

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

中遠海運發展股份有限公司
COSCO SHIPPING Development Co., Ltd.*

(Formerly known as 中海集裝箱運輸股份有限公司 China Shipping Container Lines Company Limited)
(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock code: 02866)

(1) MAJOR AND CONTINUING CONNECTED TRANSACTIONS
(2) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS
(3) CONTINUING CONNECTED TRANSACTIONS
AND
(4) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

The Board has been monitoring the Existing Agreements. In light of (i) the Company's intention to continue entering into transactions of similar natures from time to time; (ii) the Restructuring of the Group and the China COSCO Group as disclosed in the announcement of the Company dated 11 December 2015 and the Restructuring Circular; (iii) the continuous development of the Group; and (iv) the internal forecasts of forthcoming demand of the Company, the Company has (for itself and on behalf of its subsidiaries and/or associates) entered into the Continuing Connected Transaction Agreements with COSCO SHIPPING (for itself and on behalf of its subsidiaries and/or associates) (except for the Master CS Finance Financial Services Agreement, which was entered into between the Company (for itself and on behalf of its subsidiaries and/or associates) and CS Finance Company) on 5 December 2016.

As the term of the Florens Finance Financial Services Agreement will expire on 31 December 2016, on 5 December 2016, the Board has resolved to renew the term of the Florens Finance Services Agreement for three years.

In addition, on 5 December 2016, the Company and COSCO SHIPPING entered into the Trademark Licence Agreement, pursuant to which the COSCO SHIPPING Group agreed to grant a non-exclusive licence to the Group with the right to use certain trademarks owned by the COSCO SHIPPING Group at the rate of RMB1.00 per annum for a term from 1 January 2017 to 31 December 2019.

CONNECTED PERSONS

As at the date of this announcement, China Shipping and its associates control or are entitled to exercise control over the voting rights in respect of 4,458,195,175 A Shares and 100,944,000 H Shares, representing approximately 39.02% of the total issued share capital of the Company. Accordingly, China Shipping is a controlling shareholder of the Company and therefore a connected person of the Company.

China Shipping is a wholly-owned subsidiary of COSCO SHIPPING. Therefore, COSCO SHIPPING is an associate of China Shipping and an indirect controlling shareholder of the Company. Accordingly, COSCO SHIPPING is a connected person of the Company under the Hong Kong Listing Rules.

CS Finance Company is owned as to 65% by the Company and 35% by China Shipping and its associates (excluding the Group) as at the date of this announcement, and is a connected subsidiary of the Company.

As COSCO Finance is an indirect non-wholly owned subsidiary of COSCO SHIPPING, COSCO Finance is an associate of COSCO SHIPPING and a connected person of the Company under the Hong Kong Listing Rules.

IMPLICATIONS UNDER THE HONG KONG LISTING RULES

In respect of the proposed annual caps for the years ending 31 December 2017, 2018 and 2019 for the Major and Continuing Connected Transactions, as one or more of the applicable percentage ratios calculated in accordance with the Hong Kong Listing Rules are expected to be more than 25%, such transactions, together with their respective proposed annual caps for the years ending 31 December 2017, 2018 and 2019, constitute (i) continuing connected transactions subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules; and (ii) major transactions of the Company and are subject to the reporting, announcement, and independent shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

In respect of the proposed annual caps for the years ending 31 December 2017, 2018 and 2019 for the services to be provided by the Group under the Master Finance Lease Services Agreement, as one or more of the applicable percentage ratios calculated in accordance with the Hong Kong Listing Rules are expected to be more than 5%, such transactions, together with their respective proposed annual caps for the years ending 31 December 2017, 2018 and 2019, constitute (i) continuing connected transactions subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules; and (ii) discloseable transactions of the Company and are subject to the reporting and announcement requirement under Chapter 14 of the Hong Kong Listing Rules.

In respect of the proposed annual caps for the years ending 31 December 2017, 2018 and 2019 for the Non-Exempt Continuing Connected Transactions (other than (i) the Major and Continuing Connected Transactions and (ii) the services to be provided by the Group under the Master Finance Lease Services Agreement), as one or more of the applicable percentage ratios calculated in accordance with the Hong Kong Listing Rules are expected to be more than 5%, such transactions, together with their respective proposed annual caps for the years ending 31 December 2017, 2018 and 2019, are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

In respect of the proposed annual caps for the years ending 31 December 2017, 2018 and 2019 for each of the Partially Exempt Continuing Connected Transactions, as one or more of the applicable percentage ratios calculated in accordance with the Hong Kong Listing Rules are expected to be more than 0.1% but less than 5%, such transactions, together with their respective proposed annual caps for the years ending 31 December 2017, 2018 and 2019, are subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

In respect of the proposed annual caps for the years ending 31 December 2017, 2018 and 2019 for the foreign exchange services to be provided by the Group under the Master Financial Services Agreement, as each of the applicable percentage ratios calculated in accordance with the Hong Kong Listing Rules is expected to be less than 0.1%, such transactions are exempt from reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The deposit services to be provided by the Group under the Master Financial Services Agreement will constitute financial assistance received by the Group from a connected person. As such transactions will be conducted on normal commercial terms (or better to the Group) and are not secured by the assets of the Group, such transactions are exempt from all reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Florens Finance Financial Services Agreement

In respect of the proposed annual caps for the years ending 31 December 2017, 2018 and 2019 for the deposit services to be provided by COSCO Finance to the Florens Group, as one or more of the applicable percentage ratios calculated in accordance with the Hong Kong Listing Rules are expected to be more than 0.1% but less than 5%, such transactions, together with their respective proposed annual caps for the years ending 31 December 2017, 2018 and 2019, are subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The loan services to be provided by COSCO Finance to the Florens Group will constitute financial assistance received by the Group from a connected person. As such transactions will be conducted on normal commercial terms (or better to the Group) and are not secured by the assets of the Group, such transactions are exempt from all reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

In respect of the proposed annual caps for the years ending 31 December 2017, 2018 and 2019 for the settlement services, foreign exchange services and other financial services, to be provided by COSCO Finance to the Florens Group, as each of the applicable percentage ratios calculated in accordance with the Hong Kong Listing Rules is expected to be less than 0.1%, such transactions are exempt from reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

I. BACKGROUND

Reference is made to the announcements of the Company dated 6 November 2015, 13 December 2015, 30 March 2016 and 13 May 2016, and the circulars of the Company dated 4 December 2015 and 31 December 2015 in relation to, among other things, certain continuing connected transactions between the Group and the China Shipping Group under the Existing Agreements.

The Board has been monitoring the Existing Agreements. In light of (i) the Company's intention to continue entering into transactions of similar natures from time to time; (ii) the Restructuring of the Group and the China COSCO Group as disclosed in the announcement of the Company dated 11 December 2015 and the Restructuring Circular; (iii) the continuous development of the Group; and (iv) the internal forecasts of forthcoming demand of the Company, the Company has (for itself and on behalf of its subsidiaries and/or associates) entered into the Continuing Connected Transaction Agreements with COSCO SHIPPING (for itself and on behalf of its subsidiaries and/or associates) (except for the Master CS Finance Financial Services Agreement, which was entered into between the Company (for itself and on behalf of its subsidiaries and/or associates) and CS Finance Company) on 5 December 2016, the details of which are set out in part II of this announcement.

Reference is also made to the announcements of the Company dated 30 March 2016 and 20 April 2016, in relation to, among other things, the Florens Finance Financial Services Agreement entered into between Florens and COSCO Finance. As the term of the Florens Finance Financial Services Agreement will expire on 31 December 2016, on 5 December 2016, the Board has resolved to renew the term of the Florens Finance Services Agreement for three years, the details of which are set out in part III of this announcement.

In addition, on 5 December 2016, the Company and COSCO SHIPPING entered into the Trademark Licence Agreement, pursuant to which the COSCO SHIPPING Group agreed to grant a non-exclusive licence to the Group with the right to use certain trademarks owned by the COSCO SHIPPING Group at the rate of RMB1.00 per annum for a term from 1 January 2017 to 31 December 2019.

II. CONTINUING CONNECTED TRANSACTIONS

A. General

1. *Connected persons*

As at the date of this announcement, China Shipping and its associates control or are entitled to exercise control over the voting rights in respect of 4,458,195,175 A Shares and 100,944,000 H Shares, representing approximately 39.02% of the total issued share capital of the Company. Accordingly, China Shipping is a controlling shareholder of the Company and therefore a connected person of the Company.

China Shipping is a wholly-owned subsidiary of COSCO SHIPPING. Therefore, COSCO SHIPPING is an associate of China Shipping and an indirect controlling shareholder of the Company. Accordingly, COSCO SHIPPING is a connected person of the Company under the Hong Kong Listing Rules.

CS Finance Company is owned as to 65% by the Company and 35% by China Shipping and its associates (excluding the Group) as at the date of this announcement, and is a connected subsidiary of the Company.

2. *General terms*

Each of the Continuing Connected Transaction Agreements contains the following general terms:

- (a) the quality of products or services to be provided shall be satisfactory to the recipient;
- (b) the price shall be fair and reasonable; and
- (c) in respect of the CS Group, the terms of the Continuing Connected Transaction Agreement are no less favourable than the terms available to or from independent third parties (as the case may be).

3. *Implementation agreements*

Pursuant to the terms of the Continuing Connected Transaction Agreements, the CS Group may, from time to time and as necessary, enter into separate implementation agreements for each of the specific transactions contemplated under the Continuing Connected Transaction Agreements with the COSCO SHIPPING Group.

Each implementation agreement shall set out the specific terms and other relevant conditions for the particular transaction, including but not limited to rights and benefits of the parties, coordination of the parties, fees and expenses, payments, use of information, breach of agreement and exclusion of liabilities. Any execution and amendments of such implementation agreements shall not contravene the relevant Continuing Connected Transaction Agreement.

As the implementation agreements only provide for further elaborations on the transactions contemplated by each of the Continuing Connected Transaction Agreements, they do not constitute new categories of continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

4. *Term and termination*

The Continuing Connected Transaction Agreements shall become effective on 1 January 2017, subject to the relevant approvals from the empowered bodies (including the Board) in respect of the annual caps, pursuant to the relevant Continuing Connected Transaction Agreements, articles of association of the parties, applicable laws, regulations and rules of stock exchanges. The initial term of each of the Continuing Connected Transaction Agreements shall be three years, and shall expire on 31 December 2019. Subject to compliance of the Hong Kong Listing Rules and Shanghai Listing Rules, and upon the written agreements of the parties, each of the Continuing Connected Transaction Agreements shall be automatically renewed for a further term of three years upon the expiry of the initial term, unless any relevant party serves the other party a written notice of termination three months prior to such expiry date.

During the term of each of the Continuing Connected Transaction Agreements, termination of any implementation agreement described above may be effected from time to time by any party to the relevant implementation agreement by providing at least three months' written notice of termination to the other party.

5. ***Pricing policy in respect of the Continuing Connected Transaction Agreements (other than (i) the transactions under the Financial Services Agreements and (ii) the transactions under the Master Vessel Charter Agreement and Master Operating Lease Services Agreement covered by the Existing Asset Lease Framework Agreement)***

Each of the Continuing Connected Transactions Agreements (other than the Financial Services Agreements) provides that the price of the relevant products or services (as the case may be) provided thereunder shall be determined according to:

- (a) the state-prescribed prices;
- (b) where there is no state-prescribed price, then according to the relevant market prices and based on the principle of fairness and reasonableness; or
- (c) where there is no market price, then according to the contracted price.

For the purpose of each of the Continuing Connected Transaction Agreements (other than the Financial Services Agreements):

“state-prescribed price” means the price set by the relevant laws, regulations and other governmental regulatory documents issued by the relevant departments of the PRC government;

“market price” means the price at which independent third party may obtain for the same or comparable type of transaction in the ordinary and usual course of business; and

“contracted price” means the relevant cost for that particular transaction plus a profit margin ranging from 0% to 12.25%.

6. ***Price determination procedures in respect of the Continuing Connected Transaction Agreements (other than (i) the transactions under the Financial Services Agreements and (ii) the transactions under the Master Vessel Charter Agreement and Master Operating Lease Services Agreement covered by the Existing Asset Lease Framework Agreement)***

“state -prescribed price”

When determining the state-prescribed price, the CS Group refers to the guidelines for the relevant prices from the relevant authorities or regulators in the PRC, such as price control authorities and industry regulators, if applicable. If a fixed state-prescribed price is available, the Company will apply such fixed price. If a range of state-prescribed price is available, the parties will agree on the price within such range of state-prescribed price. The state-prescribed price is subject to adjustment by the relevant authorities or regulators from time to time, which will be published and is generally publicly available.

“market price”

Procedures and mechanism for determining market price are as follows:

- (i) the relevant department of the Company will collect applicable data and market information (including quotes from independent third parties and reference materials from independent third party entities) and prepare draft proposal;
- (ii) the relevant department will seek advice (such as conditions of facilities and quality of products or services) from the relevant department and the relevant agents and submit revised proposal for the review of its supervising department;
- (iii) the relevant department will then negotiate with transaction counterparties (including the relevant connected persons) based on such reviewed proposal;
- (iv) the CS Group will then enter into implementation agreement based on the results of negotiation; and
- (v) the executed implementation agreement will be forwarded to the relevant department of the Company and the relevant agents for recording and implementation.

The details for the pricing policy for each of the Financial Services Agreements are set out in sections C and E of part II of this announcement.

The details of the transactions under the Master Vessel Charter Agreement and Master Operating Lease Services Agreement which are covered by the Existing Asset Lease Framework Agreement are set out in section C of part II of this announcement.

7. *Internal control procedures for the pricing basis of the Continuing Connected Transaction Agreements*

Before entering into any implementation agreements pursuant to the Continuing Connected Transactions Agreements, the Company will follow the following procedures to ensure the terms offered by the relevant connected parties are no less favourable than those available to or from independent third parties (as the case may be):

- (i) the relevant executives of the relevant departments (such as finance department and directorate secretary office) of the Company will review contemporaneous prices and other relevant terms offered by at least two independent third parties operating at the same or nearby area before the commencement of the relevant transaction, and ensure the terms offered by the relevant connected persons are fair and reasonable and comparable to those offered by independent third parties; and in case where the offers made by independent third parties are more favourable to the Company, the Company would take up those offers; and
- (ii) the supervision department of the Company will periodically review and inspect the process of the relevant continuing connected transactions.

By implementing the above procedures, the Directors consider that the Company has established sufficient internal control measures to ensure the pricing basis of each of the Continuing Connected Transaction Agreement will be on normal commercial terms (or better to the CS Group), fair and reasonable, in accordance with the pricing policy of the Company and in the interests of the Company and its Shareholders as a whole.

The relevant departments (such as finance department and directorate secretary office) of the Company will also collect statistics of each of the Continuing Connected Transaction Agreement on a quarterly basis to ensure the annual caps approved by the Independent Shareholders or as announced are not exceeded.

B. Historical transaction amounts and annual caps

The following tables set out the respective historical transaction amounts and annual caps for transactions with the COSCO SHIPPING Group in respect of:

- (i) the Non-Exempt Continuing Connected Transactions, the details of which are set out in section C of part II of this announcement.
- (ii) the Partially Exempt Continuing Connected Transactions which are exempt from independent shareholders' approval, the details of which are set out in section D of part II of this announcement; and
- (iii) the Fully Exempt Continuing Connected Transactions which are exempt from reporting, announcement, annual review and independent shareholders' approval requirements, the details of which are set out in section E of part II of this announcement.

Table A – Non-Exempt Continuing Connected Transactions

Continuing Connected Transaction	Historical transaction amounts for the years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016 (RMB'000)			Annual caps for the years ending 31 December 2017, 2018 and 2019 (RMB'000)		
	2014	2015	30 September 2016	2017	2018	2019
	(1) Services provided by the CS Group under the Master Vessel Charter Agreement	Nil	4,366	3,818,643	7,300,000	8,000,000
(2) Services provided by the CS Group under the Master Operating Lease Services Agreement	1,180,646	1,166,973	1,141,110	2,000,000	1,800,000	1,800,000
(3) Services provided by the CS Group under the Master Finance Lease Services Agreement	184,848	129,623	139	1,260,000	1,870,000	2,160,000
(4) Services provided to the CS Group under the Master Vessel Services Agreement	742,995	872,010	693,743	1,080,000	1,300,000	1,310,000
(5) Products and services provided by the CS Group under the Master Containers Services Agreement	460	272	1,159	2,800,000	3,800,000	4,200,000
(6) The maximum daily outstanding balance of loans (including accrued interest and handling fee) to be granted to the COSCO SHIPPING Group by CS Finance Company under the Master Financial Services Agreement	5,505,079	5,041,961	3,676,351	17,500,000	17,500,000	17,500,000
(7) The maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the CS Group at CS Finance Company under the Master CS Finance Financial Services Agreement	4,655,293	5,904,140	8,582,850	10,000,000	11,000,000	12,000,000

Note:

1. These historical transaction amounts and annual caps have been converted to RMB in this table for ease of reference.

Table B – Partially Exempt Continuing Connected Transactions

Continuing Connected Transaction	Historical transaction amounts for the years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016 (RMB'000)			Annual caps for the years ending 31 December 2017, 2018 and 2019 (RMB'000)		
	2014	2015	30 September 2016	2017	2018	2019
	(1) Services provided by the CS Group under the Master Factoring Services Agreement (Note 2)	Nil	Nil	Nil	165,000	330,000
(2) Services provided by the CS Group under the Master Insurance Brokerage Services Agreement	17,454	18,547	13,705	22,000	25,000	26,000
(3) Products and services provided to the CS Group under the Master Containers Services Agreement	191,669	277,674	194,604	360,000	410,000	450,000
(4) Services provided to the CS Group under the Master General Services Agreement	36,285	52,195	12,840	65,000	83,000	100,000
(5) Lease of properties to the CS Group under the Master Tenancy Agreement	59,105	46,225	35,539	50,000	50,000	52,000
(6) Lease of properties by the CS Group under the Master Tenancy Agreement (Note 3)	Nil	Nil	Nil	25,000	25,000	27,000

Notes:

1. These historical transaction amounts and annual caps have been converted to RMB in this table for ease of reference.
2. There had been no historical transaction in respect of factoring services provided by the CS Group to the COSCO SHIPPING Group for the years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016.
3. There had been no historical transaction in respect of the lease of properties by the CS Group to the COSCO SHIPPING Group for the years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016.

Table C – Fully Exempt Continuing Connected Transactions

Continuing Connected Transaction	Historical transaction amounts for the years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016 (RMB'000)			Annual caps for the years ending 31 December 2017, 2018 and 2019 (RMB'000)		
	2014	2015	30 September 2016	2017	2018	2019
	(1) Foreign exchange services provided by the CS Group under the Master Financial Services Agreement (<i>Note 2</i>)	2,882,963	2,987,699	2,458,659	2,000	2,000
(2) The maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the COSCO SHIPPING Group at CS Finance Company under the Master Financial Services Agreement (<i>Note 3</i>)	6,729,965	7,317,972	11,736,350	18,000,000	18,000,000	18,000,000

Notes:

1. These historical transaction amounts and annual caps have been converted to RMB in this table for ease of reference.
2. The annual caps for the years ending 31 December 2017, 2018 and 2019 are estimated by reference to the service fees to be charged by the CS Group under the Master Financial Services Agreement, whereas the historical transaction amounts for the years ended 31 December 2014 and 2015 and 2016 were calculated by reference to the amount of currencies exchanged.
3. The provision of deposit services by the CS Group under the Master Financial Services Agreement will constitute financial assistance received by the Group from a connected person. As such transactions will be conducted on normal commercial terms (or better to the Group) and are not secured by the assets of the Group, such transactions are exempt from all reporting, announcement, annual review and independent shareholders' approval requirements.

C. Non-Exempt Continuing Connected Transactions

Set out below is a summary in respect of each of the Non-Exempt Continuing Connected Transactions. Please refer to table A under section B of part II of this announcement for the respective historical transaction amounts and annual caps of each of the Non-Exempt Continuing Connected Transactions.

1. *Master Vessel Charter Agreement (services to be provided by the CS Group)*

On 5 December 2016, the Company and COSCO SHIPPING entered into the Master Vessel Charter Agreement, pursuant to which the CS Group agreed to charter vessels to the COSCO SHIPPING Group (excluding finance leasing).

In case of leasing of vessels covered by the Existing Asset Lease Framework Agreement, the fees shall be determined in accordance with the pricing policies set out in the Existing Asset Lease Framework Agreement, which was determined with reference to the container shipping asset leasing strategy report prepared by Drewry in 2015, as further described in the Restructuring Circular. The Company will (i) regularly conduct market research to gauge the leasing rates in the vessel leasing market; and (ii) refer to the pricing and estimates on the various types of vessels of the CS Group in the report prepared by Drewry, the summary of which is disclosed in the Restructuring Circular. For the pricing policy of leasing of vessels not covered by the Existing Asset Lease Framework Agreement, please refer to the paragraph headed “Pricing policy in respect of the Continuing Connected Transaction Agreements (other than (i) the transactions under the Financial Services Agreements and (ii) the transactions under the Master Vessel Charter Agreement and Master Operating Lease Services Agreement covered by the Existing Asset Lease Framework Agreement)” in section A of part II of this announcement.

The proposed annual caps for the chartering fees for the vessels to be provided by the CS Group to the COSCO SHIPPING Group under this agreement for the years ending 31 December 2017, 2018 and 2019 are RMB7,300,000,000, RMB8,000,000,000 and RMB8,400,000,000, respectively. In arriving at such annual caps, the Directors have considered the following factors:

- (i) the historical transaction amounts (as set out in table A under section B of part II of this announcement) for the years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016;
- (ii) the Company’s transformation from a container liner operator into an integrated financial services platform with leasing businesses such as vessel leasing, container leasing and non-shipping leasing, with shipping financing as core feature;
- (iii) the type and number of vessels expected to be chartered, the respective chartering rate for each type of vessel and the respective period which the vessels are expected to be chartered;
- (iv) the estimated market fluctuation in terms of chartering price, demands and exchange rates;

- (v) the estimated future needs for vessels chartering services of the COSCO SHIPPING Group; and
- (vi) the prevailing market rate of charter of vessel of a similar class.

2. *Master Operating Lease Services Agreement (services to be provided by the CS Group)*

On 5 December 2016, the Company and COSCO SHIPPING entered into the Master Operating Lease Services Agreement, pursuant to which the CS Group agreed to provide operating lease services to the COSCO SHIPPING Group. Such services include leasing of chassis, containers, electricity generators, and other ancillary facilities and production facilities to be provided by the CS Group to the COSCO SHIPPING Group.

In case of leasing of containers covered by the Existing Asset Lease Framework Agreement, the fees shall be determined in accordance with the pricing policies set out in the Existing Asset Lease Framework Agreement, which was determined with reference to the container shipping asset leasing strategy report prepared by Drewry in 2015, as further described in the Restructuring Circular. Furthermore, the CS Group may be invited to participate in the tendering process of the COSCO SHIPPING Group. For the pricing policy of leasing of containers not covered by the Existing Asset Lease Framework Agreement, please refer to the paragraph headed “Pricing policy in respect of the Continuing Connected Transaction Agreements (other than (i) the transactions under the Financial Services Agreements and (ii) the transactions under the Master Vessel Charter Agreement and Master Operating Lease Services Agreement covered by the Existing Asset Lease Framework Agreement)” in section A of part II of this announcement.

The proposed annual caps for the lease payments, handling fees and expenses for the operating lease services to be provided by the CS Group to the COSCO SHIPPING Group under this agreement for the years ending 31 December 2017, 2018 and 2019 are RMB2,000,000,000, RMB1,800,000,000 and RMB1,800,000,000, respectively. In arriving at such annual caps, the Directors have considered the following factors:

- (i) the historical transaction amounts (as set out in table A under section B of part II of this announcement) for the years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016;
- (ii) the Company’s transformation from a container liner operator into an integrated financial services platform with leasing businesses such as vessel leasing, container leasing and non-shipping leasing, with shipping financing as core feature;
- (iii) as disclosed in the announcement of the Company dated 24 March 2016, the acquisition of Florens was completed on 24 March 2016 pursuant to the Restructuring; as disclosed in the announcement dated 28 March 2016, prior to the completion of the acquisition of Florens (upon which Florens became

a wholly-owned subsidiary of the Company), the Florens Group had entered into various agreements with the COSCO Group, and the transactions under such agreements (the “**Florens Continuing Connected Transactions**”) have become continuing connected transactions of the Company following completion of the acquisition of Florens;

- (iv) as disclosed in the announcement of the Company dated 30 March 2016, prior to the completion of the acquisition of Dong Fang International pursuant to the Restructuring (upon which Dong Fang International will become a wholly-owned subsidiary of the Company), Dong Fang International and COSCO Container (a subsidiary of China COSCO) entered into a series of assets lease agreements pursuant to the Restructuring, and the transactions under such agreements (the “**Dong Fang Continuing Connected Transactions**”) will constitute continuing connected transactions of the Company following completion of the acquisition of Dong Fang International; and as at the date of this announcement, the acquisition of Dong Fang International has been completed;
- (v) the estimated transaction amounts of the Florens Continuing Connected Transactions and the Dong Fang Continuing Connected Transactions which form part of the transactions under this agreement;
- (vi) the expected increase in demand and rental prices (due to general inflation) of chassis, containers, electricity generators, and other ancillary facilities and production facilities to be leased from the Group to the COSCO SHIPPING Group; and
- (vii) the proposed annual caps for each of the years ending 31 December 2018 and 2019 of RMB1,800,000 representing a decrease of approximately 10% as compared with that for the year ending 31 December 2017, mainly attributable to the expiration of certain existing leases.

3. *Master Finance Lease Services Agreement (services to be provided by the CS Group)*

On 5 December 2016, the Company and COSCO SHIPPING entered into the Master Finance Lease Services Agreement, pursuant to which the CS Group agreed to provide finance lease services to the COSCO SHIPPING Group. Such services include finance lease of vessels and facilities, and other ancillary services to be provided by the CS Group to the COSCO SHIPPING Group.

The proposed annual caps for the lease payments, lease interests, handling fees and expenses for the finance lease services to be provided by the CS Group to the COSCO SHIPPING Group under this agreement for the years ending 31 December 2017, 2018 and 2019 are RMB1,260,000,000, RMB1,870,000,000 and RMB2,160,000,000, respectively. In arriving at such annual caps, the Directors have considered the following factors:

- (i) the historical transaction amounts (as set out in table A under section B of part II of this announcement) for the years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016;

- (ii) the Company's transformation from a container liner operator into an integrated financial services platform with leasing businesses such as vessel leasing, container leasing and non-shipping leasing, with shipping financing as core feature;
- (iii) the estimated transaction amounts of the Florens Continuing Connected Transactions which form part of the transactions under this agreement;
- (iv) the CS Group's plan in finance lease business development and the estimated scope of business therein;
- (v) estimated increase in demand for finance lease services by the COSCO SHIPPING Group;
- (vi) the increased capacity of providing finance lease services of the CS Group;
- (vii) the interest rate, which shall be no less favourable to the CS Group than those offered to independent third parties; and
- (viii) general inflation which affects the lease payments of finance lease.

4. *Master Vessel Services Agreement (services to be provided to the CS Group)*

On 5 December 2016, the Company and COSCO SHIPPING entered into the Master Vessel Services Agreement, pursuant to which the COSCO SHIPPING Group agreed to provide vessel and other ancillary services to the CS Group, including material merchandising services (such as paint, vessel fuel, lubricants, spare parts and steel), supply of crew members, vessel repair and maintenance services, shipping agent services and other ancillary services.

The proposed annual caps for the services to be provided by the COSCO SHIPPING Group to the CS Group under this agreement for the years ending 31 December 2017, 2018 and 2019 are RMB1,080,000,000, RMB1,300,000,000 and RMB1,310,000,000, respectively. In arriving at such annual caps, the Directors have considered the following factors:

- (i) the historical transaction amounts (as set out in table A under section B of part II of this announcement) for the years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016;
- (ii) as more existing vessels approach their respective inspection and maintenance cycles, the demand by the CS Group in materials, crew members, vessel repair and maintenance services, shipping agent services and other ancillary services is expected to continue to increase;

- (iii) according to the CS Group's plan for vessels delivery, the number of owned vessels of the CS Group will increase, which in turn would require more materials, crew members, vessel repair and maintenance services, shipping agent services and other ancillary services; and
- (iv) the prevailing price for the merchandising services, supply of crew members, vessel repair and maintenance services and shipping agent services.

5. *Master Containers Services Agreement (products and services to be provided by the CS Group)*

On 5 December 2016, the Company and COSCO SHIPPING entered into the Master Containers Services Agreement, pursuant to which the CS Group agreed to provide container and other ancillary services to the COSCO SHIPPING Group. Such services include sale and purchase of containers and containers commissioned manufacturing services.

The proposed annual caps for the container services to be provided by the CS Group to the COSCO SHIPPING Group under this agreement for the years ending 31 December 2017, 2018 and 2019 are RMB2,800,000,000, RMB3,800,000,000 and RMB4,200,000,000, respectively. In arriving at such annual caps, the Directors have considered the following factors:

- (i) as disclosed in the Restructuring Circular, the Company acquired CS Investment pursuant to the Restructuring, which is a company incorporated in the PRC principally engaged in container manufacturing and financial investment in certain financial institutions, ports and shipping logistic companies; the provision of products by Shanghai Universal, which is a major subsidiary of CS Investment, is expected to constitute a significant portion of the estimated transaction amounts under this agreement;
- (ii) the existing scales of the COSCO SHIPPING Group's operations;
- (iii) the increase in the shipping capacity of the COSCO SHIPPING Group, which is expected to result in annual increase in their cargo volume, and the COSCO SHIPPING Group's plan to purchase more containers from the CS Group, are expected to increase the demand for the CS Group's containers commissioned manufacturing services and other ancillary services;
- (iv) the prevailing prices for sale and purchase and commissioned manufacturing of containers; and
- (v) the estimated market fluctuation in terms of container price, demands and exchange rates.

6. *Master Financial Services Agreement (loan services to be provided by the CS Group)*

On 5 December 2016, the Company entered into the Master Financial Services Agreement with COSCO SHIPPING, pursuant to which the Company shall procure CS Finance Company to provide the COSCO SHIPPING Group with a range of financial services including (i) deposit services; (ii) loan services; (iii) settlement services; (iv) foreign exchange services, and (v) other financial services as approved by CBRC.

Under the Master Financial Services Agreement, CS Finance Company shall provide loan services to the COSCO SHIPPING Group at interest rates not lower than (i) the benchmark rates stipulated by PBOC for the same type of loan; or (ii) the rates offered by the major and independent PRC commercial banks in the service location or adjacent areas in the normal course of business for such types of loans.

The proposed annual caps for the maximum daily outstanding balance of loans (including accrued interest and commission fee) for the loan services to be provided to the COSCO SHIPPING Group under this agreement for the years ending 31 December 2017, 2018 and 2019 are RMB17,500,000,000, RMB17,500,000,000 and RMB17,500,000,000, respectively. In arriving at such annual caps, the Directors have considered the following factors:

- (i) the historical transaction amounts (as set out in table A under section B of part II of this announcement) for the years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016;
- (ii) the Company's transformation from a container liner operator into an integrated financial services platform with leasing businesses such as vessel leasing, container leasing and non-shipping leasing, with shipping financing as core feature;
- (iii) the existing loans and credit granted by CS Finance Company to the COSCO SHIPPING Group;
- (iv) according to the COSCO SHIPPING Group's vessel financing projects and business development plan, it is expected that the COSCO SHIPPING Group will have an increase in finance demand; and
- (v) the assets and liabilities of the COSCO SHIPPING Group after the Restructuring.

7. ***Master CS Finance Financial Services Agreement (deposit services to be provided to the CS Group)***

On 5 December 2016, the Company entered into the Master CS Finance Financial Services Agreement with CS Finance Company, pursuant to which CS Finance Company shall provide the CS Group with a range of financial services including (i) deposit services; (ii) loan services; (iii) settlement services; (iv) foreign exchange services, and (v) other financial services as approved by CBRC.

Under the Master CS Finance Financial Services Agreement, CS Finance Company shall provide deposit services to the CS Group at interest rates not lower than (i) the benchmark rates stipulated by PBOC for the same type of deposit; or (ii) the rates offered by the major and independent PRC commercial banks in the service location or adjacent areas in the normal course of business for such types of deposits.

The proposed annual caps for the maximum daily outstanding balance of deposits (including accrued interest and handling fee for the deposit services to be provided to the CS Group under this agreement for the years ending 31 December 2017, 2018 and 2019 are RMB10,000,000,000, RMB11,000,000,000 and RMB12,000,000,000, respectively. In arriving at such annual caps, the Directors have considered the following factors:

- (i) the historical transaction amounts (as set out in table A under section B of part II of this announcement) for the years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016;
- (ii) for the nine months ended 30 September 2016, the daily balance of deposit placed by the CS Group with CS Finance Company exceeded RMB8 billion;
- (iii) the Company's transformation from a container liner operator into an integrated financial services platform with leasing businesses such as vessel leasing, container leasing and non-shipping leasing, with shipping financing as core feature;
- (iv) the general expansion of business of CS Finance Company; and
- (v) the expected financing demands of the CS Group, including capital injection in subsidiaries, repayment of the maturing corporate bonds and replenishment of working capital.

D. Partially Exempt Continuing Connected Transactions

Set out below is a summary in respect of each of the Partially Exempt Continuing Connected Transactions. Please refer to table B under section B of part II of this announcement for the respective historical transaction amounts and annual caps of each of the Partially Exempt Continuing Connected Transactions.

1. *Master Factoring Services Agreement (services to be provided by the CS Group)*

On 5 December 2016, the Company and COSCO SHIPPING entered into the Master Factoring Services Agreement, pursuant to which the CS Group agreed to provide factoring services to the COSCO SHIPPING Group. The COSCO SHIPPING Group may, from time to time assign its account receivables to the CS Group in order to increase its cash flow.

The proposed annual caps in respect of the factoring services to be provided by the CS Group to the COSCO SHIPPING Group under this agreement for the years ending 31 December 2017, 2018 and 2019 are RMB165,000,000, RMB330,000,000 and RMB600,000,000, respectively. In arriving at such annual caps, the Directors have considered the following factors:

- (i) the historical amount of revenue and account receivables of the members of the COSCO SHIPPING Group;
- (ii) the Company's transformation from a container liner operator into an integrated financial services platform with leasing businesses such as vessel leasing, container leasing and non-shipping leasing, with shipping financing as core feature;
- (iii) the expected amount of account receivables and the demand for factoring services of the COSCO SHIPPING Group; and
- (iv) the availability of capital funding for the factoring services of the CS Group.

2. *Master Insurance Brokerage Services Agreement (services to be provided by the CS Group)*

On 5 December 2016, the Company and COSCO SHIPPING entered into the Master Insurance Brokerages Services Agreement, pursuant to which the CS Group agreed to provide insurance brokerage services to the COSCO SHIPPING Group. The CS Group will assist the COSCO SHIPPING Group in procuring insurance policies to be taken out by third party insurers.

The proposed annual caps for the insurance brokerage services to be provided by the CS Group to the COSCO SHIPPING Group under this agreement for the years ending 31 December 2017, 2018 and 2019 are RMB22,000,000, RMB25,000,000 and RMB26,000,000, respectively. In arriving at such annual caps, the Directors have considered the following factors:

- (i) the historical transaction amounts (as set out in table B under section B of part II of this announcement) for the years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016;
- (ii) the existing scales and the estimated growth of the COSCO SHIPPING Group's operations;
- (iii) the prevailing market condition of the insurance market, including the prevailing market rates for insurance brokerages for comparable insurance products; and
- (iv) the current insurance coverage of the COSCO SHIPPING Group.

3. *Master Containers Services Agreement (products and services to be provided to the CS Group)*

On 5 December 2016, the Company and COSCO SHIPPING entered into the Master Containers Services Agreement, pursuant to which the COSCO SHIPPING Group agreed to provide container and other ancillary services to the CS Group. Such services include merchandising of materials ancillary to containers, provision of containers depot, containers logistics, containers management, containers maintenance and other ancillary services.

The proposed annual caps for the containers to be provided by the COSCO SHIPPING Group to the CS Group under this agreement for the years ending 31 December 2017, 2018 and 2019 are RMB360,000,000, RMB410,000,000 and RMB450,000,000, respectively. In arriving at such annual caps, the Directors have considered the following factors:

- (i) the historical transaction amounts (as set out in table B under section B of part II of this announcement) for the years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016;
- (ii) the number of newly owned containers of the CS Group is expected to increase, and the CS Group intends to continue to use more containers, thus the demand in merchandising of materials ancillary to containers, containers depot, containers logistics, containers management, containers maintenance, and other ancillary services under this agreement are expected to increase; and
- (iii) the prevailing prices for materials ancillary to containers, containers depot, containers logistics, containers management and containers maintenance.

4. *Master General Services Agreement (services to be received by the CS Group)*

On 5 December 2016, the Company and COSCO SHIPPING entered into the Master General Services Agreement, pursuant to which the COSCO SHIPPING Group agreed to provide the CS Group with general services, including technology services (such as purchase of information technology equipment, products and services), computer maintenance services, ticket and hotel reservation and services, network services, and other ancillary services.

The proposed annual caps for the general services to be provided by the COSCO SHIPPING Group to the CS Group under this agreement for the years ending 31 December 2017, 2018 and 2019 are RMB65,000,000, RMB83,000,000 and RMB100,000,000, respectively. In arriving at such annual caps, the Directors have considered the following factors:

- (i) the historical transaction amounts (as set out in table B under section B of part II of this announcement) for the years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016;
- (ii) the transactions under this agreement mainly consists of technology services, and it is expected that there is an increasing demand of the CS Group for the technology related services provided by the COSCO SHIPPING Group in line with the CS Group's business demand;
- (iii) in particular, the CS Group expects to gradually digitalise its operation, which involves complex online transaction systems and operation analysis systems, and the relevant expenses on system development and maintenance will continue to increase in stages significantly for the years ending 31 December 2017, 2018 and 2019; and
- (iv) the estimated future demand for other general services to support the CS Group's business operations.

5. *Master Tenancy Agreement (lease of properties to the CS Group)*

On 5 December 2016, the Company and COSCO SHIPPING entered into the Master Tenancy Agreement, pursuant to which the CS Group agreed to provide property leasing services and other ancillary services to the COSCO SHIPPING Group.

The proposed annual caps for the lease of properties by the COSCO SHIPPING Group to the CS Group under this agreement for the years ending 31 December 2017, 2018 and 2019 are RMB50,000,000, RMB50,000,000 and RMB52,000,000, respectively. In arriving at such annual caps, the Directors have considered the following factors:

- (i) the historical transaction amounts (as set out in table B under section B of part II of this announcement) for the years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016;

- (ii) the future growth of operation capacity and continuous development of the CS Group;
- (iii) the increase in demand of the CS Group for rental premises for its daily operation and management activities;
- (iv) the availability of vacant rental premises of the COSCO SHIPPING Group after the Restructuring; and
- (v) the expected increase in rental costs due to general inflation.

6. *Master Tenancy Agreement (lease of properties by the CS Group)*

On 5 December 2016, the Company and COSCO SHIPPING entered into the Master Tenancy Agreement, pursuant to which the COSCO SHIPPING Group agreed to provide property leasing services and other ancillary services to the CS Group.

The proposed annual caps for the lease of properties by the CS Group to the COSCO SHIPPING Group under this agreement for the years ending 31 December 2017, 2018 and 2019 are RMB25,000,000, RMB25,000,000 and RMB27,000,000, respectively. In arriving at such annual caps, the Directors have considered the following factors:

- (i) the future growth of operation capacity and continuous development of the COSCO SHIPPING Group;
- (ii) the future demand of the COSCO SHIPPING Group for rental premises for its daily operation and management activities;
- (iii) the increase in number of available vacant rental premises of the CS Group after the Restructuring; and
- (iv) the expected increase in rental costs due to general inflation.

E. Fully Exempt Continuing Connected Transactions

1. *Master Financial Services Agreement (foreign exchange services to be provided by the CS Group)*

On 5 December 2016, the Company entered into the Master Financial Services Agreement with COSCO SHIPPING, pursuant to which the Company shall procure CS Finance Company to provide the COSCO SHIPPING Group with a range of financial services including (i) deposit services; (ii) loan services; (iii) settlement services; (iv) foreign exchange services, and (v) other financial services as approved by CBRC.

Under the Master Financial Services Agreement, the fees charged by CS Finance Company for the provision of foreign exchange services to the COSCO SHIPPING Group shall not be lower than (i) the minimum amount charged by PBOC for the same type of services; or (ii) the fees charged by any independent third parties for the same type of services; or (iii) the fees charged by CS Finance Company for the same type of services on any independent third parties with the same credit rating.

The proposed annual caps for the foreign exchange services to be provided by CS Finance Company to the COSCO SHIPPING Group under this agreement for the years ending 31 December 2017, 2018 and 2019 are RMB2,000,000, RMB2,000,000 and RMB2,000,000, respectively.

2. *Master Financial Services Agreement (deposit services to be provided by the CS Group)*

On 5 December 2016, the Company entered into the Master Financial Services Agreement with COSCO SHIPPING, pursuant to which the Company shall procure CS Finance Company to provide the COSCO SHIPPING Group with a range of financial services including (i) deposit services; (ii) loan services; (iii) settlement services; (iv) foreign exchange services, and (v) other financial services as approved by CBRC.

Under the Master Financial Services Agreement, CS Finance Company shall provide deposit services to the COSCO SHIPPING Group at interest rates not higher than (i) the benchmark rates stipulated by PBOC for the same type of deposit; or (ii) the rates offered by the major and independent PRC commercial banks in the service location or adjacent areas in the normal course of business for such types of deposits.

The proposed annual caps for the maximum daily outstanding balance of deposits (including accrued interest and commission fee) for the deposit services to be provided by CS Finance Company to the COSCO SHIPPING Group under this agreement for the years ending 31 December 2017, 2018 and 2019 are RMB18,000,000,000, RMB18,000,000,000 and RMB18,000,000,000, respectively.

F. Reasons for and benefits of the Continuing Connected Transactions

In respect of the Continuing Connected Transactions other than transactions under the Financial Services Agreements

The Company was established in 1997 as the container shipping arm of China Shipping. Due to the long established and close business relationship between the members of the Group and the China Shipping Group, a number of transactions have been entered into and are to be entered into between the Group and the China Shipping Group, which are individually significant and collectively essential to the core business and operation of container marine transportation of the Group. Moreover, given the background of the Restructuring, the transactions to be entered into with the COSCO SHIPPING Group would further expand the Group's core business and are in line with the transformation of the Group into an integrated financial services platform with leasing businesses such as vessel leasing, container leasing and non-shipping leasing, with shipping financing as core feature.

In addition, COSCO SHIPPING is a key state-owned enterprise and part of the large shipping conglomerate that operates across different regions, sectors and countries, and the COSCO SHIPPING Group entails well-known marine transportation corporations with outstanding competency in shipping industry and have developed good experience and service systems in respect of the products and services under the continuing connected transactions set out above. The cooperation with the COSCO SHIPPING Group facilitates and supports the growth of the core business of the Group, and enables the Group to fully leverage on their advantages and to achieve better operating performance.

Finally, the terms and conditions provided by the COSCO SHIPPING Group in relation to the continuing connected transactions set out above are generally more favourable to the Group than those provided by independent third parties to the Group, or those provided by the COSCO SHIPPING Group to independent third parties. The cooperation between the Group and the COSCO SHIPPING Group enables a development of steady relationship between them.

In respect of the transactions under the Master Financial Services Agreement

CS Finance Company is able to provide more efficient financial services to the COSCO SHIPPING Group, as compared to independent third party banks for the reason that CS Finance Company is more familiar with the COSCO SHIPPING Group's business and is able to provide funds required by the COSCO SHIPPING in a more efficient and timely manner.

In the meantime, CS Finance Company can increase its capital size for the purpose of the development of its financial business and capital operation through absorbing capitals from the COSCO SHIPPING Group and can also increase profits for the Group through providing deposit, loan and foreign exchange services by means of charging loan interests or other fees.

As the interest rates and other terms of services under the Master Financial Services Agreement provided by CS Finance Company to the COSCO SHIPPING Group shall be no less favourable to CS Finance Company than those offered by or to other independent third parties, CS Finance Company will not provide undue benefit to the COSCO SHIPPING Group through lower cost of financing and other financial service fees.

In respect of the transactions under the Master CS Finance Financial Services Agreement

It is common for large corporate groups in the PRC to set up and maintain a finance company to provide treasury services to the group members as this improves centralized management and utilisation efficiency of group funds, and assists group members in reducing financing costs and investment risks. CS Finance Company was set up as a non-bank financial institution in 2009 pursuant to the approval granted by CBRC under the Administrative Measures for Enterprises Group Finance Companies, which may provide financial services to the COSCO SHIPPING Group and the CS Group. CS Finance Company has obtained all approvals, permits and licenses necessary for its operations, and is operating under the routine supervision and regulation of regulatory authorities including PBOC and CBRC.

The Board has checked the continuing validity of the licence of CS Finance Company and looked at various key financial ratios of CS Finance Company including capital adequacy ratio and self-owned fixed assets to total capital ratio when assessing CS Finance Company's capability for the provision of the financial services. Such key financial ratios reviewed by the Board are all better than the standard stipulated by CBRC for finance companies. As such, the Board believes that CS Finance Company has the financial capability in providing the deposit, loan and foreign exchange services under the Master CS Finance Financial Services Agreement, and the credit risk involved in the underlying transactions is low.

The terms and conditions of deposit services, loan services, foreign exchange services and other financial services provided by CS Finance Company under the Master CS Finance Financial Services Agreement are generally more favourable to the CS Group than those provided by independent third parties, or those provided by CS Finance Company to independent third parties.

Furthermore, the Group is not restricted under the Master CS Finance Financial Services Agreement to approach, and in fact may choose, any bank or financial institution to satisfy its financial service needs. Its criteria in making the choice could be based on costs and quality of services. Therefore, the Group may, but is not obliged to, continue to use CS Finance Company's deposit services, loan services, foreign exchange services and other financial services if the service quality provided is competitive. With such flexibility under the Master CS Finance Financial Services Agreement, the Group is able to better manage its capital and cashflow position.

In addition, it is also expected that CS Finance Company will mainly provide deposit services, loan services and foreign exchange services to the Group. As CS Finance Company is familiar with the Group's business, it is able to provide funds required by the Group in a more efficient and timely manner as compared to independent third-party banks. In view of the Group's business transformation and its strong demand for funds, the Group hopes to obtain financial assistance from CS Finance Company, which may help broaden the Group's financing channels and lower its financing costs.

G. Implications under the Hong Kong Listing Rules

In respect of the proposed annual caps for the years ending 31 December 2017, 2018 and 2019 for the Major and Continuing Connected Transactions, as one or more of the applicable percentage ratios calculated in accordance with the Hong Kong Listing Rules are expected to be more than 25%, such transactions, together with their respective proposed annual caps for the years ending 31 December 2017, 2018 and 2019, constitute (i) continuing connected transactions subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules; and (ii) major transactions of the Company and are subject to the reporting, announcement, and independent shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

In respect of the proposed annual caps for the years ending 31 December 2017, 2018 and 2019 for the services to be provided by the Group under the Master Finance Lease Services Agreement, as one or more of the applicable percentage ratios calculated in accordance with the Hong Kong Listing Rules are expected to be more than 5%, such transactions, together with their respective proposed annual caps for the years ending 31 December 2017, 2018 and 2019, constitute (i) continuing connected transactions subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules; and (ii) discloseable transactions of the Company and are subject to the reporting and announcement requirement under Chapter 14 of the Hong Kong Listing Rules.

In respect of the proposed annual caps for the years ending 31 December 2017, 2018 and 2019 for the Non-Exempt Continuing Connected Transactions (other than (i) the Major and Continuing Connected Transactions and (ii) the services to be provided by the Group under the Master Finance Lease Services Agreement), as one or more of the applicable percentage ratios calculated in accordance with the Hong Kong Listing Rules are expected to be more than 5%, such transactions, together with their respective proposed annual caps for the years ending 31 December 2017, 2018 and 2019, are subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

In respect of the proposed annual caps for the years ending 31 December 2017, 2018 and 2019 for each of the Partially Exempt Continuing Connected Transactions, as one or more of the applicable percentage ratios calculated in accordance with the Hong Kong Listing Rules are expected to be more than 0.1% but less than 5%, such transactions, together with their respective proposed annual caps for the years ending 31 December 2017, 2018 and 2019, are subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

In respect of the proposed annual caps for the years ending 31 December 2017, 2018 and 2019 for the foreign exchange services to be provided by the Group under the Master Financial Services Agreement, as each of the applicable percentage ratios calculated in accordance with the Hong Kong Listing Rules is expected to be less than 0.1%, such transactions are exempt from reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The deposit services to be provided by the Group under the Master Financial Services Agreement will constitute financial assistance received by the Group from a connected person. As such transactions will be conducted on normal commercial terms (or better to the Group) and are not secured by the assets of the Group, such transactions are exempt from all reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

III. RENEWAL OF EXISTING CONTINUING CONNECTED TRANSACTION

A. Florens Finance Financial Services Agreement

Date:	30 March 2016
Parties:	(1) Florens, a wholly-owned subsidiary of the Company; and (2) COSCO Finance
Term:	The initial term of the Florens Finance Financial Services Agreement shall expire on 31 December 2016 and may be extended for a further term of three years (subject to the compliance of the Hong Kong Listing Rules and Shanghai Listing Rules)
Nature of transaction	COSCO Finance shall provide the Florens Group with certain financial services, including the following: 1) deposit services; 2) loan services; 3) settlement services; 4) foreign exchange services; and 5) other financial services as approved by CBRC
Pricing policy:	<i>(a) Deposit services:</i> COSCO Finance shall provide deposit services to the Florens Group at interest rates not lower than (a) the benchmark rates stipulated by the PBOC for the same types of deposits; and (b) the rates offered by the major and independent PRC commercial banks in the service location or adjacent areas in the normal course of business for such types of deposits. <i>(b) Loan services:</i> COSCO Finance shall provide loan services (including, among other things, loan, guarantee, bills discounting, bills acceptance and finance lease services) to the Florens Group at interest rates not higher than (a) the benchmark rates stipulated by the PBOC for the same type of loan; and (b) the rates offered by the major and independent PRC commercial banks in the service location or adjacent areas in the normal course of business for such types of loans.

(c) Settlement services:

COSCO Finance shall provide settlement services to the Florens Group at fees not higher than (a) the minimum fees stipulated by PBOC to be charged for the same type of services (if any); (b) the fees charged by any independent third party for the same type of services; and (c) the fees charged by COSCO Finance for similar type of services on any independent third party with the same credit rating.

(d) Foreign exchange services:

COSCO Finance shall provide foreign exchange services to the Florens Group at fees not higher than (a) the minimum fees stipulated by PBOC to be charged for the same type of services (if any); (b) the fees charged by any independent third party for the same type of services; and (c) the fees charged by COSCO Finance for similar type of services on any independent third party with the same credit rating.

(e) Other financial services:

The fees charged by COSCO Finance for the provision of other financial services to the Florens Group shall not be higher than (a) the minimum fees stipulated by PBOC to be charged for similar type of services (if any); (b) the fees charged by any independent third party for similar type of services; or (c) the fees charged by COSCO Finance for similar type of services on any independent third party with the same credit rating.

Please refer to the section headed “Internal control procedures for the pricing basis of the Continuing Connected Transaction Agreements” in section A part II of this announcement for the internal control policy for the pricing basis of the Continuing Connected Transaction Agreements, which also applies to the transactions under the Florens Finance Financial Services Agreement.

B. Historical transaction amounts and annual caps

The historical transaction amounts in respect of the provision of deposit services from COSCO Finance to the Florens Group for the years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016, and the proposed annual caps for the transaction amounts in respect of the provision of deposit services from COSCO Finance to the Florens Group for the maximum daily outstanding balance of deposits (including accrued interest and handling fee) under this agreement are set out below.

Historical transaction amounts for the years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016 (RMB'000)			Annual caps for the years ending 31 December 2017, 2018 and 2019 (RMB'000)		
2014	2015	30 September 2016	2017	2018	2019
127,740	158,278	250,000	500,000	500,000	500,000

Basis of the annual caps

In arriving at the annual caps, the Directors have considered the following factors: (i) the historical transaction amounts in respect of the provision of deposit services from COSCO Finance to the Florens Group for the years ended 31 December 2014 and 2015 and the nine months ended 30 September 2016; and (ii) the expansion of business and the expected financing demands of the Florens Group in the future.

Reasons for and benefits of the transactions

Through the continuing connected transactions under the Florens Finance Financial Services Agreement, the Florens Group may be able to obtain more favourable terms from COSCO Finance compared with other independent third party banks and can obtain financial services from COSCO Finance in a more efficient and timely manner compared with other independent third party banks.

Implications under the Hong Kong Listing Rules

As at the date of this announcement, COSCO SHIPPING is an indirect controlling shareholder of the Company. As COSCO Finance is an indirect non-wholly owned subsidiary of COSCO SHIPPING, COSCO Finance is an associate of COSCO SHIPPING and a connected person of the Company under the Hong Kong Listing Rules.

(1) *Deposit services:*

In respect of the proposed annual caps for the years ending 31 December 2017, 2018 and 2019 for the deposit services to be provided by COSCO Finance to the Florens Group, as one or more of the applicable percentage ratios calculated in accordance with the Hong Kong Listing Rules are expected to be more than 0.1% but less than 5%, such transactions, together with their respective proposed annual caps for the years ending 31 December 2017, 2018 and 2019, are subject to the reporting, announcement and annual review requirements, but are exempt from the independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

(2) *Loan services:*

The loan services to be provided by COSCO Finance to the Florens Group will constitute financial assistance received by the Group from a connected person. As such transactions will be conducted on normal commercial terms (or better to the Group) and are not secured by the assets of the Group, such transactions are exempt from all reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

(3) *Settlement services, foreign exchange services and other financial services:*

In respect of the proposed annual caps for the years ending 31 December 2017, 2018 and 2019 for the settlement services, foreign exchange services and other financial services, to be provided by COSCO Finance to the Florens Group, as each of the applicable percentage ratios calculated in accordance with the Hong Kong Listing Rules is expected to be less than 0.1%, such transactions are exempt from reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

IV. TRADEMARK LICENCE AGREEMENT

On 5 December 2016, the Company and COSCO SHIPPING entered into the Trademark Licence Agreement, pursuant to which the COSCO SHIPPING Group agreed to grant a non-exclusive licence to the Group with the right to use certain trademarks owned by the COSCO SHIPPING Group at the rate of RMB1.00 per annum for a term from 1 January 2017 to 31 December 2019.

As COSCO SHIPPING is a connected person of the Company, the transactions under the Trademark Licence Agreement constitute connected transactions of the Company. As each of the applicable percentage ratios calculated in accordance with the Hong Kong Listing Rules in respect of such transactions is expected to be less than 0.1%, such transactions are exempt from reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

V. REQUIREMENTS UNDER THE SHANGHAI LISTING RULES

Pursuant to the Shanghai Listing Rules, transaction amounts under all types of related party transactions entered into in the ordinary and usual course of business of the Company and entered into between the Company and the same related party within a 12-month period should be aggregated (save for those which have complied with the relevant approval and/or disclosure procedures), and if the total aggregated transaction amount exceeds 5% of the net asset value of the Company and its subsidiaries as at the end of the preceding financial year, such related party transactions should be presented to a general meeting for independent shareholders' approval. As (i) the Non-Exempt Continuing Connected Transactions; (ii) the transactions in respect of the services to be provided by the CS Group under the Master Factoring Agreement; (iii) the transactions in respect of the products and services to be provided to the CS Group under the Master Containers Services Agreement; and (iv) the transactions in respect of the provision of deposit services from COSCO Finance to the Florens Group under the Florens Finance Financial Services Agreement (the “**Relevant Continuing Connected Transactions**”) also constitute related party transactions entered into in the ordinary and usual course of business of the Company under the Shanghai Listing Rules and were all entered into between the CS Group and the COSCO SHIPPING Group, all the proposed annual caps for the Relevant Continuing Connected Transactions shall be aggregated pursuant to the requirements under the Shanghai Listing Rules. It is expected that such aggregated amount for the years ending 31 December 2017, 2018 and 2019 would exceed 5% of the net asset value of the Company and its subsidiaries as at 31 December 2015. Accordingly, despite that only the Non-Exempt Continuing Connected Transactions and the proposed annual caps thereunder are required to be approved by the Independent Shareholders under the Hong Kong Listing Rules, ordinary resolutions will be proposed at the EGM for the Independent Shareholders to consider and, if thought fit, approve the Relevant Continuing Connected Transactions and their proposed annual caps.

VI. GENERAL INFORMATION

A. Information on the Group

The Company is a joint stock company established under the laws of the PRC with limited liability, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange and the A Shares of which are listed on the Shanghai Stock Exchange.

The Group is principally engaged in providing integrated financial services with diversified leasing businesses such as vessel leasing, container leasing and non-shipping finance leasing, supply chain finance, shipping insurance, logistic infrastructure investment and other financial assets investment services.

CS Finance Company is a company incorporated under the laws of the PRC, which is owned as to 65% by the Company, and 35% by China Shipping and its associates (excluding the Group) as at the Latest Practicable Date, and a connected subsidiary of the Company. CS Finance Company is principally engaged in deposit services, credit services, financial and financing consultation, credit verification and related consultation and agency services, settlement, and liquidation.

Florens is a company incorporated under the laws of the British Virgin Islands, and a wholly-owned subsidiary of the Company. The Florens Group is principally engaged in container leasing, management and sale and other related business.

B. Information on COSCO SHIPPING

COSCO SHIPPING is a company incorporated under the laws of the PRC, and is a state-owned enterprise wholly-owned and controlled by SASAC. The scope of business of COSCO SHIPPING includes international shipping, ancillary business in international maritime transportation, import and export of goods and technologies, international freight agency business, leasing of self-owned vessels, sales of vessels, containers and steel and maritime engineering.

C. Information on COSCO Finance

COSCO Finance is a company incorporated under the laws of the PRC, and is an indirect non-wholly owned of COSCO SHIPPING. COSCO Finance is a non-bank financial institution incorporated under the laws of the PRC with the approval of the PBOC and the CBRC. COSCO Finance is principally engaged in the provision of financial services.

VII. CONFIRMATIONS OF THE BOARD

Ms. Sun Yueying, Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, all being executive Directors, hold directorship(s) or act as senior management in China Shipping and/or its associates, and Mr. Feng Boming, Mr. Chen Dong and Mr. Huang Jian, all being non-executive Directors, were nominated by China Shipping to the Board. Accordingly, Ms. Sun Yueying, Mr. Wang Daxiong, Mr. Liu Chong, Mr. Xu Hui, Mr. Feng Boming, Mr. Chen Dong and Mr. Huang Jian have abstained from voting on the relevant Board resolutions approving (i) the Continuing Connected Transactions; and (ii) the transactions under the Florens Finance Financial Services Agreement. Save as aforementioned, none of the other Directors has a material interest in (i) the Continuing Connected Transactions; and (ii) the transactions under the Florens Finance Financial Services Agreement, and hence no other Director has abstained from voting on such Board resolutions.

The Board (including the independent non-executive Directors) considers that the terms under: (i) the Continuing Connected Transactions; and (ii) the Florens Finance Financial Services Agreement are fair and reasonable, on normal commercial terms, and are/were entered into on in the ordinary and usual course of business of the Company, therefore (i) the Continuing Connected Transactions; and (ii) the transactions under the Florens Finance Financial Services Agreement and their respective proposed annual caps for the years ending 31 December 2017, 2018 and 2019 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

VIII. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed in accordance with Chapter 14A of the Hong Kong Listing Rules to advise the Independent Shareholders on, among other things, whether the terms and the proposed annual caps for the years ending 31 December 2017, 2018 and 2019 for the Non-exempt Continuing Connected Transactions are fair and reasonable. In addition, the Company has appointed First Shanghai as the Independent Financial adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

IX. EGM

The EGM will be convened and held for the Independent Shareholders to consider and, if thought fit, to approve the Relevant Continuing Connected Transactions and their respective proposed annual caps for the years ending 31 December 2017, 2018 and 2019. China Shipping and its associates will be required to abstain from voting on the Shareholders' resolutions in relation to the Relevant Continuing Connected Transactions and their respective proposed annual caps for the years ending 31 December 2017, 2018 and 2019. Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Relevant Continuing Connected Transactions and therefore no other Shareholder is required to abstain from voting at the EGM for the relevant resolutions.

The voting in relation to the Relevant Continuing Connected Transactions and their respective proposed annual caps for the years ending 31 December 2017, 2018 and 2019 will be conducted by way of poll.

A circular containing, among other things:

- (a) further details of the Non-Exempt Continuing Connected Transactions;
- (b) a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Non-Exempt Continuing Connected Transactions; and
- (c) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its recommendation in respect of the Non-Exempt Continuing Connected Transactions;

is expected to be despatched to the Shareholders on or before 13 December 2016 in accordance with the Hong Kong Listing Rules.

Reference is also made to the Original Notice of EGM dated 11 November 2016 in respect of the resolution in relation to the proposed amendments to the rules of procedure of the Shareholders' general meeting of the Company. A supplemental notice of EGM to the Original Notice of EGM containing the resolutions to approve the Relevant Continuing Connected Transactions and their respective proposed annual caps for the years ending 31 December 2017, 2018 and 2019 will be published by the Company in due course.

X. DEFINITIONS

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

“A Share(s)”	the domestic share(s) in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
“associate”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Board”	the board of Directors of the Company

“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“China Shipping”	China Shipping (Group) Company* (中國海運(集團)總公司), a PRC state-owned enterprise and the controlling shareholder of the Company
“China COSCO”	COSCO SHIPPING Holdings Co., Ltd.* (中遠海運控股股份有限公司), and formerly known as China COSCO Holdings Company Limited* (中國遠洋控股股份有限公司), a joint-stock company incorporated under the laws of the PRC with limited liability, the H shares and A shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 1919) and Shanghai Stock Exchange (Stock Code: 601919), respectively, and a direct non-wholly-owned subsidiary of COSCO Company
“China COSCO Group”	China COSCO and its subsidiaries
“China Shipping Group”	China Shipping and its subsidiaries (excluding the CS Group)
“Company”	COSCO SHIPPING Development Co., Ltd.* (中遠海運發展股份有限公司) and formerly known as China Shipping Container Lines Company Limited (中海集裝箱運輸股份有限公司), a joint stock limited company established in the PRC, the H Shares and A Shares of which are listed on Main Board of the Hong Kong Stock Exchange (Stock Code: 2866) and the Shanghai Stock Exchange (Stock Code: 601866), respectively
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Continuing Connected Transactions”	the continuing connected transactions contemplated under the Continuing Connected Transaction Agreements
“Continuing Connected Transaction Agreements”	collectively, (i) the Master Vessel Charter Agreement; (ii) the Master Operating Lease Services Agreement; (iii) the Master Finance Lease Services Agreement; (iv) the Master Vessel Services Agreement; (v) the Master Containers Services Agreement; (vi) the Master Financial Services Agreement; (vii) the Master CS Finance Financial Services Agreement; (viii) the Master Factoring Services Agreement; (ix) the Master Insurance Brokerage Services Agreement; (x) the Master General Services Agreement; and (xi) the Master Tenancy Agreement

“COSCO Company”	China Ocean Shipping (Group) Company* (中國遠洋運輸(集團)總公司), a state-owned enterprise and the controlling shareholder of China COSCO, and a wholly-owned subsidiary of COSCO SHIPPING
“COSCO Container”	COSCO Container Lines Co., Ltd. (中遠集裝箱運輸有限公司), a company incorporated in the PRC with limited liability
“COSCO Finance”	COSCO Finance Co., Ltd.* (中遠財務有限責任公司), a company incorporated under the laws of the PRC with limited liability, and an indirect non-wholly-owned subsidiary of COSCO Company
“COSCO Group”	COSCO Company and its subsidiaries
“COSCO SHIPPING”	China COSCO SHIPPING Corporation Limited* (中國遠洋海運集團有限公司), a Chinese state-owned enterprise and an indirect controlling shareholder of the Company
“COSCO SHIPPING Group”	COSCO SHIPPING, its subsidiaries and/or its associates (excluding the CS Group)
“CS Agency (Bangkok)”	China Shipping (Bangkok) Co. Ltd. (中國海運船務(曼谷)有限公司)
“CS Agency (Indonesia)”	PT Zhonghai Indo Shipping (中國海運船務(印度尼西亞)有限公司)
“CS Finance Company”	China Shipping Finance Company Limited* (中海集團財務有限公司), a limited liability company incorporated under the laws of the PRC, which is owned as to 65% by the Company, and 35% by China Shipping and its associates (excluding the Group) as at the date of this announcement, and a connected subsidiary of the Company
“CS Group”	the Company, its subsidiaries and its associates
“CS Investment”	China Shipping Investment Co. Ltd.* (中海集團投資有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“CSS”	China Shipping & Sinopec Suppliers Co., Ltd.* (中石化中海船舶燃料供應有限公司), a limited liability company incorporated under the laws of the PRC
“CS (Yangpu) Refrigeration”	China Shipping (Yangpu) Refrigeration Storage & Transportation Co., Ltd.* (中海(洋浦)冷藏儲運有限公司), a limited liability company incorporated under the laws of the PRC

“Dalian Terminal”	Dalian Dagang China Shipping Container Terminal Co., Ltd.* (大連大港中海集裝箱碼頭有限公司)
“Directors”	the directors of the Company
“Dong Fang International”	Dong Fang International Investment Limited (東方國際投資有限公司), a company incorporated in the British Virgin Islands with limited liability, and a wholly-owned subsidiary of the Company
“Dong Fang Continuing Connected Transactions”	the continuing connected transactions of the Company following completion of the acquisition of Dong Fang International pursuant to a series of assets lease agreements entered into between Dong Fang International and COSCO Container (a subsidiary of China COSCO) prior to the completion of the acquisition of Florens
“Drewry”	Drewry Shipping Consultants Ltd., an independent consultant specialized in shipping industry engaged jointly by the Company and China COSCO, as further particularised in the Restructuring Circular
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Relevant Connected Transactions and their respective proposed annual caps for the years ending 31 December 2017, 2018 and 2019 and the proposed amendments to the rules of procedure of the Shareholders’ general meeting of the Company
“Existing Agreements”	collectively, (i) the Existing Master Provision of Chassis Agreement; (ii) the Existing Master Ship Repair Services Agreement; (iii) the Existing First Master IT Services Agreement; (iv) the Existing First Master Container Management Agreement; (v) the Existing Master Provision of Crew Members Agreement; (vi) the Existing Master Liner Services Agreement; (vii) the Existing Revised Master Provision of Containers Agreement; (viii) the Existing Master Depot Services Agreement; (ix) the Existing Master Supply Agreement; (x) the Existing First Master Liner and Cargo Agency Agreement; (xi) the Existing First Master Loading and Unloading Agreement; (xii) the Existing Second Master Loading and Unloading Agreement; (xiii) the Existing Financial Services Framework Agreement; (xiv) the Existing Master Tenancy Agreement; (xv) the Existing Master Purchase Agreement; (xvi) the Existing Master Ground Container Transport Agreement; (xvii) the Existing Master Bareboat Charter Agreement; (xviii) the Existing Master Provision of Products or Services Agreement; (xix) the Existing Financial Services Provision Framework Agreement; (xx) the Existing CS Finance Financial Services Agreement; (xxi) the Existing CS Asset Leasing Master Agreement; (xxii) the Existing CS Vessel Services Master Agreement; and (xxiii) the Florens Finance Financial Services Agreement

“Existing Asset Lease Framework Agreement”	the assets lease framework agreement entered into by the Company and China COSCO on 11 December 2015 in relation to the charter and lease of vessels and containers by the Company to China COSCO
“Existing CS Asset Leasing Master Agreement”	the framework agreement dated 30 March 2016 entered into between the Company and China COSCO in relation to provision of asset leasing services by the CS Group to China COSCO and its subsidiaries and/or its associates and its subsidiaries and/or its associates
“Existing CS Finance Financial Services Agreement”	the framework agreement dated 30 March 2016 entered into between the CS Finance Company and China COSCO in relation to the provision of financial services by CS Finance Company to China COSCO and its subsidiaries and/or its associates
“Existing CS Vessel Services Master Agreement”	the framework agreement dated 30 March 2016 entered into between the Company and China COSCO in relation to the provision of vessel services by the Company and its subsidiaries and/or its associates to China COSCO and its subsidiaries and/or its associates and its subsidiaries and/or its associates
“Existing Financial Services Provision Framework Agreement”	the framework agreement dated 11 December 2015 entered into between the Company and China Shipping in relation to the provision of relevant financial services by the Group to China Shipping and/or its associates
“Existing First Master IT Services Agreement”	the master IT services agreement dated 10 May 2004 entered into between the Company and China Shipping
“Existing First Master Container Management Agreement”	the master container management agreement dated 10 May 2004 entered into between the Company, China Shipping, CS (Yangpu) Refrigeration and Shanghai Puhai
“Existing Master Bareboat Charter Agreement”	the master bareboat charter agreement dated 10 May 2004 entered into between the Company, China Shipping and Shanghai Puhai
“Existing Master Depot Services Agreement”	the master depot services agreement dated 10 May 2004 entered into between the Company, China Shipping, Shanghai Terminal and Zhanjiang Terminal
“Existing Master Ground Container Transport Agreement”	the master ground container transport agreement dated 10 May 2004 entered into between the Company and China Shipping
“Existing Master Tenancy Agreement”	the master tenancy agreement dated 31 December 2012 entered into between the Company and China Shipping

“Existing Master Purchase Agreement”	the master purchase agreement dated 28 June 2013 entered into between the Company and China Shipping
“Existing First Master Loading and Unloading Agreement”	the master loading and unloading agreement dated 10 May 2004 entered into between the Company, China Shipping, Shanghai Terminal, Zhanjiang Terminal and Dalian Terminal
“Existing First Master Liner and Cargo Agency Agreement”	the master liner and cargo agency agreement dated 10 May 2004 entered into between the Company, China Shipping, Shanghai Puhai, CS Agency (Indonesia) and CS Agency (Bangkok)
“Existing Master Provision of Products or Services Agreement”	the master provision of products or services agreement dated 10 May 2004 entered into between the Company, China Shipping, the relevant connected persons and others
“Existing Financial Services Framework Agreement”	the financial services framework agreement dated 31 December 2009 entered into between the Company and China Shipping, pursuant to which China Shipping shall procure CS Finance Company to provide the Group with a range of financial services including (i) deposit services; (ii) loan services; (iii) settlement services; and (iv) other financial services as approved by CBRC
“Existing Master Liner Services Agreement”	the master liner services agreement dated 10 May 2004 entered into between the Company and China Shipping
“Existing Master Provision of Chassis Agreement”	the master provision of chassis agreement dated 10 May 2004 entered into between the Company and China Shipping
“Existing Master Provision of Crew Members Agreement”	the master provision of crew members agreement dated 10 May 2004 entered into between the Company and China Shipping
“Existing Master Ship Repair Services Agreement”	the master ship repair services agreement dated 10 May 2004 entered into between the Company and China Shipping
“Existing Master Supply Agreement”	the master supply agreement dated 10 May 2004 entered into between the Company, China Shipping and CSS
“Existing Revised Master Provision of Containers Agreement”	the master provision of containers agreement dated 10 April 2007 entered into between the Company and China Shipping, which is based on the original master provision of containers agreement for the manufacture and supply (including sale and/or lease) of containers by the China Shipping Group to the Group
“Existing Second Master Loading and Unloading Agreement”	the master loading and unloading agreement dated 10 May 2004 entered into between the Company and West Basin

“Financial Services Agreements”	collectively, the Master Financial Services Agreement and the Master CS Finance Financial Services Agreement
“Master Financial Services Agreement”	the master financial services agreement dated 5 December 2016 entered into between the Company and COSCO SHIPPING
“Florens”	Florens International Limited (佛羅倫國際有限公司), a company incorporated under the laws of the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Florens Group”	Florens and its subsidiaries
“Florens Continuing Connected Transactions”	the continuing connected transactions of the Company following completion of the acquisition of Florens pursuant to various agreements entered into between the Florens Group and the COSCO Group prior to the completion of the acquisition of Florens
“Florens Finance Financial Services Agreement”	the financial services agreement dated 30 March 2016 entered into between Florens and COSCO Finance
“Fully Exempt Continuing Connected Transactions”	collectively, (i) provision of foreign exchange services the CS Group under the Master Financial Services Agreement; and (ii) provision of deposit services by the CS Group under the Master Financial Services Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“H Share(s)”	the overseas listed foreign shares in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on Main Board of the Hong Kong Stock Exchange
“Independent Board Committee”	the independent board committee of the Company comprising Mr. Cai Hongping, Mr. Tsang Hing Lun, Ms. Hai Chi Yuet and Mr. Graeme Jack, being all the independent non-executive Directors, which is formed to advise the Independent Shareholders on, among other things, whether the terms and the proposed annual caps for the years ending 31 December 2017, 2018 and 2019 for the Non-exempt Continuing Connected Transactions are fair and reasonable

“Independent Financial Adviser” or “First Shanghai”	First Shanghai Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in connection to the Non-Exempt Continuing Connected Transactions
“Independent Shareholders”	the Shareholders other than China Shipping and its associates
“Major and Continuing Connected Transactions”	collectively, (i) provision of loan services by the CS Group under the Master Financial Services Agreement; and (ii) provision of deposit services to the CS Group under the Master CS Finance Financial Services Agreement
“Master Containers Services Agreement”	the master containers services agreement dated 5 December 2016 entered into between the Company and COSCO SHIPPING
“Master CS Finance Financial Services Agreement”	the master financial services agreement dated 5 December 2016 entered into between the Company and CS Finance Company
“Master Factoring Services Agreement”	the master factoring services agreement dated 5 December 2016 entered into between the Company and COSCO SHIPPING
“Master Finance Lease Services Agreement”	the master finance lease services agreement dated 5 December 2016 entered into between the Company and COSCO SHIPPING
“Master General Services Agreement”	the master general services agreement dated 5 December 2016 entered into between the Company and COSCO SHIPPING
“Master Operating Lease Services Agreement”	the master operating lease services agreement dated 5 December 2016 entered into between the Company and COSCO SHIPPING
“Master Insurance Brokerage Services Agreement”	the master insurance brokerage services agreement dated 5 December 2016 entered into between the Company and COSCO SHIPPING
“Master Tenancy Agreement”	the master tenancy agreement dated 5 December 2016 entered into between the Company and COSCO SHIPPING
“Master Vessel Charter Agreement”	the master time charter agreement dated 5 December 2016 entered into between the Company and COSCO SHIPPING

“Master Vessel Services Agreement”	the master vessel services agreement dated 5 December 2016 entered into between the Company and COSCO SHIPPING
“Non-Exempt Continuing Connected Transactions”	collectively, (i) provision of services by the CS Group under the Master Vessel Charter Agreement; (ii) provision of services by the CS Group under the Master Operating Lease Services Agreement; (iii) provision of services by the CS Group under the Master Finance Lease Services Agreement; (iv) provision of services to the CS Group under the Master Vessel Services Agreement; (v) provision of products and services by the CS Group under the Master Containers Services Agreement; (vi) provision of loan services by the CS Group under the Master Financial Services Agreement; and (vii) provision of deposit services to the CS Group under the Master CS Finance Financial Services Agreement
“Original Notice of EGM”	the notice of the extraordinary general meeting of the Company dated 11 November 2016 in respect of the resolution in relation to the proposed amendments to the rules of procedure of the Shareholders’ general meeting of the Company
“Partially Exempt Continuing Connected Transactions”	collectively, (i) provision of services by the CS Group under the Master Factoring Services Agreement; (ii) provision of services by the CS Group under the Master Insurance Brokerage Services Agreement; (iii) provision of products and services to the CS Group under the Master Containers Services Agreement; (iv) provision of services to the CS Group under the Master General Services Agreement; (v) lease of properties to the CS Group under the Master Tenancy Agreement; and (vi) lease of properties by the CS Group under the Master Tenancy Agreement
“PBOC”	People’s Bank of China (中國人民銀行)
“percentage ratio(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“PRC”	the People’s Republic of China
“Relevant Continuing Connected Transactions”	collectively, (i) the Non-Exempt Continuing Connected Transactions; (ii) provision of services by the CS Group under the Master Factoring Agreement; (iii) provision of products and services to the CS Group under the Master Containers Services Agreement; and (iv) provision of deposit services from COSCO Finance to the Florens Group under the Florens Finance Financial Services Agreement

“Restructuring”	a series of inter-conditional restructuring transactions of the material assets restructuring plan, mainly involving the Group and the China COSCO Group, as disclosed in the announcement of the Company dated 11 December 2015 and the circular of the Company dated 31 December 2015
“Restructuring Circular”	the circular of the Company dated 31 December 2015 in relation to, among other things, the Restructuring and the Existing Asset Lease Framework Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“SAFE”	State Administration of Foreign Exchange (國家外匯管理局) of the PRC
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (國務院國有資產監督管理委員會)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) as amended and supplemented from time to time
“Shanghai Listing Rules”	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange
“Shanghai Stock Exchange”	Shanghai Stock Exchange (上海證券交易所)
“Shanghai Puhai”	Shanghai Puhai Shipping Co., Ltd.* (上海浦海航運有限公司), a limited liability company incorporated under the laws of the PRC
“Shanghai Terminal”	Shanghai China Shipping Container Terminal Co., Ltd.* (上海港中海集裝箱碼頭有限公司)
“Shanghai Universal”	Shanghai Universal Logistics Equipment Co., Ltd.* (上海寰宇物流裝備有限公司), a company incorporated under the laws of the PRC with limited liability and a subsidiary of CS Investment
“Shareholder(s)”	holder(s) of the Share(s)
“Share(s)”	A Share(s) and H Share(s)
“subsidiary”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Trademark Licence Agreement”	the trademark licence agreement dated 5 December 2016 entered into between the Company and COSCO SHIPPING

“West Basin”	West Basin Container Terminal LLC (洛杉磯西港池碼頭有限公司)
“Zhanjiang Terminal”	Zhanjiang China Shipping Container Terminal Co., Ltd. (湛江港中海集裝箱碼頭有限公司)
“%”	per cent

By order of the Board of
COSCO SHIPPING Development Co., Ltd.*
Yu Zhen
Joint Company Secretary

Shanghai, the PRC
5 December 2016

As at the date of this announcement, the Board comprises of Ms. Sun Yueying, Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, being executive Directors, Mr. Feng Boming, Mr. Huang Jian and Mr. Chen Dong, being non-executive Directors, and Mr. Cai Hongping, Mr. Tsang Hing Lun, Ms. Hai Chi Yuet and Mr. Graeme Jack, being independent non-executive Directors.

* *For identification purposes only.*