REPORT OF THE DIRECTORS

The board of directors of the Company (the "Board") presents its report together with the audited consolidated financial statements of the Company and its subsidiaries (collectively, the "Group") for the year ended 31 December 2022.

PRINCIPAL ACTIVITIES AND SEGMENTAL ANALYSIS OF OPERATIONS

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in note 42 to the consolidated financial statements.

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

BUSINESS REVIEW

A review of the business of the Group during the year, a discussion on the Group's future business development and the principal risks and uncertainties faced by the Group are provided in the Chairman's Statement on pages 12 to 17 and the Financial Review on pages 36 to 40 of this annual report.

The financial risk management objectives and policies of the Group can be found in note 4 to the consolidated financial statements.

An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Highlights on pages 10 to 11 of this annual report.

The environmental policies and performance and compliance with relevant laws and regulations are provided in the 2022 Sustainability Report of the Company, which has been published on the same date of this annual report. The English and Chinese version of the 2022 Sustainability Report are available on the Company's website (https://ports.coscoshipping.com) and the HKEXnews' website (www.hkexnews.hk). Such report could be accessed by clicking "Sustainability" on the home page of the Company's website, then selecting "Sustainability Report 2022" under "Reports on Sustainability" and viewing them using Adobe Reader, or browsing through the HKEXnews' website.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2022 are set out in the consolidated income statement on page 132 of this annual report.

The Board declared a first interim dividend of HK16.7 cents (equivalent to US2.128 cents) per share with a scrip dividend alternative, totalling HK$564,999,000 (equivalent to US$71,995,000), which was paid on 17 November 2022.

The Board also declared a second interim dividend of HK11.6 cents (equivalent to US1.504 cents) per share with a scrip dividend alternative, totalling HK$399,116,000 (equivalent to US$51,747,000), payable on 21 June 2023.

FIVE-YEAR FINANCIAL SUMMARY

A summary of the results and the assets and liabilities of the Group for the last five financial years is set out on page 239 of this annual report.

DONATIONS

Charitable and other donations made by the Group during the year amounted to US$1,520,000.

SHARES ISSUED IN THE YEAR

Details of the Shares issued by the Company during the year are set out in note 19 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

The distributable reserves of the Company as of 31 December 2022 calculated under the Companies Act of Bermuda amounted to US$2,494,735,000.

BORROWINGS

Details of the borrowings of the Group are set out in note 21 to the consolidated financial statements.

RETIREMENT BENEFIT SCHEMES

Details of the retirement benefit schemes of the Group are set out in notes 3.21 and 27 to the consolidated financial statements.

DIRECTORS

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

Mr. YANG Zhijian[1] *(Chairman)*	(Appointed on 10 May 2022)
Mr. FENG Boming[1] *(Chairman)*	(Resigned on 28 April 2022)
Mr. ZHU Tao[1] *(Managing Director)*	(Appointed on 28 June 2022)
Mr. ZHANG Dayu[1] *(Managing Director)*	(Resigned on 28 June 2022)
Mr. DENG Huangjun[1]	(Resigned on 1 April 2022)
Mr. ZHANG Wei[2]	
Mr. CHEN Dong[2]	
Dr. WONG Tin Yau, Kelvin[1]	
Dr. FAN HSU Lai Tai, Rita[3]	
Mr. Adrian David LI Man Kiu[3]	
Mr. LAM Yiu Kin[3]	
Prof. CHAN Ka Lok[3]	
Mr. YANG Liang Yee Philip[3]	

1 Executive director
2 Non-executive director
3 Independent non-executive director

In accordance with Clause 83(2) of the Bye-laws of the Company, Mr. ZHU Tao (managing director), being a new director appointed by the Board, shall retire at the forthcoming annual general meeting and, being eligible, offers himself for re-election.

In accordance with Clauses 84(1) and (2) of the Bye-laws of the Company, Dr. FAN HSU Lai Tai, Rita, Mr. Adrian David LI Man Kiu and Mr. YANG Liang Yee Philip, being directors longest in office since their last re-election, shall retire from office by rotation at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

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

BIOGRAPHICAL DETAILS OF DIRECTORS AND SENIOR MANAGEMENT

Biographical details of directors and senior management are set out on pages 88 to 94 of this annual report.

DIRECTORS' SERVICE CONTRACTS

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

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

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

PERMITTED INDEMNITY PROVISIONS

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

SHARE OPTION SCHEME

General Information of the Share Option Scheme

On 26 October 2017, the Board approved the "Share Option Scheme of COSCO SHIPPING Ports Limited (Proposed)" (公司股票期權激勵計劃(草案)). At a special general meeting of the Company held on 8 June 2018, the shareholders of the Company (the "Shareholders") approved the adoption of a share option scheme containing the terms of the said proposed scheme (the "Share Option Scheme").

On 19 June 2018, the Board was of the view that all the conditions of the grant of options had been fulfilled, and determined the date of the initial grant be on 19 June 2018 for the granting of 53,483,200 share options to 238 eligible participants, and had handled all necessary issues regarding the grant of share options.

Pursuant to the relevant requirements under the Share Option Scheme, within one year after the abovementioned initial grant, the Company had granted a total of 3,640,554 share options to 17 participants in four times on 29 November 2018, 29 March 2019, 23 May 2019 and 17 June 2019, respectively, and had handled all necessary issues regarding the grant of share options.

Please refer to the circular of the Company dated 18 May 2018 (the "Circular") and announcements of the Company dated 19 June 2018, 29 November 2018, 29 March 2019, 23 May 2019 and 17 June 2019 for details of the Share Option Scheme and each grant.

Summary of the Principal Terms of the Share Option Scheme

The Share Option Scheme was designed to enable the Company (i) to establish and cultivate a performance-oriented culture, under which value is created for the Shareholders, and to establish an interests-sharing and restraining mechanism between the Shareholders and the Company's management; (ii) to further improve the Company's corporate governance structure and provide a unified mechanism to balance the interests among the Shareholders, decision-makers and executives of the Company, to secure stable and long-term development of the Company; (iii) to coordinate the short-term and long-term incentives of the management and professional talents of the Company, to cultivate and strengthen the key personnel, to attract different kinds of talents more flexibly and to improve the long-term development of the Company; (iv) to effectively motivate the management and key personnel to enhance their performance and the core competitiveness of the Company; and (v) to further enhance the Company's competitive advantage in the labour market, to attract, retain and incentivise senior management and personnel at key positions of the Company for achieving the strategic targets of the Company, to enhance the realisation of the long-term strategic targets of the Company and to strengthen cohesion of the Company.

Eligible participants for the Share Option Scheme (the "Participants" or a "Participant") include the directors of the Company, key management personnel such as senior management members at the headquarters of the Company and departmental deputy managers and above, and management personnel (including senior and mid-level management personnel) appointed to subsidiaries and other invested companies of the Company, and senior management members of the Company's subsidiaries excluding independent non-executive directors, Shareholders or de facto controllers of the Company who on their own or in aggregate holding more than 5% of the shares of the Company (the "Shares") and their respective spouses, parents, children or other associates (as defined under the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules")).

The number of share options to be granted to each Participant shall be determined on the basis that the estimated benefit upon exercise of the share options will not exceed 40% of twice of his/her total annual emolument (inclusive of the estimated benefit upon exercise of the share options) which was determined according to the annual salary level in 2016. If the results of the Company is exceptionally outstanding, the cap on the benefit upon exercise of the share options mentioned above may be adjusted according to the regulations of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中國國務院國有資產監督管理委員會) (the "SASAC"). The specific operation and arrangement will be implemented by the Board in accordance with the then regulations of the SASAC.

The maximum entitlement for any one Participant (including exercised, cancelled and outstanding options) in any 12 months' period shall not exceed 1% of the total number of Shares in issue.

As at the date of this report, a total of 31,152,682 Shares (representing approximately 0.91% of the existing issued Shares) may be issued upon exercise of all options which were granted and yet to be exercised under the Share Option Scheme. According to the provisions of the Share Option Scheme, no share options could be granted under the Share Option Scheme since 19 June 2019 (i.e. one year from the date of the initial grant).

Share options cannot be exercised during the two-year period commencing from the date of grant of the share options (the "Restriction Period"). Subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, and each batch of share options vested is exercisable within the relevant exercise period. For details of the vesting and exercise periods in respect of the share options granted, please refer to the table and relevant notes of the table regarding movement of the share options during the year 2022 which is set out at the end of this section.

The validity period within which the Participants can take up the underlying Shares under the share options is 5 years from the date of grant of the share options and no consideration is payable on acceptance of the share options.

The exercise price in relation to each share option is determined based on the principle of fair market value and in any event should be the highest of (i) the closing price of the Shares as stated in the daily quotation sheet of The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on the date when an option was formally granted; (ii) the average closing price of the Shares as stated in the daily quotation sheet of the Stock Exchange for the five business days immediately preceding the date on which an option was formally granted; and (iii) the nominal value of the Shares.

The Share Option Scheme is valid and effective for a period of 10 years commencing from the date of adoption and will expire on 7 June 2028.

Movements of the share options granted under the Share Option Scheme during the year are set out below:

		Number of share options								
Category	Exercise price per share HK$	Outstanding at 1 January 2022	Granted during the year	Exercised during the year	Transfer (to)/ from other categories during the year	Lapsed/ Cancelled during the year	Outstanding at 31 December 2022	% of total number of issued Shares	Exercise period	Notes
Directors										
Mr. ZHU Tao	7.27	N/A	–	–	557,097	(186,071)	371,026	0.01%	19.6.2020-18.6.2023	(1), (2), (13)
Dr. WONG Tin Yau, Kelvin	7.27	1,200,000	–	–	–	(400,800)	799,200	0.02%	19.6.2020-18.6.2023	(1), (3), (13)
Ex-directors										
Mr. ZHANG Dayu	7.27	1,200,000	–	–	(1,200,000)	–	–	–	19.6.2020-18.6.2023	(1), (3), (4)
Mr. DENG Huangjun	7.27	1,200,000	–	–	(1,200,000)	–	–	–	19.6.2020-18.6.2023	(1), (3), (5)
		3,600,000	–	–	(1,842,903)	(586,871)	1,170,226			
Continuous contract employees	7.27	37,607,778	–	–	(2,252,178)	(12,445,530)	22,910,070	0.67%	19.6.2020-18.6.2023	(1), (2), (6), (7)
	8.02	604,971	–	–	–	(206,567)	398,404	0.01%	29.11.2020-28.11.2023	(8), (14)
	8.48	449,726	–	–	–	(224,525)	225,201	0.01%	29.3.2021-28.3.2024	(9),(14)
	7.27	135,143	–	–	–	(67,470)	67,673	0.00%	23.5.2021-22.5.2024	(10), (14)
	7.57	849,428	–	–	–	(424,078)	425,350	0.01%	17.6.2021-16.6.2024	(11), (14)
Others	7.27	6,294,680	–	–	4,095,081	(3,951,603)	6,438,158	0.19%	19.6.2020-18.6.2023	(1), (12), (13)
		45,941,726	–	–	1,842,903	(17,319,773)	30,464,856			
		49,541,726	–	–	–	(17,906,644)	31,635,082			

Notes:

(1) The share options were granted on 19 June 2018 under the Share Option Scheme at an exercise price of HK$7.27 per share of the Company (the "Share"). According to the provisions of the Share Option Scheme, share options under each grant have a validity period of five years commencing from the date of grant and cannot be exercised during the Restriction Period. Besides, subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. (a) 33.3% of the share options were vested on 19 June 2020; (b) 33.3% of the share options were vested on 19 June 2021; and (c) 33.4% of the share options will be vested on 19 June 2022. Details of the vesting conditions for the share options are more particularly set out in section headed "11. Performance Target before the Options can be granted and vested – Performance Conditions for the vesting of Share Options" of the Circular.

(2) These share options is held by the spouse of the director (who is an employee of the Company as at the date of appointment of the director) and hence, is the interest of spouse of the director. To avoid duplication in calculation, these share options were transferred from the category of "continuous contract employees" to the category of "directors".

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

(4) Mr. ZHANG Dayu resigned as an executive director of the Company on 28 June 2022. In this regard, the options held by Mr. ZHANG Dayu were transferred from the category of "directors" to the category of "others".

(5) Mr. DENG Huangjun resigned as an executive director of the Company on 1 April 2022. In this regard, the options held by Mr. DENG Huangjun were transferred from the category of "directors" to the category of "others".

(6) These 2,252,178 share options comprise 557,097 share options as described in note (2) and 1,695,081 share options transferred from the category of "continuous contract employees" to the category of "others" pursuant to the terms of the Share Option Scheme.

(7) Amongst the 12,445,530 share options, 766,250 share options were lapsed due to resignation or retirement of the relevant employees and 11,679,280 share options were cancelled due to the unsatisfactory of the performance targets of the Company pursuant to the terms of the Share Option Scheme.

(8) The share options were granted on 29 November 2018 under the Share Option Scheme at an exercise price of HK$8.02 per Share and were also subject to the Restriction Period. Besides, subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. (a) 33.3% of the share options were vested on 29 November 2020; (b) 33.3% of the share options were vested on 29 November 2021; and (c) 33.4% of the share options will be vested on 29 November 2022.

(9) The share options were granted on 29 March 2019 under the Share Option Scheme at an exercise price of HK$8.48 per Share and were also subject to the Restriction Period. Besides, subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. (a) 33.3% of the share options were vested on 29 March 2021; (b) 33.3% of the share options will be vested on 29 March 2022; and (c) 33.4% of the share options will be vested on 29 March 2023.

(10) The share options were granted on 23 May 2019 under the Share Option Scheme at an exercise price of HK$7.27 per Share and were also subject to the Restriction Period. Besides, subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. (a) 33.3% of the share options were vested on 23 May 2021; (b) 33.3% of the share options will be vested on 23 May 2022; and (c) 33.4% of the share options will be vested on 23 May 2023.

(11) The share options were granted on 17 June 2019 under the Share Option Scheme at an exercise price of HK$7.57 per Share and were also subject to the Restriction Period. Besides, subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. (a) 33.3% of the share options were vested on 17 June 2021; (b) 33.3% of the share options will be vested on 17 June 2022; and (c) 33.4% of the share options will be vested on 17 June 2023.

(12) These 4,095,081 share options included those transferred from the categories of "directors" or "continuous contract employees" to the category of "others" as mentioned under notes (4), (5) and (6).

(13) Amongst the 3,951,603 share options, 1,166,522 share options were lapsed due to resignation or retirement of the relevant employee and 2,785,081 share options were cancelled due to the unsatisfactory of the performance targets of the Company pursuant to the terms of the Share Option Scheme.

(14) These share options were cancelled due to the dissatisfaction of the performance targets of the Company.

(15) No share options were granted or exercised under the Share Option Scheme during the year.

Explanation on the Exercise Conditions and Fulfillment of Exercise Conditions for 2018 Third Exercise Period and 2019 Second Exercise Period under the Share Option Scheme

(1) 2018 Third Exercise Period and 2019 Second Exercise Period has commenced

In accordance with the Share Option Scheme, Participants may exercise their share options only after the expiry of the Restriction Period. The third exercise periods of the share options granted in 2018 ("2018 Third Exercise Period") and the second exercise periods of share options granted in 2019 ("2019 Second Exercise Period") were due in 2022. Participant of 2018 Third Exercise Period and 2019 Second Exercise Period entitled to exercise his/her share options may exercise 33.4% and 33.3% of the share options granted to him/her respectively during the respective exercise period.

(2) Exercise conditions to be fulfilled

I. 2018 Third Exercise Period

1. Exercise conditions in relation to the Company's business performance: (a) return on net assets (after extraordinary gains and losses) (the "ROE") in 2021 should not be lower than 7.0% and the average of the selected peer benchmark enterprises(note 1); (b) growth rate of revenue in 2021 as compared to 2017 should not be lower than 40.0% and the average of the selected peer benchmark enterprises; and (c) the Economic Value Added ("EVA") indicator accomplished for 2021 has reached the assessment target set by COSCO SHIPPING, and ΔEVA is greater than zero;
2. Events(note 2) described in article 2 under Chapter 10 of the Share Option Scheme did not happen to the Company; and
3. Subject to the fulfillment of conditions relating to the Company's business performance, personal exercise conditions precedent in relation to the Participants are as follows: (a) events(note 3) described in articles 3 and 4 under Chapter 9 of the Share Option Scheme did not happen to the participants during the valid period of the Share Option Scheme prior to the commencement of the current exercise period; and (b) the Participant had achieved average or above at his/her annual performance appraisal in 2021.

II. 2019 Second Exercise Period

1. Exercise conditions in relation to the Company's business performance: (a) return on net assets (after extraordinary gains and losses) (the "ROE") in 2021 should not be lower than 6.5% and the average of the selected peer benchmark enterprises; (b) growth rate of revenue in 2021 as compared to 2018 should not be lower than 25.0% and the average of the selected peer benchmark enterprises; and (c) the EVA indicator accomplished for 2021 has reached the assessment target set by COSCO SHIPPING, and ΔEVA is greater than zero;
2. Events described in article 2 under Chapter 10 of the Share Option Scheme did not happen to the Company; and
3. Subject to the fulfillment of conditions relating to the Company's business performance, personal exercise conditions precedent in relation to the Participants are as follows: (a) events described in articles 3 and 4 under Chapter 9 of the Share Option Scheme did not happened to the participants during the valid period of the Share Option Scheme prior to the commencement of the current exercise period; and (b) the Participant had achieved average or above at his/her annual performance appraisal in 2021.

(3) Fulfillment of exercise conditions for the exercise periods

I. Exercise conditions for 2018 Third Exercise Period have not been fulfilled

1. The Company's business performance condition: according to the audited 2021 financial statements approved at the annual general meeting of the Company held on 26 May 2022, ROE of the Company in 2021 was 6.33%, which was lower than 7.0% but not lower than the average of the selected peer benchmark enterprises of 5.11%; the growth rate of revenue in 2021 as compared to 2017 was 90.36%, which was not lower than 40.0% and the average of the selected peer benchmark enterprises of 28.78%. Meanwhile, the EVA accomplished by the Company in 2021 was RMB87.35 million (2020: RMB58.62 million) which has reached the assessment target set by COSCO SHIPPING, and ΔEVA is greater than zero;
2. Events described in article 2 under Chapter 10 of the Share Option Scheme did not happen; and
3. As the Company's business performance conditions were not fulfilled, analysis of the individual target achievement is not necessary.

II. Exercise conditions for 2019 Second Exercise Period have not been fulfilled

1. The Company's business performance condition: according to the audited 2021 financial statements approved at the annual general meeting of the Company held on 26 May 2022, ROE of the Company in 2021 was 6.33%, which was not lower than 6.5%, but lower than the average of the selected peer benchmark enterprises of 5.11%; the growth rate of revenue in 2021 as compared to 2018 was 20.78%, which was lower than 25.0%, but not lower than the average of the selected peer benchmark enterprises of 17.85%. Meanwhile, the EVA accomplished by the Company in 2021 was RMB87.35 million (2020: RMB58.62 million) which has reached the assessment target set by COSCO SHIPPING, and ΔEVA is greater than zero;
2. Events described in article 2 under Chapter 10 of the Share Option Scheme did not happened; and
3. As the Company's business performance conditions were not fulfilled, analysis of the individual target achievement is not necessary.

(4) How non-fulfilled share options were dealt with

In accordance with the Share Option Scheme, those share options not qualified to be exercised or not yet exercised after the expiry of the exercise year will lapse with immediate effect and will be forfeited and cancelled by the Company without compensation. Details on the cancellation of share options during the year (including 15,257,799 Share Options under 2018 Third Exercise Period and 716,073 Share Options under 2019 Second Exercise Period which exercise conditions were not fulfilled due to the non-fulfillment of vesting conditions) were set out in the above table and notes regarding the movement of share options.

Notes:

1. Regarding the peer benchmark enterprises, COSCO SHIPPING Ports mainly focused on ports and terminals business. Based on the Global Industry Classification Standard (GICS), an industry classification indicator established jointly by Morgan Stanley and Standard & Poor which global financial institutes make reference to, COSCO SHIPPING Ports is categorised under the industry of marine ports & services. Peer benchmark enterprises of the Company include the constituent stocks under such classification. After the adjustment made pursuant to the "Administrative Measures of the Share Option Scheme" (股票期權激勵計劃管理辦法), details of which have been set out in section headed "Share Option Scheme" in the 2022 annual report of the Company, the list of peer benchmark enterprises composed of the following 24 enterprises:

Stock Code	Stock Name
0144.HK	CHINA MER PORT
0517.HK	COSCO SHIP INTL
0871.HK	CH DREDG ENV
3369.HK	QHD PORT
3382.HK	TIANJINPORT DEV
6198.HK	QINGDAO PORT
1719.HK	China Infrastructure & Logistics Group
000088	Yantian Port
000507	Zhuhai Port
000582	Beibu Gulf Port
000905	Xiamen Port Development
002040	Nanjing Port
002492	Winbase
600017	Rizhao Port
600018	Shanghai International Port Group
600190	Jinzhou Port
600279	Chongqing Gangjiu
600717	Tianjin Port
600794	Freetrade Science & Technology
601000	Tangshan Port
601008	Lianyungang Port
601018	Ningbo Port
601880	Liaoning Port (formerly known as "Dalian Port")
603117	Wanlin Modern

Among which, (i) financial indicators of Jinzhou Port could not be compared in the financial year 2021 due to a change in accounting method; and (ii) Liaoning Port completed the acquisition of the Yingkou Harbor Company Limited in 2021, and the financial indicators and data of the financial year were affected.

The remuneration committee established by the Board has reviewed and discussed the details of the exercise proposal in accordance with the "Administrative Measures of the Share Option Scheme" (股票期權激勵計劃管理辦法), including but not limited to the fulfillment of performance conditions of the Company, the performance appraisal of participants and quantity of exercisable options, adjustment to the peer benchmark enterprises, etc., and was of the opinion that no information is available for benchmark purposes for financial indicators of Jinzhou Port and Liaoning Port in the financial year of 2021. Therefore, the remuneration committee recommended the Board to consider and approve the exclusion of Jinzhou Port and Liaoning Port from the List of Peer Benchmark Enterprises.

After consideration, the Board approved the exclusion of Jinzhou Port and Liaoning Port from the List of Peer Benchmark Enterprises, the number of peer benchmark enterprises applicable to the Share Option Scheme was reduced from 24 to 22.

2. Events described in article 2 under Chapter 10 of the Share Option Scheme include:
   - (i) failure to engage an accounting firm to carry out audit work in accordance with the established procedures and requirements;
   - (ii) issue of an auditors' report with qualified or negative opinion or which indicates the inability to give opinion by a certified public accountant with respect to the annual financial accountant's report of the Company;
   - (iii) the bodies performing the contributor's functions or the audit department raising significant objections to the business performance or the annual financial accountant's report of the listed company; and
   - (iv) imposition of penalties by security supervisory authority or other relevant authorities due to the occurrence of material non-compliance of the Company.
3. Events described in articles 3 and 4 under Chapter 9 of the Share Option Scheme include:
   - (i) results of accountability audit indicate failure in performing duties effectively or gross negligence of duty or malfeasance;
   - (ii) violation of applicable domestic or foreign laws and regulations or provisions of the Bye-laws of the Company;
   - (iii) possession of sufficient evidence by the Company proving that the holder of such share options, during his/her employment, due to offering or accepting brides, corruption, theft, leaking commercial and technological secrets of the listed company, conducting connected transactions which impaired the interests and reputation of the listed company, and other illegal behaviors which have material adverse impact on the image of the Company, has caused the Company to suffer losses;
   - (iv) unauthorised transfer, sale, exchange, pledge, guarantee, charge or settlement of debts by using the share options;
   - (v) using the share options held in fraud, extortion, etc.;
   - (vi) violation of the law and conviction of any criminal liability;
   - (vii) other circumstances stipulated under applicable domestic or foreign laws and regulations; and
   - (viii) failure in the performance appraisal.

In light of the above, after a review of the actual conditions of the Company against the conditions required to be fulfilled for the exercise period under the Share Option Scheme and the actual condition of the Company, the Board has considered and confirmed that the conditions for the exercise for 2018 Third Exercise Period and 2019 Second Exercise Period were not fulfilled.

The independent non-executive directors of the Company have reviewed and studied the documents and explanations regarding the fulfillment of the exercise conditions of the share options and issued the following independent opinions:

I. Regarding the Non-fulfillment of the Exercise Conditions of 2018 Third Exercise Period

According to the 2021 audited financial statements being approved at the 2022 annual general meeting, the ROE in 2021 was 6.33%. The requirement on the vesting condition of 2018 Third Exercise Period under the Share Option Scheme that "the ROE in the financial year immediately preceding the vesting of Share Options (after extraordinary gains and losses) should not be lower than 7.00% and the average of the selected peer benchmark enterprises" was not achieved. As the exercise condition was not fulfilled, such batch of Share Options held by 203 competent Participants, totaling 15,257,799 Share Options, had to be cancelled.

II. Regarding the Non-fulfillment of the Exercise Conditions of 2019 Second Exercise Period

According to the 2021 audited financial statements being approved at the 2022 annual general meeting, (i) the ROE in 2021 was 6.33%. The requirement on the vesting condition of 2019 Second Exercise Period under the Share Option Scheme that "the ROE in the financial year immediately preceding the vesting of Share Options (excluding extraordinary income and loss) should not be lower than 6.50% and the average of the selected peer benchmark enterprises" was not achieved; and (ii) the growth rate of revenue in 2021 as compared to 2018 was 20.78%. The requirement on the vesting condition of 2019 Second Exercise Period under the Share Option Scheme that "the growth rate of revenue in the financial year immediately preceding the vesting of Share Options (i.e. 2018) as compared to that in the financial year immediately preceding the grant date (i.e. 2021) should not be lower than 25.00% and the average of the selected peer benchmark enterprises" was not achieved. As the exercise condition was not fulfilled, such batch of Share Options held by 11 competent Participants, totaling 716,073 Share Options, had to be cancelled.

III. Regarding Cancellation of Certain Share Options

Cancellation of certain Share Options by the Company complied with the relevant requirements of the "Administrative Measures of the Share Option Scheme" (股票期權激勵計劃管理辦法) and the Share Option Scheme. Mandatory approval procedures which were legal and compliant, and were non-detrimental to the interests of the Company and its Shareholders as a whole, had been carried out.

The conditions for the exercise for 2018 Third Exercise Period and 2019 Second Exercise Period were not fulfilled. After relevant share options being cancelled, participants entitled to exercise their share options and the number of share options exercisable are as follows:

Position	Name	Number of share options exercisable[Note]
Executive Director and Deputy Managing Director	WONG Tin Yau, Kelvin	799,200
Deputy General Manager	CHEN Yipeng	209,364
General Counsel and Company Secretary	HUNG Man, Michelle	799,200
Other Participants	211 Participants	29,109,094
Total		30,916,858

Note: Participants are entitled to exercise 33.3% of the share options granted, rounded down to the nearest unit.

Funds required for the exercise of share options by the Participants and the payment of personal income tax shall be financed by the Participants. The Company undertakes not to provide loans or financial assistance in any other forms to the Participants for their exercise of share options under the Share Option Scheme, including provision of guarantee for loans.

Effect of the Exercise on the Financial Conditions and Results of Operation of the Company for the Relevant Year

In accordance with the "Hong Kong Financial Reporting Standard 2 – Share-based Payments", services rendered by the Participants are included in relevant costs at the fair value of the share options on the date of grant and the share options reserve is credited accordingly, based on the best estimated number of exercisable share options. During the exercise period of the share options, the Company will not adjust recognised costs. The Company will recognise monetary funds received and the increase in share capital and share premium according to the actual situation of exercising. The share options shall be exercised by the Participants on a voluntary basis. The Company adopted the Black-Scholes valuation model for share options to determine the fair value of the share options on the date of grant. As at 31 December 2022, based on the best estimated number of exercisable options (after adjusting the estimated number of options to be vested after taking into account of the options not being vested under the first exercisable period for options granted in 2019), the fair value of share options granted in 2018 was US$4,703,000, while the share option expenses recognised in 2022 was a reversal of US$1,706,000; the fair value of share options granted in 2019 was US$67,000, while the share option expenses recognised in 2022 was a reversal of US$71,000.

DIRECTORS' INTEREST IN SHARES, UNDERLYING SHARES AND DEBENTURES

The interest of the Company's directors in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company as at 31 December 2022 under Section 352 of Part XV of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules were as follows:

(a) Long positions in the Shares of the Company

Name of director	Capacity	Nature of interest	Number of Shares held	% of total number of issued Shares
Mr. ZHU Tao	Beneficial owner	Personal	8,000	0.0002%
Mr. ZHANG Wei	Beneficial owner	Personal	30,000	0.001%
Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	1,418,505	0.041%

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

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

(c) Long positions in shares of associated corporations

Name of associated corporation	Name of director	Capacity	Nature of interest	Number of shares held	% of total number of issued shares of the relevant class of the relevant associated corporation
COSCO SHIPPING Holdings Co., Ltd.	Mr. YANG Zhijian	Beneficial owner	Personal	130,000 H shares	0.004%
				401,544 A shares	0.003%
	Mr. ZHU Tao	Beneficial owner	Personal	447,966 A shares	0.004%
	Mr. ZHANG Wei	Beneficial owner	Personal	323,466 A shares	0.003%
COSCO SHIPPING Development Co., Ltd.	Mr. YANG Zhijian	Beneficial owner	Personal	400,000 H shares	0.011%
	Mr. ZHU Tao	Beneficial owner	Personal	65,000 H shares	0.002%
				108,100 A shares	0.001%
COSCO SHIPPING Energy Transportation Co., Ltd.	Mr. ZHU Tao	Beneficial owner	Personal	10,000 H shares	0.0008%
	Mr. Adrian David LI Man Kiu	Beneficial owner	Personal	508,000 H shares	0.04%

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

Name of associated corporation	Name of director	Capacity	Nature of interest	Exercise price (RMB)	Numbers of share options	% of total number of issued shares of the relevant class of the relevant associated corporation	Notes
COSCO SHIPPING Holdings Co., Ltd.	Mr. YANG Zhijian	Beneficial owner	Personal	1.00	815,256	0.006%	(1), (2), (3)
	Mr. ZHU Tao	Beneficial owner	Personal	1.00	656,734	0.005%	(1), (2), (3)
	Mr. ZHANG Wei	Beneficial owner	Personal	1.00	656,734	0.005%	(1), (2), (3)

Notes:

(1) Such share options were granted on 29 May 2020 pursuant to the A-shares share option incentive scheme of COSCO SHIPPING Holdings Co., Ltd. ("COSCO SHIPPING Holdings") adopted on 30 May 2019 and amended on 18 May 2020 by the shareholders of CSH and can be exercised during the period from 30 May 2022 to 28 May 2027.

(2) Such share options have been or will be vested after 24 months from the date of grant (the "Vesting Period"). Subject to the fulfilment of the relevant vesting conditions, such share options will be vested in three batches after the Vesting Period, i.e. (a) 33% of the share options can be exercised during the first trading day after 24 months from the date of grant to the last trading day within 36 months from the date of grant; (b) 33% of the share options can be exercised during the first trading day after 36 months from the date of grant to the last trading day within 48 months from the date of grant; and (c) 34% of the share options can be exercised during the first trading day after 48 months from the date of grant to the last trading day within 84 months from the date of grant.

(3) On 12 December 2022, the board of directors of COSCO SHIPPING Holdings resolved to adjust its reserved A share options' exercise price from RMB1.82 to RMB1.00 per A share following the 2022 interim dividend distribution plan of COSCO SHIPPING Holdings. The registration with China Securities Depository and Clearing Corporation Limited for such adjustment was completed.

DIRECTORS' INTEREST IN COMPETING BUSINESS

As at 31 December 2022, the directors, namely Mr. YANG Zhijian, Mr. ZHU Tao, Mr. ZHANG Wei and Mr. CHEN Dong held directorships or senior management positions in the associates of COSCO SHIPPING and/or other companies which have interests in terminals operation and management business.

The Board is of the view that the Group is capable of carrying on its businesses independently of the interests referred to in the paragraph above. When making decisions on the terminals business of the Group, the relevant directors, in the performance of their duties as directors of the Company, have acted and will continue to act in the best interest of the Group. Other than as disclosed above, none of the Directors and their respective associates has interests in the businesses which competes or was likely to compete, whether directly or indirectly, with the businesses of the Group.

SUBSTANTIAL INTEREST IN THE SHARE CAPITAL OF THE COMPANY

So far as is known to any directors or chief executive of the Company, the interest of shareholders in the Shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company or the Stock Exchange, as at 31 December 2022, were as follows:

			Number of Shares/Percentage of total number of issued Shares as at 31 December 2022				
Name	Capacity	Nature of interests	Long positions	%	Short positions	%	Note
COSCO Investments Limited	Beneficial owner	Beneficial interest	237,803,365	6.91	–	–	(1)
China COSCO (Hong Kong) Limited	Beneficial owner and interest of controlled corporation	Beneficial interest and corporate interest	1,997,217,949	58.05	–	–	(1)
COSCO SHIPPING Holdings Co., Ltd.	Interest of controlled corporation	Corporate interest	1,997,217,949	58.05	–	–	(1)
China Ocean Shipping Co., Ltd.	Interest of controlled corporation	Corporate interest	1,997,217,949	58.05	–	–	(1)
China COSCO SHIPPING Corporation Limited	Interest of controlled corporation	Corporate interest	1,997,217,949	58.05	–	–	(1)
Silchester International Investors LLP	Investment manager	Other interest	307,228,172	8.93	–	–	

Note:

(1) The 1,997,217,949 Shares relate to the same batch of Shares. COSCO Investments Limited ("COSCO Investments") is a wholly-owned subsidiary of China COSCO (Hong Kong) Limited ("China COSCO (HK)"). Accordingly, the 237,803,365 Shares held by COSCO Investments are also included as part of China COSCO (HK)'s interest in the Company. China COSCO (HK) is a wholly-owned subsidiary of COSCO SHIPPING Holdings and it itself held 1,759,414,584 Shares beneficially. Accordingly, China COSCO (HK)'s interest in relation to the 1,997,217,949 Shares is also recorded as COSCO SHIPPING Holdings' interest in the Company. China Ocean Shipping Co., Ltd. ("COSCO Group") held 38.22% equity interest in COSCO SHIPPING Holdings as at 31 December 2022, and accordingly, COSCO Group is deemed to have the interest of 1,997,217,949 Shares held by China COSCO (HK). COSCO Group is a wholly-owned subsidiary of China COSCO SHIPPING Corporation Limited ("COSCO SHIPPING"). Accordingly, COSCO Group's interest in relation to the 1,997,217,949 Shares is also recorded as COSCO SHIPPING's interest in the Company.

As informed by China COSCO (HK), it was interested in a total of 2,007,803,949 Shares (representing approximately 58.36% of the total number of issued Shares) as at 31 December 2022, of which 237,803,365 Shares (representing 6.91% of the total number of issued Shares) were held by COSCO Investments. Such increase in shareholding was not required to be disclosed under Part XV of the SFO.

Save as disclosed above, as at 31 December 2022, the Company had not been notified of any other interest or short positions in the Shares and underlying Shares of the Company which had to be recorded in the register required to be kept under Section 336 of the SFO.

PUBLIC FLOAT

Based on the information publicly available to the Company and to the best knowledge of its directors, as at the date of this report, there was sufficient public float of the Shares of the Company with no less than 25% of the total number of issued Shares of the Company held by the public as required under the Listing Rules.

PURCHASE, SALE OR REDEMPTION OF LISTED SHARES

There was no purchase, sale or redemption by the Company, or any of its subsidiaries, of the Company's listed Shares during 2022.

PRE-EMPTIVE RIGHTS

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

MANAGEMENT CONTRACTS

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

MAJOR SUPPLIERS AND CUSTOMERS

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

Percentage of purchases attributable to the Group's largest supplier	15%
Percentage of purchases attributable to the Group's five largest suppliers	54%
Percentage of revenue from sales of goods or rendering of services attributable to the Group's largest customer	30%
Percentage of revenue from sales of goods or rendering of services attributable to the Group's five largest customers	65%

None of the directors or their associates is interested in any of the suppliers or customers of the Group.

During the year ended 31 December 2022, COSCO SHIPPING, a controlling Shareholder, has equity interest in (1) one of the five largest suppliers of the Group which contributed 13% of the purchases made by the Group; and (2) the largest customer of the Group.

Save as disclosed above, to the best knowledge of the directors, none of the Shareholders owning more than 5% of the Company's Shares is interested in any of the suppliers and customers of the Group.

CORPORATE GOVERNANCE

The Company continues to maintain high standards of corporate governance so as to promote transparency and ensure better protection of shareholders' interest as a whole. The Company has fully complied with the code provisions of the Corporate Governance Code set out in Appendix 14 to the Listing Rules throughout the year ended 31 December 2022.

Further information on the Company's corporate governance practices is set out in the Corporate Governance Report on pages 50 to 87 of this annual report.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year, the Group conducted certain continuing related party transactions, as disclosed in note 38 (Related party transactions) of the audited consolidated financial statements of the Company for the year ended 31 December 2022, some of which constituted continuing connected transactions of the Group (exempted or non-exempted) and the Company has complied with the relevant applicable requirements under Chapter 14A of the Listing Rules in respect of the following continuing connected transactions which are not exempt from annual reporting requirement:

(1) Rental of office premises

On 27 November 2020, COSCO SHIPPING Ports Management Company Limited ("COSCO SHIPPING Ports Management") as the tenant entered into a new tenancy agreement with Wing Thye Holdings Limited ("Wing Thye") as the landlord (the "49F Tenancy Agreement") in respect of the leasing of the Unit Nos. 4901, 4902A, 4902B and 4903 situated at 49th Floor of High Block (COSCO Tower), Grand Millennium Plaza, No. 183 Queen's Road Central, No. 33 Wing Lok Street, Hong Kong (the "49F Properties") for a term of three years commencing from 29 November 2020 at a monthly rental of HK$1,404,480 exclusive of government rent, rates, management fees and other outgoings. The monthly management fees payable to Wing Thye under the 49F Tenancy Agreement is HK$95,760 (subject to revision by the incorporated owners and the management company of the building of which the 49F Properties form part from time to time). The (i) rental and (ii) management fees and other outgoings paid by COSCO SHIPPING Ports Management under the 49F Tenancy Agreement for the period from 1 January 2022 to 31 December 2022 were HK$16,853,760 and HK$1,149,120 respectively.

Apart from the 49F Tenancy Agreement, COSCO SHIPPING Ports Management as the tenant also entered into a tenancy agreement with Malayan Corporations Limited ("Malayan Corporations") as the landlord (the "42F Tenancy Agreement", together with the 49F Tenancy Agreement, the "Tenancy Agreements") in respect of Unit No. 4206 situated at the 42nd Floor of COSCO Tower, 183 Queen's Road Central, Hong Kong (the "42F Property") on 27 November 2020. Pursuant to the 42F Tenancy Agreement, COSCO SHIPPING Ports Management agreed to rent from Malayan Corporations the 42F Property for a term of two years nine months and twelve days commencing from 15 February 2021 at a monthly rental of HK$325,512 exclusive of government rent, rates, management fees and other outgoings. The monthly management fees payable to Malayan Corporations under the 42F Tenancy Agreement is HK$22,194 (subject to revision by the incorporated owners and the management company of the building of which the 42F Property forms part from time to time). The (i) rental and (ii) management fees and other outgoings paid by COSCO SHIPPING Ports Management under the 42F Tenancy Agreement for the period from 1 January 2022 to 31 December 2022 were HK$3,906,144 and HK$266,328 respectively.

The payments to be made by the Group contemplated under the Tenancy Agreements comprise different components and hence different accounting treatments will apply. Pursuant to HKFRS 16 "Leases", the monthly rentals of the 42F Property and the 49F Properties leased under the Tenancy Agreements will be recognised as right-of-use assets with the estimated aggregate consideration of approximately HK$58,291,000. The right-of-use assets represent the Company's right to use the underlying leased assets over the lease term and the lease liabilities represent its obligation to make lease payments (i.e. the rent). The assets and the liabilities arising from the leases are initially measured on present value basis and calculated by discounting the non-cancellable lease payments under the Tenancy Agreements, using the incremental borrowing rate as the discount rate. Under HKFRS 16 and in the consolidated financial statements of the Group, the Group shall recognise (i) depreciation charge over the life of the right-of-use assets, and (ii) interest on the lease liabilities over the lease term.

Accordingly, the Group will recognise the monthly rentals as acquisitions of right-of-use assets taking into account the aggregate discounted amount of the monthly rentals in accordance with HKFRS 16. Such acquisitions of right-of-use assets will constitute one-off connected transactions for the Company under Chapter 14A of the Listing Rules. The management fees and other outgoings under the Tenancy Agreements (the "Other Charges") will be recognised as expenses in the Group's profit and loss accounts in the periods in which they are incurred, and the payment of such expenses will be regarded as continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The Company intended to continue to occupy the 49F Properties on a long term basis as the head office of itself and its subsidiaries and as its principal place of business in Hong Kong. In addition, the Company considered it necessary and appropriate to rent the 42F Property, which has the advantage of close proximity to the Company's head office at 49th floor of the same building, to cater for the operation and growth of the Group. In negotiating the rental under the Tenancy Agreements, the directors of the Company had made reference to the professional opinion given by Cushman & Wakefield Limited, an independent professional valuer. The monthly rental agreed for the 49F Properties and the 42F Property as provided in the Tenancy Agreements were at market levels and were fair and reasonable.

Both Wing Thye and Malayan Corporations are wholly-owned subsidiaries of COSCO SHIPPING (Hong Kong) Co., Limited ("COSCO SHIPPING (Hong Kong)"). COSCO SHIPPING Ports Management is a wholly-owned subsidiary of the Company. COSCO SHIPPING is a controlling shareholder of both the Company and COSCO SHIPPING (Hong Kong). Accordingly, each of Wing Thye and Malayan Corporations is a connected person of the Company. The payment of the rentals under the Tenancy Agreements is regarded as acquisitions of assets by the Group and constitutes connected transactions of the Company; and the payment of the Other Charges constitutes continuing connected transactions of the Company under the Listing Rules.

For further details, please refer to announcement of the Company dated 27 November 2020.

(2) Financial Services Master Agreement

On 30 October 2019, the Company entered into a financial services master agreement (the "Financial Services Master Agreement") with COSCO SHIPPING. Under the Financial Services Master Agreement, COSCO SHIPPING agreed to procure COSCO SHIPPING Finance Co., Ltd. ("COSCO SHIPPING Finance") to provide its services to the Group for deposit transactions (the "Deposit Transactions"), loan transactions (the "Loan Transactions"), clearing transactions (the "Clearing Transactions") and other financial services which COSCO SHIPPING Finance may offer to the Group from time to time (the "Further Financial Services") (collectively, the "Transactions") for the period from 1 January 2020 to 31 December 2022 (both dates inclusive).

In respect of the Deposit Transactions, the rate of interest which would accrue on any deposit placed by the Group with COSCO SHIPPING Finance under the Financial Services Master Agreement will be determined with reference to: (a) market interest rates, being the interest rates set by independent third party commercial banks providing the same type of deposit services on normal commercial terms in their ordinary course of business in the same or nearby service area, and in accordance with the principle of fairness and reasonableness; and (b) the interest rates offered by COSCO SHIPPING Finance to COSCO SHIPPING and subsidiaries held by COSCO SHIPPING as to more than 51%, companies held by COSCO SHIPPING and/or subsidiaries held by COSCO SHIPPING as to more than 51% (individually or jointly) as to more than 20%, companies held by COSCO SHIPPING and/or subsidiaries held by COSCO SHIPPING as to more than 51% (individually or jointly) as to less than 20% with COSCO SHIPPING and/or its subsidiaries (individually or jointly) being the largest shareholder, and enterprise legal entities (事業單位法人) and social organisation legal entities (社會團體法人) under COSCO SHIPPING and/or subsidiaries held by COSCO SHIPPING as to more than 51% for the same type of deposit services. The annual caps of the daily maximum aggregate amount of deposits placed by the Group with COSCO SHIPPING Finance (including the amount of any interest accrued thereon) for each of the three years ended 31 December 2020, 2021 and 2022 were RMB3,000,000,000. The maximum daily aggregate amount of deposits for the year ended 31 December 2022 was RMB2,937,011,000.

The deposit interest rates offered by COSCO SHIPPING Finance to the Group were no less favourable to the Group than those offered by independent third party commercial banks in the PRC for comparable deposits. The Financial Services Master Agreement did not preclude the Group from using the services of other financial institutions as it thought fit and appropriate for the benefit of the Group. Where required, the Group could solicit other reference quotations, where available, from independent third party financial institutions in respect of similar transactions for comparison and consideration. The Financial Services Master Agreement provided the Group with additional means of financing and improved the efficiency of the use of its funds through favourable interest income and costs of financing.

COSCO SHIPPING Finance is a subsidiary of COSCO SHIPPING, a controlling shareholder of the Company, and is therefore a connected person of the Company. Hence, the Transactions constituted continuing connected transactions of the Group.

The Deposit Transactions were subject to the reporting, annual review, announcement and independent shareholders' approval requirements and were approved by the independent shareholders of the Company at the special general meeting held on 10 December 2019. As no Further Financial Services were requested by the Group from COSCO SHIPPING Finance for the year ended 31 December 2022, no fee was charged by COSCO SHIPPING Finance for such services. For the Loan Transactions and the Clearing Transactions which are fully exempt from the requirements under Chapter 14A of the Listing Rules including annual reporting requirements, shareholders may refer to the announcement of the Company dated 30 October 2019 for their details if interested.

As the Financial Services Master Agreement expired on 31 December 2022, and it was expected that the Group would continue to enter into transactions of similar nature to the Transactions, the Company had entered into a new financial services master agreement with COSCO SHIPPING Finance on 30 August 2022 for a term of 3 years from 1 January 2023 to 31 December 2025. The deposit transactions contemplated thereunder were similarly subject to the reporting, annual review, announcement and independent shareholders' approval requirements and were approved by the independent shareholders of the Company at the special general meeting held on 1 December 2022.

For further details, please refer to (a) the announcement of the Company dated 30 October 2019 and the circular of the Company dated 20 November 2019, and (b) the announcement of the Company dated 30 August 2022 and the circular of the Company dated 21 September 2022.

(3) Master agreements relating to shipping and terminal related services transactions (collectively, the "Shipping and Terminal Related Services Master Agreements")

The Company and certain of its subsidiaries entered into the following master agreements each for a term of three years from 1 January 2022 to 31 December 2024:

(1) COSCO SHIPPING Shipping Services and Terminal Services Master Agreement entered into between the Company and COSCO SHIPPING on 29 October 2021 in respect of the following transactions:

(a) Provision of terminal services by the relevant members of the Group to COSCO SHIPPING, its subsidiaries and associates (excluding the Group) (collectively, the "COSCO SHIPPING Group"), being the terminal services which are related to the shipping business carried out by the COSCO SHIPPING Group, including but not limited to handling, storage, stevedoring, transshipment, maintenance of cargoes and provision of container storage space and terminal facilities, and other ancillary services. The annual caps of the aggregate amount receivable by the Group from the COSCO SHIPPING Group for such services for the three years ended or ending 31 December 2022, 2023 and 2024 are RMB3,750,000,000, RMB4,220,000,000 and RMB4,870,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2022 was RMB2,910,624,000.

(b) Provision of shipping services by the relevant members of the COSCO SHIPPING Group to members of the Group, being the shipping services which are related to the terminal business carried out by the Group, including but not limited to the provision of manpower services, cargo handling services, logistics services, purchase of materials, supply of fuel and oil products (including but not limited to diesel oil, fuel oil, lubricating oil, hydraulic oil and transmission oil) and subsidy on port construction fee, and other ancillary services. The annual caps of the aggregate amount payable by the Group to the COSCO SHIPPING Group for such services for the three years ended or ending 31 December 2022, 2023 and 2024 are RMB350,000,000, RMB390,000,000 and RMB420,000,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2022 was RMB88,278,000.

It was agreed that the service fees payable by the relevant members of the COSCO SHIPPING Group shall be no less favourable to the relevant members of the Group than those at which the relevant members of the Group charge independent third party customers for similar type of services. It was also agreed that the service fees payable by the relevant members of the Group shall be no less favourable to the relevant members of the Group than those at which independent third party providers charge the relevant members of the Group for similar type of services. The fees charged shall be determined with reference to the prevailing market price, being the price offered to or charged by independent third parties in respect of similar types of services in the ordinary course of business in the same or nearby service area and subject to normal commercial terms, and in accordance with the principle of fairness and reasonableness.

For further details, please refer to the announcement of the Company dated 29 October 2021 and the circular of the Company dated 19 November 2021.

(2) Maersk Shipping Services Master Agreement entered into between the Company and Maersk A/S in its own capacity and for entities trading under the names of Maersk, Safmarine, MCC Transport, Sealand and Hamburg Süd and any other future entities where Maersk A/S holds a majority ownership (collectively, "Maersk") on 29 October 2021 in respect of the provision of shipping related services by members of the Group to Maersk, including but not limited to handling, storage, stevedoring, transshipment, maintenance of cargoes, provision of container storage space and terminal premises.

The annual caps of the aggregate amount receivable by the Group from Maersk for such services for the three years ended or ending 31 December 2022, 2023 and 2024 are RMB819,625,000, RMB938,899,000 and RMB1,065,748,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2022 was RMB622,400,000.

The terms on pricing under the Maersk Shipping Services Master Agreement shall be at rates no less favourable to the relevant members of the Group than those at which the relevant members of the Group charge independent third party customers for the relevant services.

For further details, please refer to the announcement of the Company dated 29 October 2021.

(3) GZ Port Company Container Terminal Services Master Agreement entered into between Guangzhou South China Oceangate Container Terminal Company Limited ("GZ South China", a subsidiary of the Company) and Guangzhou Port Holdings Company Limited ("GZ Port Company") on 12 November 2021 in respect of the following transactions:

(a) Provision of terminal related services, including but not limited to cargo inspection related services, leasing of frontloaders, port related services (including without limitation, provision of berths, loading and unloading, inspection, transportation, shifting, boxing and unboxing of containers, transshipment of passenger liners, operation and management of transshipment of cargoes and provision of container storage space), repairing services to pontoon, leasing of assets and provision of machinery, and all other ancillary and related services, by GZ South China to GZ Port Company and its subsidiaries and branches (collectively, the "GZ Port Company Group"). The annual caps of the aggregate amount receivable by GZ South China from the GZ Port Company Group for such services for the three years ended or ending 31 December 2022, 2023 and 2024 are RMB47,955,000, RMB55,149,000 and RMB63,420,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2022 was RMB38,261,000.

(b) Provision of terminal related services, including but not limited to container handling services, tugboat services, information services, provision of fuel and oil, port related services (including without limitation, provision of berths, cargoes loading and unloading, operation and management of transshipment of cargoes, transshipment and transportation of containers, and provision of container storage space), shuttle bus services, inspection centre services, construction services, electricity supply services, supervision services, surveying services, pollution prevention, manpower services relating to the appointment of seconded staff, leasing and maintenance of frontloaders, floating cranes and pontoons, logistics services, customs declaration and inspection declaration services, procurement and purchase of tyres and materials, leasing of assets, marketing centres services (which are mainly in the nature of market expansion, sales and promotion and external coordination) and all other ancillary and related services, by members of the GZ Port Company Group to GZ South China. The annual caps of the aggregate amount payable by GZ South China to the GZ Port Company Group for such services for the three years ended or ending 31 December 2022, 2023 and 2024 are RMB159,235,000, RMB178,800,000 and RMB200,017,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2022 was RMB48,516,000.

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

For further details, please refer to the announcements of the Company dated 29 October 2021 and 12 November 2021.

(4) GZ Port Holding Container Terminal Services Master Agreement entered into between GZ South China and Guangzhou Port Group Company Limited ("GZ Port Holding") on 12 November 2021 in respect of the provision of terminal related services, including but not limited to property management, property cleaning, pest control and garbage clean up services, provision of vehicle for staff commuting, safety management, security services, training services, printing services, marketing centres services (which are mainly in the nature of market expansion, sales and promotion and external coordination) and tourism and recuperation services, by GZ Port Holding and its subsidiaries, branches and associates (but excluding the GZ Port Company Group) (collectively, the "GZ Port Holding Group") to GZ South China.

The annual caps of the aggregate amount payable by GZ South China to GZ Port Holding Group for such services for the three years ended or ending 31 December 2022, 2023 and 2024 are RMB24,452,000, RMB27,934,000 and RMB31,918,000 respectively. The total amount of the aforesaid transactions for the year ended 31 December 2022 was RMB20,913,000.

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

For further details, please refer to the announcements of the Company dated 29 October 2021 and 12 November 2021.

(5) Lianyungang Terminal Services Master Agreement entered into between Lianyungang New Oriental International Terminals Co., Ltd. ("Lianyungang New Oriental", a subsidiary of the Company) and Lianyungang Port Group Co., Ltd. ("Lianyungang Port") on 29 October 2021 in respect of the following transactions:

(a) Provision of terminal related services, including but not limited to port facility leasing and maintenance services; project construction and supervision; port dredging operations; software development and systems integration; network technology services; environmental project supervision and environmental technology testing services; telecommunications construction projects; catering services; labour and technology services (loading and unloading, transportation, labour arrangement and manager appointment); measuring instrument testing and weighing equipment installation verification; supply of materials, electrical machinery and equipment and other appliances and products; waste materials recycling; gas and oil sales; port railway transportation; electricity and water supply for port area, by Lianyungang Port and its subsidiaries, branches and associates (but excluding Lianyungang New Oriental) (collectively, the "Lianyungang Port Group") to Lianyungang New Oriental. The annual caps of the aggregate amount payable by Lianyungang New Oriental to the Lianyungang Port Group for such services for the three years ended or ending 31 December 2022, 2023 and 2024 are RMB93,092,000, RMB87,996,000 and RMB89,446,000 respectively. The total amount for the aforesaid transactions for the year ended 31 December 2022 was RMB65,788,000.

(b) Provision of terminal related services, including but not limited to container or bulk cargo handling (including barge), warehousing and storage, intra-port transfer, container consolidation and devanning; provision of shore electricity for vessels; port facilities and equipment and port machinery leasing; dangerous goods port operations (under the scope of the "Dangerous Goods Port Operation Approval Certificate"), by Lianyungang New Oriental to members of the Lianyungang Port Group. The annual caps (as revised and announced by the Company on 30 December 2022) of the aggregate amount receivable by Lianyungang New Oriental from the Lianyungang Port Group for such services for the three years ended or ending 31 December 2022, 2023 and 2024 are RMB2,000,000, RMB3,300,000 and RMB4,300,000 respectively. The total amount for the aforesaid transactions for the year ended 31 December 2022 was RMB1,050,000.

It was agreed that the terms (including without limitation, the service fees) for the provision of services by the members of the Lianyungang Port Group shall be no less favourable to Lianyungang New Oriental (as service receiving party) than terms available to Lianyungang New Oriental from independent third parties for the relevant services, and the terms (including without limitation, the service fees) for the provision of services by Lianyungang New Oriental shall be no less favourable to Lianyungang New Oriental (as service providing party) than terms offered by it to independent third parties for the relevant services.

For further details, please refer to the announcements of the Company dated 29 October 2021 and 30 December 2022.

(6) TCT Terminal Services Master Agreement entered into between Tianjin Port Container Terminal Co., Ltd. ("Tianjin Container Terminal", a subsidiary of the Company) and Tianjin Port (Group) Co., Ltd. ("Tianjin Port Group") on 28 September 2022 in respect of the following transactions:

(a) Provision of terminal related services, including but not limited to stevedoring and ancillary services; port services for vessels (including but not limited to container service fees); port facilities, equipment and machinery leasing and maintenance; information services; labour and technical services; printing services; sales (including but not limited to gas, oil, electricity, water supply, materials and supplies); property management (including but not limited to housing rental, canteen catering services, hygiene and cleaning); pest control; engineering construction and supervision; surveying and mapping services; tender agency services; logistics services; medical examination services; safety management; training services; and all other ancillary and related services, by Tianjin Port Group and its subsidiaries, branches and associates from time to time (but excluding Tianjin Container Terminal) (collectively, the "TPG Group") to Tianjin Container Terminal. The annual caps of the aggregate amount payable by Tianjin Container Terminal to the TPG Group for such services (including the Supplies Agreements mentioned in section (4) below) for the three years ended or ending 31 December 2022, 2023 and 2024 are RMB480,310,000, RMB527,271,000 and RMB540,274,000 respectively. The total amount for the aforesaid transactions (including those under the Supplies Agreements mentioned in section (4) below) for the year ended 31 December 2022 was RMB331,295,000.

(b) Provision of terminal related services, including but not limited to stevedoring; cargo storage services (excluding dangerous chemicals, dangerous goods and other items requiring licences and approvals); agency for international cargo transportation by land, sea and air; customs clearance services; inspection services; port services for vessels; cargo transportation by road (excluding dangerous goods); and all other ancillary and related services by Tianjin Container Terminal to members of the TPG Group. The annual caps of the aggregate amount receivable by Tianjin Container Terminal from the TPG Group for such services for the three years ended or ending 31 December 2022, 2023 and 2024 are RMB194,321,000, RMB213,767,000 and RMB264,997,000 respectively. The total amount for the aforesaid transactions for the year ended 31 December 2022 was RMB125,654,000.

It was agreed that the terms (including without limitation, the service fees) for the provision of services by the members of the TPG Group shall be no less favourable to Tianjin Container Terminal (as service receiving party) than terms available to Tianjin Container Terminal from independent third parties for the relevant services, and the terms (including without limitation, the service fees) for the provision of services by Tianjin Container Terminal shall be no less favourable to Tianjin Container Terminal (as service providing party) than terms offered by it to independent third parties for the relevant services. The fees for the transactions shall be determined through fair negotiation between the relevant parties based on the above principle or (if applicable) in accordance with relevant laws and regulations.

For further details, please refer to the announcement of the Company dated 28 September 2022.

The continuing connected transactions contemplated under the Shipping and Terminal Related Services Master Agreements are part of or related to the principal business activities of the Group and are expected to either increase the revenue of the Group, and/or provide the Group with overall business and operational convenience and synergy.

Since COSCO SHIPPING is a controlling shareholder of the Company, members of the COSCO SHIPPING Group are connected persons of the Company.

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

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

Lianyungang Port has a 45% equity interest in Lianyungang New Oriental, a subsidiary of the Company, and accordingly, Lianyungang Port is a substantial shareholder of a subsidiary of the Company.

Tianjin Port Group owns an indirect 41.69% equity interest in Tianjin Container Terminal, a subsidiary of the Company. Accordingly, members of TPG Group are connected persons of the Company at the subsidiary level.

The continuing connected transactions under the agreement numbered (1) above was subject to the reporting, annual review, announcement and independent shareholders' approval requirements and was approved by the independent shareholders of the Company at the special general meeting held on 28 December 2021, whilst the transactions under the agreements numbered (2) to (4) and (6) were exempted from the independent shareholders' approval requirement (so far as applicable) under Rule 14A.101 of the Listing Rules.

In addition, the transactions under the agreement numbered (5) did not constitute continuing connected transactions of the Company for the year ended 31 December 2022, since members of the Lianyungang Port Group were persons connected with an insignificant subsidiary for the relevant period under Rule 14A.09 of the Listing Rules.

(4) Amended Agreement Deposits Contract and Supplies Agreements of Tianjin Container Terminal

On 3 December 2021, COSCO SHIPPING Ports (Tianjin) Limited, a wholly-owned subsidiary of the Company, completed the acquisition of 34.99% equity interests in Tianjin Container Terminal pursuant to the equity transfer agreement dated 26 February 2021 entered into amongst COSCO SHIPPING Ports (Tianjin) Limited (as purchaser), Tianjin Port Holdings Co., Ltd. ("Tianjin Port Holdings") (as seller) and the Company (the "Acquisition"). Together with the 16.01% equity interests in Tianjin Container Terminal then already held by the Group, the Company indirectly holds a total of 51% equity interests in Tianjin Container Terminal following the Acquisition, and Tianjin Container Terminal has become a subsidiary of the Company.

Tianjin Container Terminal entered into the following agreements with the TPG Group:

(1) Prior to completion of the Acquisition, Tianjin Container Terminal had entered into an agreement dated 21 January 2011 (the "Agreement Deposits Contract") with Tianjin Port Finance Co., Ltd. ("Tianjin Port Finance"), pursuant to which Tianjin Port Finance agreed to accept RMB agreement deposits from Tianjin Container Terminal. The then current term under the Agreement Deposits Contract commenced from 24 January 2021 and was due to expire on 23 January 2022 (to be renewed automatically on a yearly basis, unless otherwise notified by either party). The Agreement Deposits Contract was subsequently amended by a supplemental agreement on 21 January 2022 (the "Amended Agreement Deposits Contract"). Under the Amended Agreement Deposits Contract, the term of the agreement was extended to expire on the earlier of 31 December 2022 or the date the parties enter into a new agreement deposits contract, with no automatic renewal of the term. Interest on the deposits was payable quarterly on the 20th day of the last month of each calendar quarter at the interest rates specified under the Amended Agreement Deposits Contract. The cap of the highest daily balance of the deposits to be placed by Tianjin Container Terminal with Tianjin Port Finance under the Amended Agreement Deposits Contract (including accrued interest) for the period from 21 January 2021 to 31 December 2022 should not exceed RMB380,000,000 (the "Transaction Cap").

The highest daily balance of the deposits placed (including accrued interest) for the period from 3 December 2021 (being the date on which Tianjin Container Terminal became a subsidiary of the Company) to 31 December 2021 and for the period from 1 January 2022 to 20 January 2022 (being the date immediately preceding the date of the Amended Agreement Deposits Contract) were approximately RMB350,000,000 and RMB255,000,000 (which did not exceed the cap of RMB380,000,000) respectively. The highest daily balance of the deposits placed (including accrued interest) by Tianjin Container Terminal with Tianjin Port Finance for the period from 21 January 2022 to 31 December 2022 under the Amended Agreement Deposits Contract was approximately RMB379,828,000. The Amended Agreement Deposits Contract expired on 31 December 2022.

Tianjin Container Terminal uses agreement deposits services in its ordinary course of business for convenient access to cash when needed while earning interest on reserved funds. The agreement deposits services offered by Tianjin Port Finance to Tianjin Container Terminal contemplated under the Agreement Deposits Contract and the Amended Agreement Deposits Contract were on terms no less favourable to Tianjin Container Terminal than those generally offered by banks in the People's Republic of China for comparable agreement deposits. Notwithstanding the entering into of the Agreement Deposits Contract and the Amended Agreement Deposits Contract, Tianjin Container Terminal could use the services of other financial institutions as it thought fit and appropriate for its benefit.

For further details, please refer to the announcements of the Company dated 10 January 2022 and 21 January 2022.

(2) Prior to the entering into of the TCT Terminal Services Master Agreement, Tianjin Container Terminal had (including, in some cases, prior to completion of the Acquisition) entered into a total of 45 agreements (collectively the "Supplies Agreements") with 14 members of the TPG Group (collectively the "Suppliers") for the supply of certain goods and services by the Suppliers to Tianjin Container Terminal, including but not limited to stevedoring, transportation, cargo handling, equipment maintenance, materials management and operational assistance services, general cleaning and management services, labour materials supplies, natural gas and liquefied natural gas, fuel oil, electricity, electricity system operation and maintenance, etc. The annual caps of the aggregate amount payable by Tianjin Container Terminal to the Suppliers for the goods and services under the Supplies Agreement for the three years ended or ending 31 December 2022, 2023 and 2024 were estimated to be RMB274,123,000, RMB11,094,000 and RMB11,094,000 respectively. The total amount for the aforesaid transactions for the year ended 31 December 2022 was RMB235,359,000.

The fees and charges payable under the Supplies Agreements shall be no less favourable to Tianjin Container Terminal than those it could have obtained from independent third parties (if any) for the same or similar types of goods and services.

Subsequent to the announcement of the Company dated 1 June 2022, the transactions under the Supplies Agreement have been included under the TCT Terminal Services Master Agreement numbered (6) in the above section headed "(3) Master agreements relating to shipping and terminal related services transactions" and will be covered by the TCT Terminal Services Master Agreement thereafter.

For information on the Suppliers and details of the terms of the Supplies Agreements, please refer to the announcement of the Company dated 1 June 2022.

Tianjin Port Holdings, which owns 41.69% equity interests in Tianjin Container Terminal, is a substantial shareholder of Tianjin Container Terminal and became a connected person of the Company at the subsidiary level following the Acquisition. Tianjin Port Finance (a company held directly and indirectly as to 43.652% by Tianjin Port Holdings and as to 56.348% by Tianjin Port Group (which is the ultimate holding company of Tianjin Port Holdings)) and the Suppliers became connected persons of the Company at subsidiary level accordingly by virtue of their being associates of Tianjin Port Holdings. Accordingly, the transactions under the Agreement Deposits Contract, the Amended Agreement Deposits Contract and the Supplies Agreements constituted continuing connected transactions of the Company with connected persons at the subsidiary level under the Listing Rules, and are subject to the reporting, annual review and announcement requirements under Chapter 14A of the Listing Rules.

(5) Acquisition of interest in Xiamen Haicang Investment and Construction

On 30 December 2022, China Shipping Terminal Development Co., Ltd. ("CSTD"), a wholly-owned subsidiary of the Company, as purchaser entered into an equity transfer agreement with Xiamen Haitou Supply Chain Operation Co., Ltd. ("Xiamen Haitou Supply Chain") as seller, pursuant to which Xiamen Haitou Supply Chain conditionally agreed to sell and CSTD conditionally agreed to purchase shares representing 56% of the registered share capital of Xiamen Haicang Free Trade Port Zone Investment and Construction Management Co., Ltd. ("Xiamen Haicang Investment and Construction") at a consideration of RMB628,399,700 (the "Haitou Acquisition").

The Haitou Acquisition provides a broad space for the Company to develop its port logistics extension business and enhance its competitiveness, which is of great strategic significance to the Company's long-term development.

As one of the conditions precedent to the closing, CSTD entered into a joint venture agreement with Xiamen Haitou Supply Chain, which sets out the governance structure of Xiamen Haicang Investment and Construction, and the respective rights of the parties in relation to it.

Xiamen Haitou Supply Chain is an associate of Xiamen Haicang Investment Group Co., Ltd. ("Xiamen Haicang Investment"), a substantial shareholder of a subsidiary of the Company, and is therefore a connected person of the Company at the subsidiary level. The Haitou Acquisition constituted a connected transaction of the Company under the Listing Rules. The Haitou Acquisition has been completed on 28 February 2023. Upon completion, Xiamen Haicang Investment and Construction became owned as to 56% and 44% by CSTD and Xiamen Haitou Supply Chain respectively, and Xiamen Haicang Investment and Construction became an indirect subsidiary of the Company.

For further details, please refer to the announcement of the Company dated 30 December 2022.

(6) Acquisition of interest in Xiamen Ocean Gate

On 22 February 2023, COSCO SHIPPING Ports (Xiamen) Limited ("CSPX"), a wholly-owned subsidiary of the Company, as purchaser entered into an equity transfer agreement ("Xiamen Ocean Gate Equity Transfer Agreement") with Xiamen Haicang Investment as seller, pursuant to which Xiamen Haicang Investment conditionally agreed to sell and CSPX conditionally agreed to purchase shares representing 30% of the registered share capital of Xiamen Ocean Gate Container Terminal Co., Ltd. ("Xiamen Ocean Gate") at a consideration of RMB794,489,900 (the "Xiamen Ocean Gate Acquisition"). As of 22 February 2023, Xiamen Ocean Gate is owned as to 70% and 30% by CSPX and Xiamen Haicang Investment respectively.

Xiamen Ocean Gate Acquisition will further strengthen the Company's leading position in the PRC, which is in line with the Company's strategy of enhancing control over terminal assets.

Pursuant to the Xiamen Ocean Gate Equity Transfer Agreement, the consideration shall be paid in three instalments by CSPX to Xiamen Haicang Investment. The first instalment in the amount of RMB754,765,405 has been paid on 28 February 2023, and the Xiamen Ocean Gate Acquisition has been completed on 28 February 2023. The second instalment in the amount of RMB15,889,798 has been paid on 8 March 2023, and the third instalment will be paid on time in accordance with the terms of the agreement. Upon completion of the Xiamen Ocean Gate Acquisition, Xiamen Ocean Gate became an indirect wholly-owned subsidiary of the Company.

As disclosed above, Xiamen Haicang Investment is a substantial shareholder of a subsidiary of the Company, and is therefore a connected person of the Company at the subsidiary level. The Xiamen Ocean Gate Acquisition constituted a connected transaction of the Company under the Listing Rules.

For further details, please refer to the announcement of the Company dated 22 February 2023.

(7) Concession Agreement

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

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

The concession is for an initial term of 30 years (which commenced on 1 October 2009), with a mandatory extension for a term of 5 years subject to PCT's fulfillment of its obligations to construct the eastern part of Pier 3 in accordance with the timetable agreed in the Concession Agreement. The estimated total consideration for the 35-year term of the Concession is €831,200,000.

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

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

For further details, please refer to the announcement of the Company dated 17 August 2016.

INTERNAL CONTROL MEASURES

As part of the Group's internal control systems to ensure that the transactions between the Group and its connected persons are conducted in accordance with the terms of their respective continuing connected transaction master agreements, the Company implemented the following internal control arrangements to the connected transactions conducted, where applicable:

(i) The relevant business unit of each subsidiary of the Company will periodically observe the market conditions and monitor the prevailing market prices including the pricings of contemporaneous transactions with independent third parties in respect of comparable types of products and/or services in the same or nearby area in the ordinary course of business, and evaluate if the transactions are no less favourable to the relevant member of the Group than those it could have obtained from independent third parties for similar types of goods and/or services.

(ii) The relevant departments in the head office of the Company and each subsidiary of the Company has a designated person to record the entering into of continuing connected transactions.

(iii) The Finance Department of the Company will prepare a "Summary for Continuing Connected Transactions" each quarter and organize meetings regularly to review and assess whether the relevant continuing connected transactions are conducted in accordance with the terms of their respective continuing connected transaction master agreements. After the "Summary for Continuing Connected Transactions" is reviewed by the relevant departments of the Company and the management, it will be submitted to the Audit Committee of the Company and the Board for further review.

(iv) The Audit and Supervision Department of the Company will monitor the risks related to continuing connected transactions by reviewing the minutes of important meetings of subsidiaries of the Company as well as accounting records to identify if the Group has any undisclosed connected transactions.

(v) The Audit and Supervision Department will also check the terms and implementation status of the Group's policies and requirements related to continuing connected transactions from time to time, including investigating the audited entities' processes for identification of connected persons and their procedures for dealing with continuing connected transactions. The Audit and Supervision Department is also responsible for monitoring the prices of the transactions with connected persons by reviewing samples of the relevant sales contracts and costs, etc., to ensure such prices are in compliance with the pricing policies under the terms of their respective continuing connected transaction master agreements.

(vi) Each relevant member of the Group shall monitor its own utilization of the portion of the annual transaction cap amount allocated to it by the Company (the "Designated Amount"). If the annual transaction amount of a relevant member of the Group reaches 80% of its Designated Amount, or is expected to exceed its Designated Amount within three months, such member shall inform the relevant personnel in the Finance Department and Legal Department of the Company immediately and the Company shall determine the appropriate actions to be taken, such as (a) require such member not to enter any further transactions which would cause the Designated Amount to be exceeded; (b) increase the Designated Amount allocated to such member by reducing the Designated Amount(s) allocated to other member(s); or (c) if the accumulative annual transaction amount of the Group will exceed the relevant annual cap, the relevant member(s) of the Group shall provide sufficient reasons and cooperate with the Company to revise the annual cap and comply with the relevant requirements of the Listing Rules.

OPINION FROM THE INDEPENDENT NON-EXECUTIVE DIRECTORS ON THE CONTINUING CONNECTED TRANSACTIONS

Pursuant to Rule 14A.55 of the Listing Rules, Dr. FAN HSU Lai Tai, Rita, Mr. Adrian David LI Man Kiu, Mr. LAM Yiu Kin, Prof. CHAN Ka Lok and Mr. YANG Liang Yee Philip, independent non-executive directors of the Company, have reviewed the continuing connected transactions conducted by the Group during the year and opined that the transactions were:

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

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

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

REPORT FROM THE AUDITOR ON THE CONTINUING CONNECTED TRANSACTIONS

For the purposes of Rule 14A.56 of the Listing Rules, the Board engaged the auditor of the Company to report on the above continuing connected transactions that are subject to annual review for the year ended 31 December 2022 in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued his unqualified letter containing his findings and conclusions in respect of the such continuing connected transactions, in accordance with Rule 14A.56 of Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

AUDIT COMMITTEE

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

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

AUDITOR

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

On behalf of the Board

YANG Zhijian

Chairman

Hong Kong, 29 March 2023