions of the Company as defined under the Listing Rules. As one or more of the applicable percentage ratios in respect of the Annual Caps calculated pursuant to Rule 14.07 of the Listing Rules are more than 5% and the Annual Caps for the transactions contemplated under each of the New Master Agreements is more than HK$10 million, the Continuing Connected Transactions, together with the Annual Caps, are subject to the reporting, announcement, Independent Shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

In addition, since one or more of the applicable percentage ratios calculated pursuant to Rule 14.07 of the Listing Rules in respect of the proposed Annual Caps for the transactions contemplated under the Finance Leasing Master Agreement exceed 5% but are below 25%, the transactions contemplated under the Finance Leasing Master Agreement constitute a discloseable transaction of the Company. Accordingly, the Finance Leasing Master Agreement is subject to the notification and announcement requirements pursuant to Chapter 14 of the Listing Rules.

In view of the interests of COSCO and China COSCO in the Finance Leasing Master Agreement, the COSCO Shipping Services and Terminal Services Master Agreement, and/or the China COSCO Shipping Services and Terminal Services Master Agreement, China COSCO (Hong Kong) Limited and COSCO Investments Limited (both being subsidiaries of China COSCO and COSCO), which together were interested in an aggregate of approximately 44.83% of the total issued share capital of the Company as at the Latest Practicable Date, and the other associates of COSCO and China COSCO are required to abstain from voting on the resolutions to be proposed at the SGM to approve the Finance Leasing Master Agreement, the COSCO Shipping Services and Terminal Services Master Agreement, and the China COSCO Shipping Services and Terminal Services Master Agreement and the transactions contemplated thereunder.

An Independent Board Committee, comprising Mr. Adrian David LI Man Kiu, Mr. IP Sing Chi, Mr. FAN Ergang, and Mr. LAM Yiu Kin, all being independent non-executive Directors, has been formed to advise the Independent Shareholders as to whether (i) the terms of the New Master Agreements and the Continuing Connected Transactions are on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) the Continuing Connected Transactions, including the Annual Caps, are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendation of the Independent Financial Adviser, in respect of such matters at the SGM. We, Asia Investment Management Limited (the "**AIM**"), have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

AIM is a licensed corporation accredited to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (advising on asset management) regulated activities under the Securities and Futures Ordinance. Save for its role as the independent financial adviser to the then independent board committee and the independent shareholders of the Company in the transaction involving the disposal of 21.8% interest in China International Marine Containers (Group) Co., Ltd. as detailed in the circular of the Company dated 23 May 2013, AIM has not acted, within the last two years, as an independent financial adviser or as a financial adviser to any other transactions of the Company. Under the past engagement, AIM received normal professional fees from the Company. Notwithstanding the past engagements, as at the Latest Practicable Date, there were no relationships or interests contracted between AIM, and the parties to the New Master Agreements and/or any of their respective associates (the "**Contracting Parties**"). We are independent from, and not connected with, the Group, the Contracting Parties or any of their respective substantial shareholders, directors or chief executives, or any of their respective associates pursuant to Rule 13.84 of the Listing Rules, in our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions.

## BASIS OF OUR OPINION

In formulating our opinion and recommendations, we have reviewed, *inter alia*, the Announcement, the New Master Agreements, the relevant master agreements entered into between the Group and the relevant counter-contract parties on 30 October 2012 (being, the 2012 Finance Leasing Master Agreement, the 2012 COSCO Shipping Services and Terminal Services Master Agreement, and the 2012 China COSCO Shipping Services and Terminal Services Master Agreement (thereafter collectively referred to as the "**Relevant 2012 Agreements**")), the circular of the Company dated 5 November 2012 in relation to, among others, the continuing connected transactions contemplated under the Relevant 2012 Agreements (the "**2012 Circular**"), the 2014 annual report of the Company (the "**2014 Annual Report**") and the 2015 interim report of the Company (the "**2015 Interim Report**"). We have also reviewed certain information and facts provided by the management of the Company relating to the operations, financial condition and prospects of the Group. We have (i) considered such other information, analyses and market data as we deemed relevant; and (ii) conducted discussions with the management of the Company regarding the terms of the New Master Agreements, the basis for determination of the Annual Caps, the businesses and the future outlook of the Group. We have assumed that all information, opinions, statements, and representations made to us or as contained in the Circular, are true, accurate and complete in all material respects as at the date hereof and we have relied upon them in formulating our opinion.

All Directors collectively, and individually, accept full responsibility for the purpose of giving information with regard to the Company in the Announcement and the Circular and, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Announcement and the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters not contained in the Announcement and the Circular, the omission of which would make any statement herein or in the Announcement and the Circular misleading. We consider that we have been provided with, and we have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view regarding the terms of, and the reasons for, the Continuing Connected Transactions and to justify reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis of our opinion. We have no reason to suspect that any material information has been withheld by the Directors or management of the Company, or is misleading, untrue or inaccurate. We have not, however, for the purpose of this exercise, conducted any independent detailed investigation or audit into the businesses or affairs or future prospects of the Group. Our opinion is necessarily based on financial, economic, market and other conditions in effect, and the information made available to us, at the date of the Circular. We are not responsible for the negotiation of the terms of the New Master Agreements and the outcomes resulting from the compliance or non-compliance of the New Master Agreements.

This letter is issued to provide the information for the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Continuing Connected Transactions contemplated under the New Master Agreements, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

**PRINCIPAL FACTORS CONSIDERED**

In arriving at our opinion in respect of the terms of the New Master Agreements, we have considered the following principal factors and reasons:

**1. The background to, the reasons for, and the benefits of, the Continuing Connected Transactions**

The Group is a world-renowned container terminal operator and container leasing company with a comprehensive spectrum of business operations comprising two core components, namely (i) terminal and related business; and (ii) container leasing, management and sale businesses. As at 31 December 2014, the Company operated and managed 29 terminal companies in 21 ports worldwide, among which 25 terminal companies were based in the PRC, Hong Kong and Taiwan. The Group's terminal network covered 17 ports in the PRC, Hong Kong and Taiwan and four major overseas hub ports, including Shanghai, Qingdao, Shenzhen, Guangzhou Nansha and Piraeus. As stated in the 2014 Annual Report, according to the *"Global Container Terminal Operators Annual Review and Forecast"* published by Drewry Shipping Consultants Limited ("**Drewry**") in September 2014 (the "**2014 Drewry Report**"), the total container throughout of the Company's terminals accounted for approximately 9.3% of the world's total and ranked fourth among the world's largest container terminal operators.

Although the slowdown of economic and trade growth in major economies has hindered a solid recovery in the shipping industry, the Group's terminal business maintained its growth at a steady rate in 2014 on the back of the strong revenue growth at its overseas terminals and the support from the COSCO Group and its affiliated subsidiaries. According to the 2014 Annual Report, the Group's annual total throughput in 2014 reached approximately 67.3 million twenty-foot equivalent units ("**TEUs**"), representing a year-on-year growth of approximately 9.9% from approximately 61.3 million TEUs in 2013. The Group's revenue attributable to the terminal business rose by approximately 13.6% to approximately US$517.0 million (equivalent to approximately HK$4,007.9 million) for the financial year ended 31 December 2014, as compared to the same period in 2013. The terminal business remained the anchor of the Group's steady operations and accounted for approximately 59.4% of its total revenue for the financial year ended 31 December 2014.

In 2014, the Group continues to focus on developing its terminal business and to monitor market opportunities to invest in high quality terminals. According to the 2014 Annual Report, on 13 March 2014, the Group acquired a 40% effective equity interest in Asia Container Terminal in Hong Kong which contributed a container throughput of approximately 1.1 million TEU. Furthermore, the Group continues to develop the Piraeus Terminal into a key transshipment terminal in the Mediterranean region, providing efficient, reliable and stable transshipment container handling services to attract more international shipping companies. To further strengthen the position of Piraeus Terminal as an international transshipment hub, the Group will enhance the operational capacity of Pier 2 and build the western part of Pier 3. A further 2,500,000 TEUs, of which 1,900,000 TEUs will come from the western part of Pier 3, will thereby be added to the annual handling capacity of Piraeus Terminal. The construction and installation of mechanical equipment for the western part of Pier 3 is expected to be completed by 2021, bringing the terminal's annual handling capacity to 6,200,000 TEUs. Additionally, on 16 September 2015, the Group, through a joint venture company of which the Group has 40% shareholding, entered into a share purchase agreement relating to the acquisition of 65% equity interest in Kumport Terminal, which is the third largest container terminal in Turkey and is located at a gateway to the Black Sea and a strategic interchange between Europe and Asia. The Kumport Terminal is able to handle 18,000 TEUs vessels and has an annual container handling capacity of 1,840,000 TEUs and has room for expansion of up to 3,500,000 TEUs annual handling capacity.

In the course of its ordinary business, the Group has been from time to time carrying out transactions with connected persons of the Company. Indeed, the Group has been carrying on transactions pursuant to the Relevant 2012 Agreements, which constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. At the special general meeting of the Company held on 29 November 2012, the then Independent Shareholders approved the Relevant 2012 Agreements and their respective annual caps for the three years ending 31 December 2015. Details of the transactions under the Relevant 2012 Agreements were disclosed in the 2012 Circular. The Relevant 2012 Agreements will expire on 31 December 2015, and it is expected that the Group will continue to enter into transactions of similar nature to the transactions under the Relevant 2012 Agreements from time to time thereafter. Accordingly, the Group and the relevant counter-contract parties entered into the COSCO Shipping Services and Terminal Services Master Agreement, the China COSCO Shipping Services and Terminal Services Master Agreement and the Finance Leasing Master Agreement on 28 October 2015, each for a term of three years from 1 January 2016 to 31 December 2018, as an extension of the Relevant 2012 Agreements. Set out below are the details of the New Master Agreements:

## 1. *Finance Leasing Master Agreement*

### I. *Contract party within the Group:*

COSCO Ports (a subsidiary of the Company)

*II. Counter-contract party:*

Florens Capital Management (a connected subsidiary of the Company)

*III. Nature of business of counter-contract party:*

Provision of finance leasing

*IV. Nature of transactions:*

Provision of Finance Leasing of the Leasing Equipment by members of the Florens Capital Management Group as Lessor to members of the COSCO Ports Group as Lessee by way of sale and leaseback and other finance leasing arrangement including by way of (i) entrusted purchase of Leasing Equipment by the Lessee with payment of the purchase price by the Lessor and the subsequent provision of finance lease services by the Lessor to the Lessee and the making of lease payments to the Lessor; or (ii) the leasing of Leasing Equipment acquired by the Lessor to the Lessee with the option for the Lessee to purchase the Leasing Equipment. With respect to each Finance Leasing, the relevant Lessor and Lessee will enter into a separate Finance Lease Agreement.

***2. COSCO Shipping Services and Terminal Services Master Agreement***

*I. Contract party within the Group:*

1. COSCO Ports (a subsidiary of the Company); and

2. PCT (a subsidiary of the Company)

*II. Counter-contract party:*

COSCO

*III. Nature of business of counter-contract party:*

Shipping and modern logistics business, and shipping agencies providing services in freight forwarding, ship building, ship repairing, terminal operation, container paint manufacturing, trading, financing, real estate, information technology, business consulting and contract employment

*IV. Nature of transactions:*

(a) Provision of shipping related services by relevant members of the COSCO Ports Group and PCT to members of the COSCO Group (excluding the China COSCO Group), including but not limited to the handling, storage, stevedoring, transshipment and maintenance of cargoes, and provision of container storage space and terminal premises.

(b) Provision of terminal related services by relevant members of the COSCO Group (excluding the China COSCO Group) to members of the COSCO Ports 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 services as mentioned in (a) above are mainly provided by the subsidiaries of COSCO Ports (not being Plangreat and its subsidiaries) in the PRC and by PCT in Greece; and are of different nature to those pursuant to the COSCON Container Services Master Agreement, of which are containers related services.

***3. China COSCO Shipping Services and Terminal Services Master Agreement***

*I. Contract party within the Group:*

1. COSCO Ports (a subsidiary of the Company); and

2. PCT (a subsidiary of the Company)

*II. Counter-contract party:*

1. China COSCO; and

2. COSCON

*III. Nature of business of counter-contract party:*

1. China COSCO

Container shipping, dry bulk shipping, terminals and container leasing services covering the whole shipping value chain for both international and domestic customers

2. COSCON

Global integrated container shipping business

*IV. Nature of transactions:*

(a) Provision of shipping related services by relevant members of the COSCO Ports Group and PCT to members of the China COSCO Group, including but not limited to handling, storage, stevedoring, transsshipment and maintenance of cargoes, and provision of container storage space and terminal premises.

(b) Provision of terminal related services by relevant members of the China COSCO Group to members of the COSCO Ports 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 services as mentioned in (a) above are mainly provided by the subsidiaries of COSCO Ports (not being Plangreat and its subsidiaries) in the PRC and by PCT in Greece; and are of different nature to those pursuant to the COSCON Container Services Master Agreement, of which are containers related services.

By the very nature of the Group's business activities, transactions with the connected persons are inevitable. The 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, as well as help optimise the Group's finance and capital usage. The support by the COSCO Group will assist the business development and further strengthen the financial position of the Company. Indeed, the Group has entered into, and will continue to enter into, agreements with its connected persons in relation to different natures of transactions (including but not limited to the Relevant 2012 Agreements). The management of the Company is of the view that the entering into of the New Master Agreements can facilitate the long-term development of the Group's operation.

***Rationale of the Finance Leasing Master Agreement***

Florens Capital Management is indirectly owned as to 50% by each of COSCO and the Company, and is accounted for as a subsidiary of the Company. According to the management of the Company, the principal business of the Florens Capital Management Group is to provide finance lease services to both members of the Group and third parties.

By entering into the Finance Leasing Master Agreement, the Florens Capital Management Group can further develop its finance leasing business and further strengthen itself as a financing platform within the organization of the Group, and the COSCO Ports Group can better utilize its financial resources in the terminal business via the assistance of the Florens Capital Management Group. As advised by the management of the Company, the Leasing Equipment relates to all kinds of machinery, equipment and other property related to shipping and operation of terminal. The finance lease arrangement allows the COSCO Ports Group to re-deploy the upfront consideration or purchase cost of the Leasing Equipment obtained from the Florens Capital Management Group to the terminal business operation. Given both Florens Capital Management and COSCO Ports are subsidiaries of the Group, the management of the Company is of the view that the finance lease arrangement can help segregate the functions of each member of the Group and, at the same time, consolidate all financing functions and financing activities to enable a higher yield and return through a central management of financing resources and portfolios and reduce the cost of borrowings. Accordingly, the management of the Company is of the view that the entering into of the Finance Leasing Master Agreement for the provision of finance leasing services by the Florens Capital Management Group to members of the COSCO Ports Group is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

***Rationale of the COSCO Shipping Services and Terminal Services Master Agreement, and the China COSCO Shipping Services and Terminal Services Master Agreement***

The COSCO Group is a diversified group focusing mainly on shipping and modern logistics business. The COSCO Group also serves as shipping agencies and provides services in freight forwarding, ship building, ship repairing, terminal operation, container paint manufacturing, trading, financing, real estate, information technology, business consulting and contract employment. According to the information set out in the official website of COSCO (www.cosco.com), COSCO owns and controls over 800 modern merchant vessels with a total tonnage of 56 million deadweight tonnages and an annual carrying capacity of 400 million tons. COSCO's shipping lines cover over 1,600 ports in more than 160 countries and regions worldwide, and its fleet size ranks the first in the PRC and the second in the world.

The China COSCO Group, through its various subsidiaries, provides a wide range of container shipping, dry bulk shipping, terminals and container leasing services covering the whole shipping value chain for both international and domestic customers. COSCON, a wholly-owned subsidiary of China COSCO, is a global provider of integrated container shipping services. According to the 2014 annual report of China COSCO, the China COSCO Group, through COSCON, operated a fleet of 175 container vessels in aggregate with a total shipping capacity of 840,692 TEUs, which called at 192 ports in 64 countries and regions across the world, and operated on 101 international routes, 33 international branch routes, 23 PRC coastal service routes and 83 Pearl River Delta and Yangtze River branch routes as at 31 December 2014.

We further noted from the 2014 Annual Report that the terminal and related business continued to be the core revenue stream to the Group, contributed approximately US$517.0 million (representing approximately HK$4,007.9 million) and accounted for approximately 59.4% of the total revenue of the Group for the year ended 31 December 2014. We have enquired and were advised by the management of the Company that the COSCO Group (including COSCON and other members of the China COSCO Group) are one of the key customers of the Group's terminal business.

According to the 2014 Annual Report, to further strengthen the terminal and related businesses, on 13 March 2014, the Group acquired a 40% effective equity interest in Asia Container Terminal in Hong Kong which contributed a container throughput of approximately 1.1 million TEUs. Furthermore, the Group continues to develop the Piraeus Terminal into a key transshipment terminal in the Mediterranean region, providing efficient, reliable and stable transshipment container handling services to attract more international shipping companies. To further strengthen the position of Piraeus Terminal as an international transshipment hub, the Group will enhance the operational capacity of Pier 2 and build the western part of Pier 3. A further 2,500,000 TEUs, of which 1,900,000 TEUs will come from the western part of Pier 3, will thereby be added to the annual handling capacity of Piraeus Terminal. The construction and installation of mechanical equipment for the western part of Pier 3 is expected to be completed by 2021, bringing the terminal's annual handling capacity to 6,200,000 TEUs. Additionally, on 16 September 2015, the Group, through a joint venture company of which the Group has 40% shareholding, entered into a share purchase agreement relating to the acquisition of 65% equity interest in Kumport Terminal, which is the third largest container terminal in Turkey and is located at a gateway to the Black Sea and a strategic interchange between Europe and Asia. The Kumport Terminal is able to handle 18,000 TEUs vessels and has an annual handling capacity of 1,840,000 TEUs with six berths and has room for expansion of up to 3,500,000 TEUs annual handling capacity.

Given the fact that the COSCO Group (including COSCON and other members of the China COSCO Group) are the key customers of the Group's terminal business, the management of the Company considers that the entering into of the COSCO Shipping Services and Terminal Services Master Agreement and the China COSCO Shipping Services and Terminal Services Master Agreement with regard to the provision of shipping related services by the COSCO Ports Group and PCT to the COSCO Group (excluding the China COSCO Group), and the China COSCO Group, respectively, is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

Although the Group itself is one of the leading shipping-related service providers, it also relies on the provision of terminal related services (including, but not limited to, manpower services, cargo handling services and logistics services) by other prominent and experienced terminal conglomerates to complement its operation. The COSCO Group (including COSCON and other members of the China COSCO Group) is an outstanding player in the global container terminal industry with quality services. Accordingly, the management of the Company takes the view that, given (i) the COSCO Group (including COSCON and other members of the China COSCO Group) is experienced terminal related service provider with excellent quality services; and (ii) the business relationship between the Group and the COSCO Group (including COSCON and other members of the China COSCO Group) has been well established, the entering into of the COSCO Shipping Services and Terminal Services Master Agreement and the China COSCO Shipping Services and Terminal Services Master Agreement for the provision of terminal related services by the COSCO Group (excluding the China COSCO Group) and the China COSCO Group, respectively, to members of the COSCO Ports Group is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

***Conclusion***

In light of the above, we are of the view that the conducting of the Continuing Connected Transactions with the counter-contract parties is in the ordinary and usual course of business of the Group and is in the interest of the Company and the Shareholders as a whole.

**2. Principal terms of the New Master Agreements**

Each of the New Master Agreements, with a term of three years commencing from 1 January 2016 and ending on 31 December 2018, is conditional upon the approval of the New Master Agreement by the Independent Shareholders. Pursuant to the terms of each of the New Master Agreements, each of the Continuing Connected Transactions shall be conducted in accordance with the terms and fees as tabulated below:

***1. Finance Leasing Master Agreement***

**Pricing:** The transactions are required to be on normal commercial terms, in particular, the total consideration payable by the relevant members of the COSCO Ports Group for the provision of the Finance Leasing by members of the Florens Capital Management Group, including without limitation, 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 the COSCO Ports Group than those available to the COSCO Ports Group from other independent third party for the relevant Finance Leasing.

We have reviewed and compared the terms of the Finance Leasing Master Agreement and the 2012 Finance Leasing Master Agreement, and noted that, save for the revision of the Annual Caps, the terms of the two aforementioned agreements are substantially the same. We have discussed with the management of the Company on the terms of the Finance Leasing Master Agreement. The management of the Company considers that the terms are on normal commercial terms.

In assessing the terms of the Finance Leasing Master Agreement, we have discussed with the management of the Company in relation to the terms, including, but not limited to, the interest rates, handling fee and purchase option. According to the management of the Company, the COSCO Ports Group has never conducted any finance leasing businesses with any parties in the past other than member(s) of the Florens Capital Management Group. We have reviewed sample copies of finance lease contracts entered into between a member of the COSCO Ports Group and a member of the Florens Capital Management Group regarding the provision of finance lease services by the Florens Capital Management Group to the COSCO Ports Group during the period commencing from 1 January 2013 to the Latest Practicable Date (the "**Review Period**"), and we noted that the terms offered by the Florens Capital Management Group to the COSCO Ports Group, including, but not limited to, the interest rates, handling fee and purchase option, were in line with the terms of the 2012 Finance Leasing Master Agreement. We have also reviewed seven recent cases since October 2014 by different listed companies on the Stock Exchange carrying out businesses in various industries including, but not limited to, power generation, transportation and logistics, property development and management as well as agricultural chemicals in respect of finance leasing arrangements with connected parties (altogether referred to as "**Reference Cases**"), and noted that interest rate of finance leasing arrangements conducted in the PRC are commonly made with reference to the benchmark lending rates of the People's Bank of China, the central bank of the PRC ("**PBOC**") quoted from time to time and varied from a premium over or a discount to the benchmark PBOC lending rates, and that it is not uncommon for the lessor to charge a handling fee based on the principal amount of the subject under the finance lease and to grant the lessee an option to purchase the subject upon the expiry of the lease period.

Having considered that (i) the terms under the Finance Leasing Master Agreement are common terms in finance leasing arrangements based on our Reference Cases; (ii) the Finance Lease Master Agreement governs that the interest rate, the handling fee and the exercise price of the purchase option shall be on terms no less favorable to the Lessee than those offered by independent third parties; and (iii) the transactions contemplated under the Finance Lease Master Agreement shall be reported annually by the Company's auditor, we concur with the view of the management of the Company that the terms of the Finance Leasing Master Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

***2. COSCO Shipping Services and Terminal Services Master Agreement***

**Pricing:** The transactions are required to be on normal commercial terms, in particular, (i) the service fees payable by the relevant members of the COSCO Group (excluding the China COSCO Group) will 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 charge other independent third party customers for the relevant services; and (ii) the service fees payable by the relevant members of COSCO Ports Group will be at rates no less favourable to the relevant members of the COSCO Ports Group than those which independent third party providers charge the relevant members of the COSCO Ports Group for the relevant services.

We have reviewed and compared the terms of the COSCO Shipping Services and Terminal Services Master Agreement and the 2012 COSCO Shipping Services and Terminal Services Master Agreement, and noted that, save for (i) the revision of the Annual Caps; and (ii) the elaboration on the General Pricing Principles in the COSCO Shipping Services and Terminal Services Master Agreement, the terms of the two aforementioned agreements are substantially the same. We have discussed with the management of the Company on the terms, and in particular the pricing terms, of the COSCO Shipping Services and Terminal Services Master Agreement. The management of the Company considers that the terms are on normal commercial terms.

In assessing the terms of the provision of shipping related services by the COSCO Ports Group and/or PCT to the COSCO Group (excluding the China COSCO Group), we have reviewed and compared a total of 12 sample copies of individual service contracts entered into between (i) the COSCO Ports Group/PCT and the COSCO Group (excluding the China COSCO Group); and (ii) the COSCO Ports Group/PCT and its independent third party service receivers in relation to the transactions under the 2012 COSCO Shipping Services and Terminal Services Master Agreement during the Review Period. The sample contracts we have selected and reviewed cover (a) the various types of shipping services including, but not limited to, handling, storage, stevedoring, transshipment and maintenance of cargoes and provision of container storage space and terminal premises, rendered by the Group; and (b) all of the four major terminals of the Company (out of a total of seven which are held as subsidiaries in the Company) from which both COSCO Group and independent third party service receivers have procured shipping related services during the Review Period, being Jinjiang Pacific Ports Development Co., Ltd., Zhangjiagang Win Hanverky Container Terminal Co., Ltd., Quan Zhou Pacific Container Terminal Co., Ltd. and Yangzhou Yuanyang International Ports Co., Ltd. We consider that it is rational to compare such sample copies of service contracts as the basis of our analysis since the terms of the COSCO Shipping Services and Terminal Services Master Agreement in connection with the provision of shipping related services by the COSCO Ports Group and/or PCT to the COSCO Group (excluding the China COSCO Group) are substantially the same as that of the 2012 COSCO Shipping Services and Terminal Services Master Agreement. We noted that (i) the terms under those separate contracts entered into between the COSCO Ports Group/PCT and the COSCO Group (excluding the China COSCO Group) are comparable to, and no less favorable to the COSCO Ports Group/PCT than, that offered by the COSCO Ports Group/PCT to other independent third party service receivers; and (ii) the shipping related services provided under those separate contracts entered into between the COSCO Ports Group/PCT and the COSCO Group (excluding the China COSCO Group) were charged at prices comparable to those charged to other independent third party service receivers.

In assessing the terms of the provision of terminal related services by the COSCO Group (excluding the China COSCO Group) to the COSCO Ports Group, we have reviewed and compared a total of 6 sample copies of individual service contracts entered into between (a) the COSCO Ports Group and the COSCO Group (excluding the China COSCO Group); and (b) the COSCO Ports Group and its independent third party service providers in relation to the transactions under the 2012 COSCO Shipping Services and Terminal Services Master Agreement during the Review Period. The sample contracts we have selected and reviewed cover (a) the various types of terminal services including, but not limited to, cargo handling services and logistics services, received by the Group; and (b) all of the two major terminals of the Company (out of a total of seven which are held as subsidiaries in the Company) to which both COSCO Group and independent third party service providers have provided terminal related services during the Review Period, being Xiamen Ocean Gate Container Terminal Co., Ltd. and Quanzhou Pacific Container Terminal Co., Ltd. We consider that it is rational to compare such sample copies of service contracts as the basis of our analysis since the terms of the COSCO Shipping Services and Terminal Services Master Agreement in connection with the provision of terminal related services by the COSCO Group (excluding the China COSCO Group) to the COSCO Ports Group are substantially the same as that of the 2012 COSCO Shipping Services and Terminal Services Master Agreement. We noted that (i) the terms under those separate contracts entered into between the COSCO Ports Group and the COSCO Group (excluding the China COSCO Group) were comparable to, and no less favorable to COSCO Ports Group than, that offered to the COSCO Ports Group by other independent third party service providers; and (ii) the terminal related services provided under those separate contracts entered into between the COSCO Ports Group and the COSCO Group (excluding the China COSCO Group) were charged at prices comparable to those charged by other independent third party service providers to the COSCO Ports Group.

Additionally, pursuant to the COSCO Shipping Services and Terminal Services Master Agreement, in ensuring that the Continuing Connected Transactions will be conducted on terms no less favourable to the Group than the terms available from independent third parties for the relevant transactions, the Group would observe the General Pricing Principles, and where available, the management of the Company or its relevant subsidiaries would solicit at least two other similar transactions with independent third parties for products and/or services in similar quantities for comparison.

Having considered the above, we concur with the view of the management of the Company that the terms of the COSCO Shipping Services and Terminal Services Master Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

***3. China COSCO Shipping Services and Terminal Services Master Agreement***

**Pricing:** The transactions are required to be on normal commercial terms, in particular, (i) the service fees payable by the relevant members of the China COSCO Group will 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 charge other independent third party customers for the relevant services; and (ii) the service fees payable by the relevant members of COSCO Ports Group will be at rates no less favourable to the relevant members of the COSCO Ports Group than those which independent third party providers charge the relevant members of the COSCO Ports Group for the relevant services.

We have reviewed and compared the terms of the China COSCO Shipping Services and Terminal Services Master Agreement and the 2012 COSCO Shipping Services and Terminal Services Master Agreement, and noted that, save for (i) the revision of the Annual Caps; and (ii) the elaboration on the General Pricing Principles in the China COSCO Shipping Services and Terminal Services Master Agreement, the terms of the two aforementioned agreements are substantially the same. We have discussed with the management of the Company on the terms, and in particular the pricing terms, of the China COSCO Shipping Services and Terminal Services Master Agreement. The management of the Company considers that the terms are on normal commercial terms.

In assessing the terms of the provision of shipping related services by the COSCO Ports Group and/or PCT to the China COSCO Group, we have reviewed and compared a total of 14 sample copies of individual service contracts entered into between (i) the COSCO Ports Group/PCT and the China COSCO Group; and (ii) the COSCO Ports Group/PCT and its independent third party service receivers in relation to the transactions under the 2012 China COSCO Shipping Services and Terminal Services Master Agreement during the Review Period. The sample contracts we have selected and reviewed cover (a) the various types of shipping services including, but not limited to, handling, storage, stevedoring, transshipment and maintenance of cargoes and provision of container storage space and terminal premises, rendered by the Group; and (b) five out of the seven major terminals of the Company which are held as subsidiaries in the Company, and from which both China COSCO Group and independent third party service receivers have procured shipping related services during the Review Period, being Xiamen Ocean Gate Container Terminal Co., Ltd., Jinjiang Pacific Ports Development Co., Ltd., Zhangjiagang Win Hanverky Container Terminal Co., Ltd., Yangzhou Yuanyang International Ports Co., Ltd. and PCT. We consider that it is rational to compare such sample copies of service contracts as the basis of our analysis since the terms of the China COSCO Shipping Services and Terminal Services Master Agreement in connection with the provision of shipping related services by the COSCO Ports Group and/or PCT to the China COSCO Group are substantially the same as that of the 2012 China COSCO Shipping Services and Terminal Services Master Agreement. We noted that (i) the terms under those separate contracts entered into between the COSCO Ports Group/PCT and the China COSCO Group are comparable to, and no less favorable to the COSCO Ports Group/PCT than, that offered by the COSCO Ports Group/PCT to other independent third party service receivers; and (ii) the shipping related services provided under those separate contracts entered into between the COSCO Ports Group/PCT and the China COSCO Group were charged at prices comparable to those charged to other independent third party service receivers.

In assessing the terms of the provision of terminal related services by the China COSCO Group to the COSCO Ports Group, we have discussed with the management of the Company and were given to understand that the China COSCO Group had not provided any terminal related services to the COSCO Ports Group during the Review Period except subsidy on port construction fee. We have reviewed and compared a total of 3 sample copies of service contracts of subsidy on port construction fee entered into between the COSCO Ports Group and the China COSCO Group. However, the management of the Company advised us that China COSCO Group did not provide such terminal related services (subsidy on port construction fee) to other independent third parties during the Review Period. In the absence of the relevant service contracts, we are not able to opine on the historical transaction in relation to the terminal related services between the COSCO Ports Group and the China COSCO Group. Notwithstanding that, given the facts that (i) the terms and scope of services (other than the Annual Caps) of the China COSCO Shipping Services and Terminal Services Master Agreement are identical to that of the COSCO Shipping Services and Terminal Services Master Agreement, which are on normal commercial terms (please refer to our analysis on the COSCO Shipping Services and Terminal Services Master Agreement above); (ii) the service fees payable by the relevant members of the COSCO Ports Group for the provision of terminal related service by the members of the China COSCO Group under the China COSCO Shipping Services and Terminal Services Master Agreement shall be at rates no less favorable to the relevant members of the COSCO Ports Group than that at which the relevant members of the China COSCO Group charge other independent third party service receivers for the relevant services; and (iii) such transactions contemplated under the China COSCO Shipping Services and Terminal Services Master Agreement have been and shall be reported annually by the Company's auditor, we consider that the terms of the provision of terminal related services by the China COSCO Group to the COSCO Ports Group are fair and reasonable so far as the Independent Shareholders are concerned.

Additionally, pursuant to the China COSCO Shipping Services and Terminal Services Master Agreement, in ensuring that the Continuing Connected Transactions will be conducted on terms no less favourable to the Group than the terms available from independent third parties for the relevant transactions, the Group would observe the General Pricing Principles, and where available, the management of the Company or its relevant subsidiaries would solicit at least two other similar transactions with independent third parties for products and/or services in similar quantities for comparison.

Having considered the above, we concur with the view of the management of the Company that the terms of the China COSCO Shipping Services and Terminal Services Master Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

## 3. Rationale of determining the annual caps

As stated in the Letter from the Board, (a) the annual caps for the continuing connected transactions contemplated under the Relevant 2012 Agreements; (b) the actual transacted amounts for the continuing connected transactions contemplated under the Relevant 2012 Agreements for the two years ended 31 December 2014 and the nine months ended 30 September 2015; and (c) the Annual Caps for the Continuing Connected Transactions for the three years ending 31 December 2018 are as follows:

| | Historical annual caps | | | Annual Caps | | | Basis of determination for the Annual Caps |
|---|---|---|---|---|---|---|---|
| | For the year ended 31 December | | | For the year ending 31 December | | | |
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | |
| **1. Finance Leasing Master Agreement** | | | | | | | |
| Aggregate amount payable by the COSCO Ports Group to the Florens Capital Management Group | US$200,000,000 (approximately HK$1,550,440,000) | US$250,000,000 (approximately HK$1,938,050,000) | US$300,000,000 (approximately HK$2,325,660,000) | US$120,000,000 (approximately HK$930,264,000) | US$140,000,000 (approximately HK$1,085,308,000) | US$200,000,000 (approximately HK$1,550,440,000) | Determined with reference to the financing market conditions and the expected maximum amount of assets of COSCO Ports Group to be arranged with finance lease, the large transaction amount involved per Finance Leasing, the expected positive long term outlook in market conditions and growth capacity of the Group's business, such annual cap represents the estimated maximum aggregate amount payable by COSCO Ports Group (including but without limitation to lease payments and handling fees and expenses) under the Finance Lease Agreements during the year and year-on-year growth. |
| Percentage change of Annual Cap over previous year | N/A | N/A | N/A | N/A | 16.7% | 42.9% | |
| Actual transacted amounts | US$9,324,000 (approximately HK$72,282,000) | US$7,755,000 (approximately HK$60,119,000) | US$28,468,000 (approximately HK$220,690,000) *(Note 1)* | N/A | N/A | N/A | |
| Utilization rate | 4.7% | 3.1% | 9.5% | N/A | N/A | N/A | |

*Notes:*

1. Being the actual transacted amount for the nine months ended 30 September 2015.

| | Historical annual caps | | | Annual Caps | | | Basis of determination for the Annual Caps |
|---|---|---|---|---|---|---|---|
| | For the year ended 31 December | | | For the year ending 31 December | | | |
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | |
| **2. COSCO Shipping Services and Terminal Services Master Agreement** | | | | | | | |
| (a) Aggregate amount receivable by the COSCO Ports Group and PCT from the COSCO Group (excluding the China COSCO Group) | RMB160,999,000 (approximately HK$202,086,000) | RMB227,999,000 (approximately HK$286,184,000) | RMB299,999,000 (approximately HK$376,559,000) | RMB562,291,000 (approximately HK$705,788,000) | RMB705,513,000 (approximately HK$885,560,000) | RMB881,877,000 (approximately HK$1,106,933,000) | Determined with reference to the existing scale and operations of the businesses of COSCO Ports Group and PCT, the anticipated growth and development of such businesses and the anticipated demand for such services. *(Note 3)* |
| Percentage change of Annual Cap over previous year | N/A | N/A | N/A | N/A | 25.5% | 25.0% | |
| Actual transacted amounts | RMB14,646,000 (approximately HK$18,384,000) *(Note 2)* | RMB18,589,000 (approximately HK$23,333,000) *(Note 2)* | RMB15,133,000 (approximately HK$18,995,000) *(Note 1, 2)* | N/A | N/A | N/A | |
| Utilization rate | 9.1% | 8.2% | 5.0% | N/A | N/A | N/A | |
| (b) Aggregate amount payable by the COSCO Ports Group to the COSCO Group (excluding the China COSCO Group) | RMB69,200,000 (approximately HK$86,860,000) | RMB104,520,000 (approximately HK$131,194,000) | RMB140,028,000 (approximately HK$175,763,000) | RMB124,590,000 (approximately HK$156,386,000) | RMB159,528,000 (approximately HK$200,240,000) | RMB198,434,000 (approximately HK$249,075,000) | Determined with reference to the existing scale and operations of the businesses of COSCO Ports Group, the anticipated growth and development of such businesses and the anticipated demand for such services. *(Note 3)* |
| Percentage change of Annual Cap over previous year | N/A | N/A | N/A | N/A | 28.0% | 24.4% | |
| Actual transacted amounts | RMB3,152,000 (approximately HK$3,957,000) *(Note 2)* | RMB3,667,000 (approximately HK$4,603,000) *(Note 2)* | RMB2,480,000 (approximately HK$3,113,000) *(Note 1, 2)* | N/A | N/A | N/A | |
| Utilization rate | 4.6% | 3.5% | 1.8% | N/A | N/A | N/A | |

*Notes:*

1. Being the actual transacted amount for the nine months ended 30 September 2015.

2. On 27 March 2013, China COSCO entered into an equity transfer agreement with COSCO for the transfer of the 100% equity interest in COSCO Logistics Co., Ltd. ("**COSCO Logistics**", and together with its subsidiaries, "**COSCO Logistics Group**") from China COSCO to COSCO. Historical transaction amounts between the Group and COSCO Logistics Group of the continuing connected transactions that would have otherwise been included in the 2012 China COSCO Shipping Services and Terminal Services Master Agreement prior to such equity transfer, have been reclassified and included in the 2012 COSCO Shipping Services and Terminal Services Master Agreement as stipulated in this table.

3. The annual caps also take into account of the anticipated growth of business year-on-year which may result from any expected new terminal projects of the Group and expected positive long term outlook in market conditions.

| | Historical annual caps | | | Annual Caps | | | Basis of determination for the Annual Caps |
|---|---|---|---|---|---|---|---|
| | For the year ended 31 December | | | For the year ending 31 December | | | |
| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | |
| **3. China COSCO Shipping Services and Terminal Services Master Agreement** | | | | | | | |
| (a) Aggregate amount received/receivable by the COSCO Ports Group and PCT from the China COSCO Group | RMB2,388,669,000 (approximately HK$2,998,257,000) | RMB4,082,654,000 (approximately HK$5,124,547,000) | RMB6,846,075,000 (approximately HK$8,593,193,000) | RMB2,592,045,000 (approximately HK$3,253,535,000) | RMB2,920,650,000 (approximately HK$3,666,000,000) | RMB3,294,169,000 (approximately HK$4,134,841,000) | Determined with reference to the existing scale and operations of the businesses of COSCO Ports Group and PCT, the anticipated growth and development of such businesses and the anticipated demand for such services. *(Note 3)* |
| Percentage change of Annual Cap over previous year | N/A | N/A | N/A | N/A | 12.7% | 12.8% | |
| Actual transacted amounts | RMB239,904,000 (approximately HK$301,128,000) *(Note 2)* | RMB241,899,000 (approximately HK$303,632,000) *(Note 2)* | RMB157,070,000 (approximately HK$197,155,000) *(Note 1, 2)* | N/A | N/A | N/A | |
| Utilization rate | 10.0% | 5.9% | 2.3% | N/A | N/A | N/A | |
| (b) Aggregate amount payable by the COSCO Ports Group to the China COSCO Group | RMB58,000,000 (approximately HK$72,802,000) | RMB87,000,000 (approximately HK$109,202,000) | RMB116,000,000 (approximately HK$145,603,000) | RMB2,500,000 (approximately HK$3,138,000) | RMB2,750,000 (approximately HK$3,452,000) | RMB3,025,000 (approximately HK$3,797,000) | Determined with reference to the existing scale and operations of the businesses of COSCO Ports Group, the anticipated growth and development of such businesses and the anticipated demand for such services. *(Note 3)* |
| Percentage change of Annual Cap over previous year | N/A | N/A | N/A | N/A | 10.0% | 10.0% | |
| Actual transacted amounts | RMB243,000 (approximately HK$306,000 *(Note 2)* | RMB75,000 (approximately HK$95,000) *(Note 2)* | RMB40,000 (approximately HK$51,000) *(Note 1, 2)* | N/A | N/A | N/A | |
| Utilization rate | 0.4% | 0.1% | 0.03% | N/A | N/A | N/A | |

*Notes:*

1. Being the actual transacted amount for the nine months ended 30 September 2015.

2. On 27 March 2013, China COSCO entered into an equity transfer agreement with COSCO for the transfer of the 100% equity interest in COSCO Logistics Co., Ltd. ("**COSCO Logistics**", and together with its subsidiaries, "**COSCO Logistics Group**") from China COSCO to COSCO. Historical transaction amounts between the Group and COSCO Logistics Group of the continuing connected transactions that would have otherwise been included in the 2012 China COSCO Shipping Services and Terminal Services Master Agreement prior to such equity transfer, have been reclassified and included in the 2012 COSCO Shipping Services and Terminal Services Master Agreement as stipulated in this table.

3. The annual caps also take into account of the anticipated growth of business year-on-year which may result from any expected new terminal projects of the Group and expected positive long term outlook in market conditions.

As illustrated in the table above, the annual caps of the Continuing Connected Transactions for the three years ending 31 December 2015 in general are substantially higher than the historical transacted amounts of the transactions contemplated under the Relevant 2012 Agreements for the two years ended 31 December 2014. The management of the Company advised us that the reason for the lower than expected utilization rates for the period during the two years ended 31 December 2014 were mainly due to the slower than expected recovery in the global economy and the shipping industry over the past few years.

In determining the Annual Caps for the Continuing Connected Transactions, we understand that the Company has primarily taken into consideration factors including, among others, (i) the existing scale and operations of the businesses of the relevant members of the Group; (ii) the anticipated growth and development of such relevant businesses and the perceived increase in demand for such relevant services contemplated under the New Master Agreements; (iii) the expansion of operating capacity as a result of the increase in the numbers of container terminals, berths or cargoes handling facilities yet to be in operation for the three years ending 31 December 2018; (iv) the plans and requirements of the Group, after allowing a buffer for the inherent volatility of business in the transportation and container-related services industry; (v) the expected market trends and changes, the estimated rates of services fee and the scope of the transactions covered by the New Master Agreements; (vi) the possible increase in the business volume as a result of the possible recovery of the overall economic condition; (vii) the existing rate of handling fee pursuant to the relevant rules and regulations or the relevant documents issued by the port management companies; and/or (viii) the prevailing and expected benchmark lending rates published by PBOC and the current financing market.

In order to assess the fairness and reasonableness of the Annual Caps, we have discussed with the management of the Company on the bases and assumptions underlying the determination of the Annual Caps and were given to understand that the management of the Company has taken into account the major factors as bases of determination of the said caps which details are set out as below:

***Demand for the Continuing Connected Transactions***

In 2014, the global economy continues to face significant uncertainties. Economic activity has remained weak in the context of enduring negative market sentiment, a situation often described as the "new normal". According to the International Monetary Fund, the global economy grew by approximately 3.4% in 2014, approximately the same as in 2013, while the growth of global trade slowed by approximately 0.3 percentage points to approximately 3.1% in 2014 as compared to approximately 3.4% in 2013. Hindered by the slow recovery of the global economy, China's foreign trade has entered a period of more modest growth. In 2014, the growth in China's exports slowed down markedly to approximately 4.9% from approximately 7.9% in 2013.

Despite all these, as stated in the 2014 Annual Report, according to the forecast made by Drewry in December 2014, the growth in global container handling in 2014 increased by 1.1 percentage points to 5.0% from 3.9% in 2013. Further, according to the China Ports and Harbours Association, container throughput at Chinese ports recorded year-on-year growth of about 6.1% in 2014. Looking ahead, Drewry forecasts steady but modest growth in container port demand through 2018, driven by the expanded Panama Canal in 2015 which is expected to stimulate growth in 2016-2017 and continued intra-Asian activities with more volumes moving between China and countries of Association of Southeast Asian Nations (ASEAN) following the deals of free trade agreements. According to the 2014 Drewry Report, the global container port throughput is forecast to exceed 840 million TEUs by 2018 from approximately 642 million TEUs in 2013, representing a compound annual growth rate ("**CAGR**") of approximately 5.6%. The fastest growing regions are forecast to be West Africa with a CAGR of approximately 7.8%, Greater China with a CAGR of approximately 7.6%, and North Africa with a CAGR of approximately 6.8%.

As discussed with the management of the Company, the terminal and container businesses are largely correlated to the economic activities among different cities in the world. It is apparent that the global economy and hence trading among different cities are showing a slowdown. On the other hand, the economic slowdown may result in consolidation or closure of certain business enterprises. The Group and its counter-contract parties, as the market leaders, may benefit from market consolidation by taking the chance of acquisition at reasonable or even low cost and therefore further expanding its market share. Furthermore, the management of the Company is optimistic to the sustainability of stable economic environment in the PRC where the Group derives the majority of its revenue. According to the 2014 Annual Report, approximately 65.0% of revenue of the terminal and related business were attributable to businesses from the PRC (excluding Hong Kong) and approximately 59.2% of the non-current assets of the Group were based in the PRC (excluding Hong Kong).

Based on the foregoing, we consider that it is reasonable to take into account the estimated increase in demand for the products and services to be provided by the Group and the counter-contract parties.

***Business plan of the Group***

According to the 2014 Annual Report, the Group's revenue increased from approximately US$798.6 million (equivalent to approximately HK$6,190.9 million) to approximately US$870.1 million (equivalent to approximately HK$6,745.2 million), representing a year-on-year growth of approximately 8.9%. Among which, 30.6% of the total revenue (equivalent to approximately US$266.0 million or approximately HK$2,062.1 million) was derived by the transactions conducted with the connected persons of the Group. Undoubtedly, there is a high relevance and importance of maintaining good business relationship with the connected persons (including not but limited to the COSCO Group and the China COSCO Group). As stated in the 2014 Annual Report, it is among the Group's strategic focuses to leverage on the synergy between its terminals and the shipping business of the

COSCO Group to capture the strategic opportunities arising from the "One Belt, One Road" and the Yangtze River economic belt initiatives. The strategic positioning of fleets and long-standing shipping route callings at global container hubs of the COSCO Group are fundamental to the development of the Group's terminal business, and the Company will align the direction and strategy for its terminal business with the global development strategies for the COSCO Group's fleet and shipping route network.

We have discussed with the management of the Company the business plans and operation strategies in the coming few years. We noted that the Group will continue to focus on developing its terminal business and to monitor market opportunities to invest in high quality terminals. According to the 2014 Annual Report, on 13 March 2014, the Group acquired a 40% effective equity interest in Asia Container Terminal in Hong Kong which contributed a container throughput of approximately 1.1 million TEUs. Furthermore, the Group continues to develop the Piraeus Terminal into a key transshipment terminal in the Mediterranean region, providing efficient, reliable and stable transshipment container handling services to attract more international shipping companies. To further strengthen the position of Piraeus Terminal as an international transshipment hub, the Group will enhance the operational capacity of Pier 2 and build the western part of Pier 3. A further 2,500,000 TEUs, of which 1,900,000 TEUs will come from the western part of Pier 3, will thereby be added to the annual handling capacity of Piraeus Terminal. The construction and installation of mechanical equipment for the western part of Pier 3 is expected to be completed by 2021, bringing the terminal's annual handling capacity to 6,200,000 TEUs. Additionally, on 16 September 2015, the Group, through a joint venture company of which the Group has 40% shareholding, entered into a share purchase agreement relating to the acquisition of 65% equity interest in Kumport Terminal, which is the third largest container terminal in Turkey and is located at a gateway to the Black Sea and a strategic interchange between Europe and Asia. The Kumport Terminal is able to handle 18,000 TEUs vessels and has an annual handling capacity of 1,840,000 TEUs with six berths and has room for expansion of up to 3,500,000 TEUs annual handling capacity.

In view of (i) the overall business plans and operation strategies discussed with the management of the Company; (ii) the progressive expansion of the Group's annual handling capacity; (iii) the Group's leading position in the PRC's container terminal industry; and (iv) the effort placed by the Group in Piraeus terminal for developing it into a chief transshipment hub, we concur with the Directors' view that it is fair and reasonable for the management of the Company to make reference to the aforesaid information as the basis to determine the Annual Caps.

***The historical transacted amounts of similar continuing connected transactions***

We have reviewed the historical transacted amounts between the relevant members of the Group and the counter-contract parties which are of nature similar to that of the Continuing Connected Transactions and have discussed with the management of the Company the relevant historical trends. We understand that due to the slower than expected recovery in the global economy and the shipping industry, the utilization rates of the annual caps approved by the then Independent Shareholders under the Relevant 2012 Agreements with each of the counter-contract parties are lower than expected.

However, we concur with the view of the management of the Company that it would be in the interest of the Group to provide sufficient buffer over the historical transacted amounts recorded when determining the proposed new cap amounts, so as to cater for the inherent volatility of the business in the transportation and container-related industry, where magnitude of which cannot be ascertained at the moment. It is particularly important that the Group has been demonstrating a steady growth in its business scale and financial results, and it is possible that the Group may require and utilize a high percentage of the Annual Caps now proposed under the Continuing Connected Transactions for the three years ending 31 December 2018 if the market recovers and if the Group performs.

***Analysis of the proposed annual caps for the Finance Leasing Master Agreement***

As discussed with the management of the Company, the proposed annual caps of US$120 million (equivalent to approximately HK$930.3 million), US$140 million (equivalent to approximately HK$1,085.3 million) and US$200 million (equivalent to approximately HK$1,550.4 million) for the three years ending 31 December 2018 were determined on the bases of (i) the expected nature and amount of assets of COSCO Ports Group to be arranged with finance lease; (ii) the benchmark lending rates published by PBOC; and (iii) the terms of the existing finance lease arrangements between the Florens Capital Management Group and the COSCO Ports Group, including the lease period, handling fee and purchase option.

We have reviewed the benchmark lending rates published by PBOC since 2013 and noted that the benchmark lending rate for 5 years above ranged from 5.15% to 6.15% per annum. We have also reviewed the unaudited consolidated balance sheet of Florens Capital Management as at 30 June 2015. We were advised by the management of the Company that the source of funds of Florens Capital Management Group for the purchase costs of assets were mainly derived from shareholders' loan, bank borrowings and operating cash inflow. Having considered the above, we are of the view that the proposed annual caps for the Finance Leasing Master Agreement are determined based on reasonable estimation, and that it is fair and reasonable for the management of the Company to make reference to the aforesaid information as the basis to determine such annual caps.

***Conclusion***

Taking into consideration the factors including (i) the rationale for, and the need of, the Continuing Connected Transactions; (ii) the possible expansions anticipated by the Group; and (iii) the buffer over historical transacted amounts of similar continuing connected transactions in view of the inherent volatility of the business in the transportation and container-related industry as elaborated above, we concur with the Directors' view that the annual caps for the continuing connected transactions contemplated under (i) the COSCO Shipping Services and Terminal Services Master Agreement, and (ii) the China COSCO Shipping Services and Terminal Services Master Agreement for the three years ending 31 December 2018 are fairly and reasonably determined based on the reasonable estimation and that it is fair and reasonable for the management of the Company to make reference to the aforesaid factors as the bases to determine such annual cap amounts.

Taking into consideration our analysis of the proposed annual caps for the Finance Leasing Master Agreement as disclosed above, we concur with the Directors' view that the annual caps for the continuing connected transactions contemplated under the Finance Leasing Master Agreement for the three years ending 31 December 2018 are fairly and reasonably determined based on the reasonable estimation and that it is fair and reasonable for the management of the Company to make reference to the aforesaid factor as the basis to determine such annual cap amounts.

However, the Shareholders should note that as the Annual Caps are determined based on various factors relating to future events and assumptions which may or may not remain valid for the entire period up to 31 December 2018, they do not represent forecasts of revenue to be generated from the operations of the Group. Consequently, we express no opinion as to how closely the actual future transacted amounts of the Continuing Connected Transactions will correspond with the relevant Annual Caps.

**4. Requirements of the Listing Rules on the Continuing Connected Transactions**

Pursuant to Rules 14A.37 to 14A.40 of the Listing Rules, the Continuing Connected Transactions are subject to the following annual review requirements:

(i) Each year the independent non-executive Directors must review the Continuing Connected Transactions and confirm in the annual report and accounts that the Continuing Connected Transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) either on normal commercial terms or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favorable to the Group than terms available to or from (as appropriate) independent third parties; and

(c) in accordance with the New Master Agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;

(ii) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock Exchange at least 10 business days prior to the bulk printing of the Company's annual report), which provide limited assurance that the Continuing Connected Transactions:

(a) have received the approval of the Board;

(b) are in accordance with the pricing policies of the Group if the Continuing Connected Transactions involve provision of goods or services by the Group;

(c) have been entered into in accordance with the New Master Agreements governing the Continuing Connected Transactions; and

(d) have not exceeded the Annual Caps;

(iii) the Company shall allow, and shall procure that the relevant counter-parties to the Continuing Connected Transactions shall allow, the auditors of the Company sufficient access to their records for the purpose of reporting on the Continuing Connected Transactions as set out in paragraph (ii) above; the Board must state in the annual report whether its auditors have provided limited assurance regarding the matters stated in paragraph (ii) above; and

(iv) the Company shall promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that (a) the independent non-executive Directors will not be able to confirm the matters set out in paragraph (i) above; and/or (b) the auditors of the Company will not be able to provide limited assurance regarding the matters set out in paragraph (ii) above, respectively.

We have reviewed (i) the confirmation letters from the independent non-executive Directors of the Company to the Board of the Company for the two years ended 31 December 2014 which confirmed, among others, that the historical continuing connected transactions contemplated under the Relevant 2012 Agreements were conducted in accordance with their terms and that the relevant annual caps were not exceeded; and (ii) the unqualified letters prepared and issued by the auditor of the Company containing its findings and conclusions in respect of, among others, the Relevant 2012 Agreements for the two years ended 31 December 2014 in accordance with Rule 14A.38 of the Listing Rules. In light of the reporting requirements attached to the Continuing Connected Transactions, in particular, (i) the restriction of the values of the Continuing Connected Transactions by way of the Annual Caps; and (ii) the on-going review by the independent non-executive Directors and the auditors of the Company on the terms of the Continuing

Connected Transactions and the Annual Caps not being exceeded, we are of the view that appropriate measures will be in place to govern the conduct of the Continuing Connected Transactions and safeguard the interests of the Independent Shareholders.

**OPINION**

Having considered the principal factors and reasons referred to in the above, we are of the view that (i) the Continuing Connected Transactions are in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole; (ii) the terms of the New Master Agreements are normal commercial terms and are fairly and reasonably determined; and (iii) the Annual Caps for the Continuing Connected Transactions for the three years ending 31 December 2018 are determined based on the reasonable estimation and that it is fair and reasonable for the management of the Company to make reference to the aforesaid factors as the bases to determine the Annual Caps.

Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the SGM to be convened to approve, *inter alia*, the New Master Agreements and the transactions contemplated thereunder (including the Annual Caps contemplated therein).

Yours faithfully,
For and on behalf of
**Asia Investment Management Limited**
**Alice Kan**
*Managing Director*

*Ms. Alice Kan is a licensed person registered with the SFC to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance), and Type 9 (asset management) regulated activities under the Securities and Futures Ordinance and is a responsible officer of AIM since 2005. She has participated in, and completed, various independent financial advisory transactions.*

*The following is the particulars of the two Directors to retire, and proposed to be re-elected at the SGM:*

(1) **Mr. LAM Yiu Kin**, aged 60, has been an independent non-executive Director of the Company since August 2015. He is a member of the Audit Committee of the Company. Mr. LAM is currently an adjunct professor in the School of Accounting and Finance of The Hong Kong Polytechnic University, and a member of the Finance Management Committee of the Hong Kong Management Association. He is an independent non-executive director of Mason Financial Holdings Limited, Global Digital Creations Holdings Limited, Shanghai Fudan-Zhangjiang Bio-Pharmaceutical Co., Ltd., Shougang Concord Century Holdings Limited and Vital Mobile Holdings Limited, all of which are companies listed in Hong Kong, and Spring Asset Management Limited as the manager of Spring Real Estate Investment Trust (listed in Hong Kong), and was an independent non-executive director of Kate China Holdings Limited, a company listed in Hong Kong. Mr. LAM was a member of the Listing Committee and the Financial Reporting Advisory Panel of The Stock Exchange of Hong Kong Limited from 1997 to 2003, a committee member of the Hong Kong Institute of Certified Public Accountants ("**HKICPA**") from 1994 to 2009, and an audit partner of PricewaterhouseCoopers from 1993 to 2013. He has about 40 years of experience in accounting, auditing and business consulting. Mr. LAM is a fellow member of the HKICPA, the Association of Chartered Certified Accountants, the Chartered Accountants of Australia and New Zealand and the Institute of Chartered Accountants in England & Wales. Mr. LAM obtained a higher diploma in accountancy from The Hong Kong Polytechnic University in 1975 and was conferred an Honorary Fellow by The Hong Kong Polytechnic University in 2002.

Save as disclosed herein, Mr. LAM has not held any directorships in any listed public companies during the past three years. Mr. LAM does not hold any other positions with the Company or other members of the Group and does not have any other relationships with any of the other Directors, senior management of the Company, substantial Shareholders or controlling Shareholders.

A letter of appointment was entered into between the Company and Mr. LAM for appointing Mr. LAM as an independent non-executive Director of the Company for an initial term from 14 August 2015 to the SGM. Subject to his re-election by the Shareholders at the SGM, the term of appointment of Mr. LAM shall then be for approximately three years commencing from the date of the SGM to the conclusion of the annual general meeting of the Company to be held in 2018 and subject to retirement by rotation and re-election in accordance with the Bye-laws of the Company. Pursuant to the letter of appointment, the director's fee of Mr. LAM, for also being a member of the Audit Committee of the Company, is HK$310,000 per annum (or a pro rata amount for the duration of his directorship for an incomplete year). The director's fee of Mr. LAM is recommended by the remuneration committee of the Company and determined by the Board with reference to his duties and responsibilities and prevailing market conditions.

As at the Latest Practicable Date, Mr. LAM does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed herein, Mr. LAM has confirmed that there are no other matters that need to be brought to the attention of the Shareholders in connection with his re-election and there is no other information that should be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

(2) **Mr. DENG Huangjun**, aged 53, has been an executive Director and a Deputy Managing Director of the Company since October 2015. He is a member of the Executive Committee, Investment and Strategic Planning Committee and Risk Management Committee of the Company. He is also a director of certain subsidiaries of COSCO, a controlling Shareholder. Mr. DENG joined the COSCO Group in 1983. He had been the section manager of the cost section of finance department of Shanghai Ocean Shipping Company, the deputy manager of finance department of COSCO Container Lines, the manager of the settlement division, the deputy general manager and the general manager of finance and accounting department of COSCON and the Chief Financial Officer of COSCON. Mr. DENG graduated from Shanghai Maritime Transportation Institute, majoring in shipping accounting. He is a senior accountant.

Mr. DENG has not held directorships in any listed public companies during the past three years. Save as disclosed herein, Mr. DENG does not hold any other positions with the Company and its subsidiaries and does not have any other relationships with any of the other Directors, senior management of the Company, substantial Shareholders or controlling Shareholders.

Mr. DENG entered into a service agreement with the Company on 16 October 2015 for a term of three years commencing from 16 October 2015. The service agreement is subject to termination by either party giving not less than one month's notice in writing to the other party pursuant to the terms of the agreement. The term of appointment of Mr. DENG is subject to retirement by rotation and re-election in accordance with the bye-laws of the Company. According to the service agreement, the remuneration of Mr. DENG comprises annual salary of HK$1,977,360 and an annual bonus to be determined by the Board. Mr. DENG will be provided with a quarter at no charge for his stay in Hong Kong by the Company during the term of the service agreement. The size, location and cost of the premises to be provided will be determined in accordance with the internal policy of the Group. The remuneration of Mr. DENG has been recommended by the Remuneration Committee and determined by the Board according to the terms of the service agreement and by reference to the importance of his management position in the Company, his level of responsibilities and the remuneration policy of the Group.

As at the Latest Practicable Date, Mr. DENG does not have any interest in the shares of the Company within the meaning of Part XV of the SFO.

Save as disclosed herein, Mr. DENG has confirmed that there are no other matters that need to be brought to the attention of the Shareholders in connection with his re-election and there is no other information that should be disclosed pursuant to Rule 13.51(2) of the Listing Rules.

The Board confirms that there are no other matters that need to be brought to the attention of the Shareholders in respect of the re-election of the above retiring Directors.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS

(a) As at the Latest Practicable Date, the interests of the Directors and the chief executive of the Company in the shares and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are 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 maintained by the Company referred to therein, or which were required to be 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 Listing Rules were as follows:

### (i) Long position in the shares of the Company

| Name of Director | Capacity | Nature of interests | Number of Shares held as at the Latest Practicable Date | Percentage of total number of issued shares as at the Latest Practicable Date |
|---|---|---|---|---|
| Dr. WONG Tin Yau, Kelvin | Beneficial owner | Personal | 564,062 | 0.019% |

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

Options granted under the share option scheme approved by the Shareholders on 23 May 2003 (the "**2003 Share Option Scheme**"):

| Name of Director | Exercise price *(HK$)* | Number of share options outstanding as at the Latest Practicable Date | Percentage of total number of issued shares as at the Latest Practicable Date | Exercisable period | *Notes* |
|---|---|---|---|---|---|
| Dr. WONG Tin Yau, Kelvin | 19.30 | 500,000 | 0.017% | 18.4.2007 – 17.4.2017 | *(1), (2)* |

*Notes:*

(1) The share options were granted during the period from 18 April 2007 to 19 April 2007 under the 2003 Share Option Scheme at an exercise price of HK$19.30 per Share. 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 18 April 2007.

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

### (iii) Long positions in the shares of associated corporations

| Name of associated corporation | Name of Director | Capacity | Nature of interest | Number of H shares held as at the Latest Practicable Date | Percentage of total number of issued H shares of the associated corporation as at the Latest Practicable Date |
|---|---|---|---|---|---|
| China COSCO | Mr. WAN Min | Beneficial Owner | Personal | 2,000 | 0.0001% |
| | Dr. FAN HSU Lai Tai, Rita | Beneficial Owner | Personal | 10,000 | 0.0004% |

| Name of associated corporation | Name of Director | Capacity | Nature of interest | Number of A shares held as at the Latest Practicable Date | Percentage of total number of issued A shares of the associated corporation as at the Latest Practicable Date |
|---|---|---|---|---|---|
| China COSCO | Mr. WAN Min | Beneficial Owner | Personal | 35,000 | 0.00046% |
| | | | Family | 12,000 | 0.00016% |
| | Mr. QIU Jinguang | Beneficial Owner | Personal | 6,400 | 0.00008% |

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

| Name of associated corporation | Name of Director | Capacity | Nature of interest | Exercise Price *(HK$)* | Number of units of share appreciation rights outstanding as at the Latest Practicable Date | Percentage of total number of issued H shares of the associated corporation as at the Latest Practicable Date | *Notes* |
|---|---|---|---|---|---|---|---|
| China COSCO | Mr. WAN Min | Beneficial owner | Personal | 3.195 | 75,000 | 0.003% | *(1)* |
| | | | | 3.588 | 280,000 | 0.011% | *(2)* |
| | | | | 9.540 | 260,000 | 0.010% | *(3)* |
| | Mr. DENG Huangjun | Beneficial Owner | Personal | 3.195 | 225,000 | 0.009% | *(1)* |
| | | | | 3.588 | 280,000 | 0.011% | *(2)* |
| | | | | 9.540 | 260,000 | 0.010% | *(3)* |
| | Mr. TANG Runjiang | Beneficial Owner | Personal | 3.195 | 75,000 | 0.003% | *(1)* |
| | | | | 3.588 | 65,000 | 0.003% | *(2)* |
| | Mr. FENG Bo | Beneficial Owner | Personal | 3.195 | 75,000 | 0.003% | *(1)* |
| | | | | 3.588 | 90,000 | 0.003% | *(2)* |
| | | | | 9.540 | 85,000 | 0.003% | *(3)* |
| | Mr. WANG Wei | Beneficial Owner | Personal | 3.195 | 75,000 | 0.003% | *(1)* |
| | | | | 3.588 | 65,000 | 0.003% | *(2)* |
| | | | | 9.540 | 60,000 | 0.002% | *(3)* |
| | Mr. WANG Haimin | Beneficial Owner | Personal | 3.195 | 57,000 | 0.002% | *(1)* |
| | | | | 3.588 | 90,000 | 0.003% | *(2)* |
| | | | | 9.540 | 75,000 | 0.003% | *(3)* |
| | Mr. ZHANG Wei | Beneficial Owner | Personal | 3.195 | 75,000 | 0.003% | *(1)* |
| | | | | 3.588 | 90,000 | 0.003% | *(2)* |
| | | | | 9.540 | 56,250 | 0.002% | *(3)* |

*Notes:*

(1) The share appreciation rights were granted by China COSCO, in units with each unit representing one H share of China COSCO, on 16 December 2005 pursuant to the share appreciation rights plan adopted by China COSCO (the "**Plan**"). Under the Plan, no shares of China COSCO will be issued. The share appreciation rights are exerciseable at HK$3.195 per unit at any time between 16 December 2007 and 15 December 2015.

(2) The share appreciation rights were granted by China COSCO in units with each unit representing one H share of China COSCO on 5 October 2006 pursuant to the Plan. Under the Plan, no shares of China COSCO will be issued. The share appreciation rights are exerciseable at HK$3.588 per unit at any time between 5 October 2008 and 4 October 2016.

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

(b) As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors, no Director is a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under provisions of Divisions 2 and 3 of Part XV of the SFO:

***COSCO***

| Name of Director | Posts held |
|---|---|
| Mr. WAN Min | Executive Vice President |

***China COSCO***

| Name of Director | Posts held |
|---|---|
| Mr. WAN Min | Non-executive director |
| Mr. QIU Jinguang | Vice President |
| Mr. WANG Haimin | Vice President |
| Mr. TANG Runjiang | Chief Financial Officer |
| Mr. FENG Bo | General Manager of the Strategic Planning Division |
| Mr. WANG Wei | General Manager of the Organisation Division/ Human Resources Division |
| Mr. ZHANG Wei | General Manager of the Operating Management Division |
| Dr. FAN HSU Lai Tai, Rita | Independent non-executive director |

***China COSCO (Hong Kong) Limited ("China COSCO (HK)")***

| Name of Director | Posts held |
|---|---|
| Mr. TANG Runjiang | Director |
| Mr. WANG Wei | Director |

(c) Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, (i) none of the Directors or chief executives 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 interests or short positions which they are 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; and (ii) none of the Directors was a director or employee of a company which had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

## 3. DIRECTORS' INTERESTS IN SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered, or proposed to enter into a service contract or service agreement with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

## 4. DIRECTOR'S INTERESTS IN CONTRACTS

As at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement subsisting and which is significant in relation to the business of the Group.

## 5. DIRECTORS' INTEREST IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

## 6. DIRECTORS' INTEREST IN COMPETING BUSINESS

As at the Latest Practicable Date, the Directors namely Mr. WAN Min, Mr. QIU Jinguang, Mr. DENG Huangjun, Mr. TANG Runjiang, Mr. FENG Bo, Mr. WANG Wei, Mr. WANG Haimin and Mr. ZHANG Wei held directorships and/or senior management positions in COSCO and/or COSCON and their respective associates and/or other companies which have interests in container terminals (the "**Container Terminal Interests**). In addition, Mr. IP Sing Chi acted as the Group Managing Director of Hutchison Port Holdings Limited (which engages in, *inter alia*, the operation of container terminals) and directors of certain other companies which have the Container Terminals Interest.

The Board is of the view that the Group is capable of carrying on its businesses independently of the Container Terminal Interests. When making decisions on the container terminal 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 interests of the Group.

## 7. EXPERT AND CONSENT

(a) The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

| Name | Qualification |
|---|---|
| AIM | a licensed corporation under the SFO to carry out Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO |

(b) As at the Latest Practicable Date, AIM was not beneficially interested in the share capital of any member of the Group, nor had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

(c) As at the Latest Practicable Date, AIM did not have any direct or indirect interest in any asset which had been, since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

(d) AIM has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 9 November 2015 (as set out on pages 19 to 46 of and made for incorporation in this circular) and references to its name in the form and context in which they respectively appear.

## 8. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were of the view that there was no material adverse change in the financial or trading position of the Group since 31 December 2014, being the date to which the latest published audited consolidated financial statements of the Company were made up.

## 9. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the following documents will be available for inspection at the office of the Company at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong during normal business hours up to and including the date of the SGM:

(a) the Finance Leasing Master Agreement;

(b) the COSCO Shipping Services and Terminal Services Master Agreement; and

(c) the China COSCO Shipping Services and Terminal Services Master Agreement.

## 10. GENERAL

(a) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.

(b) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong.

(c) The General Counsel & Company Secretary of the Company is Ms. HUNG Man, Michelle, a practising solicitor in Hong Kong. She is also qualified in England and Wales.

(d) In the event of any inconsistency, the English language text of this circular shall prevail over the Chinese language text.

# COSCO Pacific Limited
# 中遠太平洋有限公司

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 1199)**

## NOTICE OF SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting of COSCO Pacific Limited (the "**Company**") will be held at 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong on Thursday, 26 November 2015, at 3:00 p.m. for the purpose of considering and, if thought fit, passing with or without modifications the following as ordinary resolutions of the Company:

## ORDINARY RESOLUTIONS

(1) "**THAT**:

(a) the entering into of the agreement dated 28 October 2015 (the "**Finance Leasing Master Agreement**") between COSCO Ports (Holdings) Limited (中遠碼頭控股有限公司) (a wholly-owned subsidiary of the Company) and Florens Capital Management Company Limited in relation to the provision of finance leasing for a term of three years from 1 January 2016 to 31 December 2018 as described in the circular of the Company dated 9 November 2015 (the "**Circular**") (a copy of the Finance Leasing Master Agreement and a copy of the Circular have been produced to the meeting marked "A" and "B" respectively and initialed by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder, including the entering into, exercise and termination of purchase options, be and are hereby approved, ratified and confirmed;

(b) the proposed annual cap amounts for the transactions under the Finance Leasing Master Agreement for the three years ending 31 December 2018 as set out in the Circular be and are hereby approved; and

(c) the director(s) of the Company be and are hereby authorized for and on behalf of the Company to, amongst other matters, sign, execute and deliver or to authorize the signing, execution and delivery of all such documents and to do all such things as they may consider necessary, expedient or desirable to implement and/or to give effect to or otherwise in connection with the Finance Leasing Master Agreement and the transactions contemplated thereunder and as they may in their discretion consider to be in the interests of the Company."

(2) "**THAT**:

(a) the entering into of the agreement dated 28 October 2015 (the "**COSCO Shipping Services and Terminal Services Master Agreement**") between COSCO Ports (Holdings) Limited (中遠碼頭控股有限公司) and Piraeus Container Terminal S.A. (both of which are wholly-owned subsidiaries of the Company) and China Ocean Shipping (Group) Company (中國遠洋運輸(集團)總公司) in relation to the provision of shipping and terminal related services for a term of three years from 1 January 2016 to 31 December 2018 as described in the circular of the Company dated 9 November 2015 (the "**Circular**") (a copy of the COSCO Shipping Services and Terminal Services Master Agreement and a copy of the Circular have been produced to the meeting marked "C" and "B" respectively and initialed by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

(b) the proposed annual cap amounts for the transactions under the COSCO Shipping Services and Terminal Services Master Agreement for the three years ending 31 December 2018 as set out in the Circular be and are hereby approved; and

(c) the director(s) of the Company be and are hereby authorized for and on behalf of the Company to, amongst other matters, sign, execute and deliver or to authorize the signing, execution and delivery of all such documents and to do all such things as they may consider necessary, expedient or desirable to implement and/or to give effect to or otherwise in connection with the COSCO Shipping Services and Terminal Services Master Agreement and the transactions contemplated thereunder and as they may in their discretion consider to be in the interests of the Company."

(3) "**THAT**:

(a) the entering into of the agreement dated 28 October 2015 (the "**China COSCO Shipping Services and Terminal Services Master Agreement**") between COSCO Ports (Holdings) Limited (中遠碼頭控股有限公司), Piraeus Container Terminal S.A. (both of which are wholly-owned subsidiaries of the Company), China COSCO Holdings Company Limited (中國遠洋控股股份有限公司) and COSCO Container Lines Company Limited (中遠集裝箱運輸有限公司) in relation to the provision of shipping and terminal related services for a term of three years from 1 January 2016 to 31 December 2018 as described in the circular of the Company dated 9 November 2015 (the "**Circular**") (a copy of the China COSCO Shipping Services and Terminal Services Master Agreement and a copy of the Circular have been produced to the meeting marked "D" and "B" respectively and initialed by the chairman of the meeting for identification purpose) and the transactions contemplated thereunder be and are hereby approved, ratified and confirmed;

(b) the proposed annual cap amounts for the transactions under the China COSCO Shipping Services and Terminal Services Master Agreement for the three years ending 31 December 2018 as set out in the Circular be and are hereby approved; and

(c) the director(s) of the Company be and are hereby authorized for and on behalf of the Company to, amongst other matters, sign, execute and deliver or to authorize the signing, execution and delivery of all such documents and to do all such things as they may consider necessary, expedient or desirable to implement and/or to give effect to or otherwise in connection with the China COSCO Shipping Services and Terminal Services Master Agreement and the transactions contemplated thereunder and as they may in their discretion consider to be in the interests of the Company."

(4) "**THAT**:

Mr. LAM Yiu Kin be re-elected as a director of the Company".

(5) "**THAT**:

Mr. DENG Huangjun be re-elected as a director of the Company".

By Order of the Board
**COSCO Pacific Limited**
**HUNG Man, Michelle**
*General Counsel & Company Secretary*

Hong Kong, 9 November 2015

**Registered Office:**
Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

**Principal Place of Business:**
49th Floor, COSCO Tower
183 Queen's Road Central
Hong Kong

*Notes:*

1. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more (if the relevant member holds more than one share) proxies to attend and vote instead of him. A proxy need not be a member of the Company but must be present in person to represent the member.

2. To be valid, the proxy form together with any power of attorney or other authority under which it is signed or a certified copy of such power or authority must be deposited at the principal place of business of the Company at 49th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.

3. Completion and return of the proxy form will not preclude a shareholder of the Company from attending and voting in person at the meeting or any adjourned meeting thereof if the shareholder of the Company so desires, and in such event, the proxy form will be deemed to be revoked.

4. Where there are joint holders of any shares in the Company, any one of such joint holders may vote at the meeting, either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.