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

If you have sold or transferred all your shares in COSCO SHIPPING Development Co., Ltd., you should at once hand this circular and the Form of Proxy to the purchaser or the transferee or to licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 02866)

- (1) 2021 REPORT OF THE BOARD**
- (2) 2021 REPORT OF THE SUPERVISORY COMMITTEE**
- (3) 2021 WORK REPORT OF INDEPENDENT DIRECTORS**
- (4) 2021 FINANCIAL STATEMENTS AND AUDITORS' REPORT**
- (5) 2021 ANNUAL REPORT**
- (6) 2021 PROFIT DISTRIBUTION PLAN**
- (7) REMUNERATION OF DIRECTORS AND SUPERVISORS FOR THE YEAR 2022**
- (8) RE-APPOINTMENT OF DOMESTIC AUDITOR, INTERNAL CONTROL AUDITOR AND APPOINTMENT OF INTERNATIONAL AUDITOR FOR THE YEAR 2022**
- (9) PROVISION OF GUARANTEES**
- (10) DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE DISPOSAL OF EQUITY INTERESTS IN COSCO SHIPPING FINANCE AND THE CAPITAL INCREASE IN COSCO SHIPPING FINANCE**
- AND**
- (11) NOTICE OF AGM**

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



Capitalised terms used in this cover shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 10 to 39 of this circular.

The Notice of AGM convening the AGM to be held at 1:30 p.m. on Thursday, 30 June 2022 at Holiday Inn Shanghai Jinxiu, 399 Jin Zun Road, Pudong New Area, Shanghai, the PRC is set out on pages AGM-1 to AGM-4 of this circular.

* *The Company is a registered non-Hong Kong company as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and it is registered under its Chinese name and under the English name "COSCO SHIPPING Development Co., Ltd."*

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DEFINITIONS

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

“A Share(s)”	the domestic share(s) in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
“A Shareholder(s)”	holder(s) of A Share(s)
“AGM”	the forthcoming annual general meeting of the Company to be convened at 1:30 p.m. on Thursday, 30 June 2022 at Holiday Inn Shanghai Jinxiu, 399 Jin Zun Road, Pudong New Area, Shanghai, the People’s Republic of China (or any adjournment thereof) to consider and, if thought fit, approve the resolutions contained in the Notice of AGM
“Articles of Association”	the articles of association of the Company, as amended and adopted from time to time
“associates”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Benchmark Date”	the benchmark date for the valuation of the Target Assets, i.e. 31 December 2021
“Board”	the board of Directors of the Company
“Capital Increase”	the proposed increase in the registered capital of COSCO SHIPPING Finance by an aggregate of RMB13,500 million (equivalent to approximately HK\$16,200 million) to be contributed by the Post-restructuring Shareholders in proportion to their respective shareholdings of COSCO SHIPPING Finance
“Capital Increase Agreement”	the capital increase agreement dated 19 May 2022 entered into by the Post-restructuring Shareholders in relation to the Capital Increase
“Capital Increase by the Company”	the proposed increase in the registered capital of COSCO SHIPPING Finance in the amount of RMB1,806,840,000 (equivalent to approximately HK\$2,168,208,000) to be contributed by the Company pursuant to the Capital Increase Agreement

DEFINITIONS

“CBIRC”	China Banking and Insurance Regulatory Commission and its local offices
“China Agency”	China Ocean Shipping Agency Co., Ltd. [#] (中國外輪代理有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of COSCO SHIPPING
“China Bunker”	China Marine Bunker (Petro China) Co., Ltd. [#] (中國船舶燃料有限責任公司), a company established under the laws of the PRC with limited liability and a non-wholly owned subsidiary of COSCO SHIPPING
“China Shipping”	China Shipping Group Company Limited [#] (中國海運集團有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of COSCO SHIPPING and a controlling shareholder of the Company
“China Tally”	China Ocean Shipping Tally Co., Ltd. [#] (中國外輪理貨有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of COSCO SHIPPING
“Company”	COSCO SHIPPING Development Co., Ltd.* (中遠海運發展股份有限公司), a joint stock limited company established in the PRC, the H shares and A shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 2866) and the Shanghai Stock Exchange (Stock Code: 601866), respectively
“Completion Audit Benchmark Date”	If the Completion Date is on or before the 15th calendar day of a month, the Completion Audit Benchmark Date shall be the last day of the previous month of such month; if the Completion Date is after the 15th calendar day of a month, the Completion Audit Benchmark Date shall be the last day of such month
“Completion Date”	The date on which the consideration for the transactions under the Equity Transfer Agreement has been fully paid by COSCO to the designated account(s) of the Company
“Computershare”	Computershare Hong Kong Investor Services Limited, the H Share registrar of the Company

DEFINITIONS

“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Hong Kong Listing Rules
“COSCO”	China Ocean Shipping Company Limited [#] (中國遠洋運輸有限公司), a PRC state-owned enterprise, the direct controlling shareholder of the Company and a wholly-owned subsidiary of COSCO SHIPPING
“COSCO International Freight”	COSCO International Freight Co., Ltd. [#] (中遠海運國際貨運有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of COSCO SHIPPING Holdings
“COSCO Qingdao”	COSCO (Qingdao) Co., Ltd. [#] (中遠海運(青島)有限公司), formerly known as Qingdao Ocean Shipping Co., Ltd. [#] (青島遠洋運輸有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of COSCO SHIPPING
“COSCO Shipbuilding”	COSCO Shipbuilding Industry Company Ltd. [#] (中遠造船工業有限公司), a company established under the laws of the PRC with limited liability and a non-wholly owned subsidiary of COSCO SHIPPING
“COSCO SHIPPING”	China COSCO Shipping Corporation Ltd. [#] (中國遠洋海運集團有限公司), a PRC state-owned enterprise and an indirect controlling shareholder of the Company
“COSCO SHIPPING Energy”	COSCO SHIPPING Energy Transportation Co., Ltd. (中遠海運能源運輸股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares and A shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1138) and the Shanghai Stock Exchange (Stock Code: 600026), respectively
“COSCO SHIPPING Finance”	COSCO SHIPPING Finance Company Limited [#] (中遠海運集團財務有限責任公司), a company established under the laws of the PRC with limited liability and an indirect non-wholly owned subsidiary of COSCO SHIPPING

DEFINITIONS

“COSCO SHIPPING Group”	COSCO SHIPPING and its subsidiaries and/or associates
“COSCO SHIPPING HK”	COSCO SHIPPING Development (Hong Kong) Co., Ltd. (中遠海運發展(香港)有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“COSCO SHIPPING Holdings”	COSCO SHIPPING Holdings Co., Ltd. (中遠海運控股股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares and A shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1919) and the Shanghai Stock Exchange (Stock Code: 601919), respectively
“COSCO SHIPPING Holdings Group”	COSCO SHIPPING Holdings and its subsidiaries
“COSCO SHIPPING Lines”	COSCO SHIPPING Lines Co., Ltd. [#] (中遠海運集裝箱運輸有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of COSCO SHIPPING Holdings
“COSCO SHIPPING Logistics”	COSCO SHIPPING Logistics Co., Ltd. [#] (中遠海運物流有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of COSCO SHIPPING
“COSCO SHIPPING Specialized”	COSCO SHIPPING Specialized Carriers Co., Ltd. [#] (中遠海運特種運輸股份有限公司), a joint stock limited company incorporated in the PRC with limited liability and the A shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600428)
“COSCO SHIPPING Specialized Group”	COSCO SHIPPING Specialized and its subsidiaries
“COSCO SHIPPING Tianjin”	COSCO SHIPPING Development (Tianjin) Leasing Co., Ltd. [#] (中遠海發(天津)租賃有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company
“COSCO Shipyard”	COSCO Shipyard Group Co., Ltd. [#] (中遠船務工程集團有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of COSCO SHIPPING

DEFINITIONS

“COSCO Tianjin”	COSCO (Tianjin) Co., Ltd. [#] (中遠海運(天津)有限公司), formerly known as COSCO Bulk Carrier Co., Ltd.* (中遠散貨運輸有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of COSCO SHIPPING
“COSCO Xiamen”	COSCO (Xiamen) Co., Ltd. [#] (中遠海運(廈門)有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of COSCO SHIPPING
“CS Development Hainan”	COSCO SHIPPING Development (Hainan) Co., Ltd. [#] (海南中遠海運發展有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“CS Investment”	China Shipping Investment Co., Ltd. [#] (中海集團投資有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of the Company
“Disposal of Equity Interests”	the disposal of 10.0000% equity interests in COSCO SHIPPING Finance by the Company to COSCO at the consideration of RMB911,638,820 (equivalent to approximately HK\$1,093,966,584) pursuant to the Equity Transfer Agreement
“Equity Transfer Agreement”	the equity transfer agreement entered into between the Company and COSCO, pursuant to which the Company conditionally agrees to sell and COSCO conditionally agrees to purchase 10.0000% of the equity interests in COSCO SHIPPING Finance
“FIL”	Florens International Limited (佛羅倫國際有限公司), a company incorporated under the laws of the British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company
“Florens Container”	Florens Container Investment (SPV) Limited, a company incorporated under the laws of British Virgin Islands with limited liability and a wholly-owned subsidiary of the Company

DEFINITIONS

“Florens Maritime”	Florens Maritime Limited, a company incorporated under the laws of Bermuda with limited liability and a wholly-owned subsidiary of the Company
“Form of Proxy”	the form of proxy of the Company in respect of the resolutions set out in the Notice of AGM
“Group”	the Company and its subsidiaries
“Guangzhou Ocean”	Guangzhou Ocean Shipping Co., Ltd. [#] (廣州遠洋運輸有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of COSCO SHIPPING Specialized
“Guaranteed Subsidiaries”	collectively, COSCO SHIPPING HK, Oriental Fleet, Oriental Fleet Pulp 01, Florens Maritime, Florens Container, COSCO SHIPPING Tianjin, CS Development Hainan, Shanghai Universal and Shanghai Xinyuan
“H Share(s)”	the overseas listed foreign shares in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange
“H Shareholder(s)”	holder(s) of H Share(s)
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent board committee, comprising all the independent non-executive Directors, which has been formed to advise the Independent Shareholders in respect of (i) the Equity Transfer Agreement and the Disposal of Equity Interests, and (ii) the Capital Increase Agreement and the Capital Increase by the Company

DEFINITIONS

“Independent Financial Adviser”	TC Capital International Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement, the Capital Increase Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders other than COSCO SHIPPING, China Shipping and their respective associates
“Latest Practicable Date”	7 June 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Non-selling Shareholder(s)”	collectively, (1) COSCO SHIPPING, (2) COSCO SHIPPING Lines, (3) COSCO SHIPPING Energy, and (4) COSCO SHIPPING Specialized
“Notice of AGM”	the notice of the AGM dated 9 June 2022, which is set out on AGM-1 to AGM-4 of this circular
“Oriental Fleet”	Oriental Fleet International Co., Ltd. (東方富利國際有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Oriental Fleet Asset Management”	Oriental Fleet Asset Management Company Limited (東方富利資產管理有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Oriental Fleet Pulp 01”	Oriental Fleet Pulp 01 Limited (東方富利紙漿01有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Overseas Regulatory Announcement”	the overseas regulatory announcement of the Company dated 19 May 2022 in relation to the Provision of Guarantees
“Post-restructuring Shareholder(s)”	collectively, (1) the Company, (2) COSCO SHIPPING Lines, (3) COSCO SHIPPING, (4) COSCO, (5) COSCO SHIPPING Holdings, (6) COSCO SHIPPING Energy, (7) COSCO SHIPPING Specialized, and (8) COSCO SHIPPING Logistics

DEFINITIONS

“PRC”	the People’s Republic of China which for the purposes of this circular excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“PRC Company Law”	PRC Company Law (《中華人民共和國公司法》) and its amendments issued from time to time
“Provision of Guarantees”	the proposed provisions of guarantees in the aggregate amounts of not exceeding RMB15.9 billion and US\$6.165 billion for the Guaranteed Subsidiaries and the relevant authorisation to the Board, further details of which are set out in the Overseas Regulatory Announcement
“Register of Members”	the register of H Shares members of the Company
“Right of First Refusal”	the right of first refusal conferred to the Non-selling Shareholders in relation to the Shareholding Restructuring pursuant to the PRC Company Law
“RMB”	Renminbi, the lawful currency of the PRC
“Selling Shareholder(s)”	collectively, (1) COSCO Tianjin, (2) COSCO Qingdao, (3) COSCO Xiamen, (4) China Bunker, (5) COSCO Shipbuilding, and (6) COSCO Shipyard
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shanghai Universal”	Shanghai Universal Logistics Equipment Co., Ltd. [#] (上海寰宇物流裝備有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Shanghai Xinyuan”	Shanghai Xinyuan Shipping Container Financial Leasing Co., Ltd. [#] (上海新遠海集融資租賃有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)

DEFINITIONS

“Shareholding Restructuring”	the proposed transfer of the equity interests of COSCO SHIPPING Finance under (1) the Equity Transfer Agreement, (2) the equity transfer agreement entered into by COSCO SHIPPING Holdings, COSCO International Freight and each of the Selling Shareholders dated 19 May 2022, (3) the equity transfer agreement entered into by COSCO SHIPPING Logistics, China Agency and China Tally dated 19 May 2022, and (4) the equity transfer agreement entered into by COSCO SHIPPING Specialized and Guangzhou Ocean dated 19 May 2022
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“Target Assets”	the 10.0000% equity interest in COSCO SHIPPING Finance to be transferred by the Company to COSCO pursuant to the Equity Transfer Agreement
“Transition Period”	the period starting from the Benchmark Date to the Completion Audit Benchmark Date
“US\$”	United States dollar, the lawful currency of the United States of America
“Valuer”	China Tong Cheng Assets Appraisal Co., Ltd. (中通誠資產評估有限公司), the independent valuer engaged by the Company for the valuation of the entire equity interest of COSCO SHIPPING Finance for the purpose of the Disposal of Equity Interests
“%”	per cent

The exchange rate used for reference purpose in this circular is RMB1.00 to HK\$1.20.

* *The Company is a registered non-Hong Kong company as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and it is registered under its Chinese name and under the English name “COSCO SHIPPING Development Co., Ltd.”.*

For identification purposes only

LETTER FROM THE BOARD



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

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 02866)

Executive Directors:

Mr. Wang Daxiong
Mr. Liu Chong
Mr. Xu Hui

Non-executive Directors:

Mr. Huang Jian
Mr. Liang Yanfeng
Mr. Ip Sing Chi

Independent Non-executive Directors:

Mr. Cai Hongping
Mr. Lu Jianzhong
Ms. Zhang Weihua
Mr. Shao Ruiqing

Legal address in the PRC:

Room A – 538
International Trade Center
China (Shanghai) Pilot Free Trade Zone
Shanghai
The PRC

Principal place of business in the PRC:

5299 Binjiang Dadao
Pudong New District
Shanghai
The PRC

Principal place of business in Hong Kong:

50/F, COSCO Tower
183 Queen's Road Central
Hong Kong

9 June 2022

To the Shareholders

Dear Sir/Madam,

- (1) 2021 REPORT OF THE BOARD
- (2) 2021 REPORT OF THE SUPERVISORY COMMITTEE
- (3) 2021 WORK REPORT OF INDEPENDENT DIRECTORS
- (4) 2021 FINANCIAL STATEMENTS AND AUDITORS' REPORT
- (5) 2021 ANNUAL REPORT
- (6) 2021 PROFIT DISTRIBUTION PLAN
- (7) REMUNERATION OF DIRECTORS AND SUPERVISORS FOR THE YEAR 2022
- (8) RE-APPOINTMENT OF DOMESTIC AUDITOR, INTERNAL CONTROL AUDITOR
AND APPOINTMENT OF INTERNATIONAL AUDITOR FOR THE YEAR 2022
- (9) PROVISION OF GUARANTEES
- (10) DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO THE
DISPOSAL OF EQUITY INTERESTS IN COSCO SHIPPING FINANCE AND THE
CAPITAL INCREASE IN COSCO SHIPPING FINANCE
- AND
- (11) NOTICE OF AGM

LETTER FROM THE BOARD

I. INTRODUCTION

The purpose of this circular is to provide you with, among other things:

- (i) information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolutions to be proposed at the AGM;
- (ii) further details of the Shareholders' Resolutions to be proposed at the AGM;
- (iii) a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of (a) the Disposal of Equity Interests under the Equity Transfer Agreement and (b) the Capital Increase by the Company; and
- (iv) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its recommendation in respect of (a) the Disposal of Equity Interests under the Equity Transfer Agreement and (b) the Capital Increase by the Company.

At the AGM, ordinary resolutions will be proposed to approve:

- (i) the report of the Board for the year ended 31 December 2021;
- (ii) the report of the Supervisory Committee for the year ended 31 December 2021;
- (iii) the work report of the independent non-executive Directors for the year ended 31 December 2021;
- (iv) the audited financial statements and the auditors' report of the Group for the year ended 31 December 2021;
- (v) the annual report of the Company for the year ended 31 December 2021;
- (vi) the proposed profit distribution plan of the Company and the proposed payment of a final dividend of RMB0.226 per Share (inclusive of applicable tax) for the year ended 31 December 2021;
- (vii) the remuneration of the Directors and the Supervisors for the year 2022;
- (viii) the re-appointment of the domestic auditor, the internal control auditor and appointment of international auditor for the year 2022;
- (ix) the Equity Transfer Agreement and the Disposal of Equity Interest; and
- (x) the Capital Increase Agreement and the Capital Increase by the Company.

At the AGM, special resolution will be proposed to approve:

- (xi) the Provision of Guarantees.

LETTER FROM THE BOARD

II. REPORT OF THE BOARD FOR THE YEAR ENDED 31 DECEMBER 2021

An ordinary resolution will be proposed at the AGM to approve the report of the Board for the year ended 31 December 2021. The full text of the aforesaid report of the Board is set out in the annual report of the Company which has been despatched to the Shareholders on 27 April 2022.

The report of the Board for the year ended 31 December 2021 was considered and approved by the Board on 30 March 2022 and will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the AGM.

III. REPORT OF THE SUPERVISORY COMMITTEE FOR THE YEAR ENDED 31 DECEMBER 2021

An ordinary resolution will be proposed at the AGM to approve the report of the Supervisory Committee for the year ended 31 December 2021. The full text of the aforesaid report of the Supervisory Committee is set out in the annual report of the Company which has been despatched to the Shareholders on 27 April 2022.

The Supervisory Committee is comprised of (i) two Supervisors Mr. Ye Hongjun, Ms. Zhu Mei, who were representatives of the controlling shareholders of the Company elected at a general meeting and (ii) one employee Supervisor Mr. Zhao Xiaobo, who was a representative of the employees of the Company elected by the employees of the Company.

The report of the Supervisory Committee for the year ended 31 December 2021 was considered and approved by the Supervisory Committee on 30 March 2022 and will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the AGM.

IV. WORK REPORT OF THE INDEPENDENT DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2021

An ordinary resolution will be proposed at the AGM to approve the work report of the independent Directors for the year ended 31 December 2021. The full text of the English translation of the aforesaid report of the independent non-executive Directors is set out in Appendix I to this circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The work report of the independent non-executive Directors for the year ended 31 December 2021 was considered and approved by the Board on 30 March 2022 and will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the AGM.

LETTER FROM THE BOARD

V. AUDITED FINANCIAL STATEMENTS AND AUDITORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2021

An ordinary resolution will be proposed at the AGM to approve the audited financial statements and the auditors' report of the Group for the year ended 31 December 2021. The full text of the aforesaid financial statements and auditors' report is set out in the annual report of the Company which has been despatched to the Shareholders on 27 April 2022.

The audited financial statements and the auditors' report of the Group for the year ended 31 December 2021 was considered and approved by the Board on 30 March 2022 and will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the AGM.

VI. 2021 ANNUAL REPORT

An ordinary resolution will be proposed at the AGM to approve the annual report of the Company for the year ended 31 December 2021. The aforesaid annual report has been despatched to the Shareholders and also published on the website of the Hong Kong Stock Exchange (<http://www.hkexnews.hk>) and the website of the Company (<http://development.coscoshipping.com>) on 27 April 2022.

The 2021 annual report was considered and approved by the Board on 30 March 2022 and will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the AGM.

VII. 2021 PROFIT DISTRIBUTION PLAN

1. Proposed payment of a final dividend

An ordinary resolution will be proposed at the AGM to approve the proposed profit distribution plan of the Company for the year ended 31 December 2021 in accordance with the Articles of Association.

As at 31 December 2021, the retained earnings of the Company calculated under the PRC Accounting Standards for Business Enterprises was approximately RMB3,609 million. The Board proposed the payment of a final dividend of RMB0.226 per Share (inclusive of applicable tax) for the year ended 31 December 2021.

The final dividend will be paid to A Shareholders and domestic investors investing in H Shares through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect in RMB and to H Shareholders in HK\$. The actual amount of final dividend to be distributed and paid to H Shareholders in HK\$ will be calculated in accordance with the average middle exchange rate for RMB to HK\$ as quoted by the People's Bank of China for the period of one week before the announcement of the final dividend, being the date of the AGM (subject to the approval by the Shareholders). It is expected that the final dividend in respect of the H Shares will be distributed and paid within two months after the approval at the AGM on or around 18 August 2022.

LETTER FROM THE BOARD

The 2021 profit distribution plan was considered and approved by the Board on 30 March 2022 and will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the AGM.

2. Enterprise income tax

According to the Law on Corporate Income Tax of the People's Republic of China and the relevant implementation rules which came into effect on 1 January 2008, the Company is required to withhold corporate income tax at the rate of 10% before distributing the final dividends for the year ended 31 December 2021 to non-resident enterprise shareholders as appearing on the Register of Members. Any Shares not registered in the name of an individual person, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations will be treated as being held by non-resident enterprise shareholders and will therefore be subject to the withholding of the corporate income tax. After receiving the final dividends, non-resident enterprise shareholders may apply, personally or by proxy, to provide materials to the competent taxation authorities proving their eligibility to be the actual beneficiaries under the taxation agreements (arrangement) to enjoy tax refund.

3. Individual income tax

Pursuant to the requirements of Notice of the Ministry of Finance and the State Administration of Taxation on Certain Policies Regarding Individual Income Tax (Cai Shui Zi [1994] No. 020) (《財政部、國家稅務總局關於個人所得稅若干政策問題的通知》(財稅字[1994]020號)), individual foreigners are exempted from individual income tax on dividends and bonus received from foreign-invested enterprises in the PRC. As the Company is a foreign-invested joint stock limited company, individual H Shareholders whose names appeared on the Register of Members are not required to pay the individual income tax of the PRC.

4. Profit distribution for domestic investors investing in H Shares through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect

Shanghai-Hong Kong Stock Connect

For domestic investors (including enterprises and individuals) investing in the H Shares through the Shanghai Stock Exchange, the Shanghai Branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the H Shareholders through Shanghai-Hong Kong Stock Connect, will receive the final dividends paid by the Company and further distribute the final dividends to the relevant investors of H Shares through Shanghai-Hong Kong Stock Connect through its depository and clearing system.

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The final dividends will be paid to investors investing in H Shares through Shanghai-Hong Kong Stock Connect in RMB. Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shanghai-Hong Kong Stock Connect (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Caishui [2014] No. 81) issued by the Ministry of Finance of the PRC, the State Administration of Taxation and the CSRC:

- (i) for dividends received by mainland individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the relevant H share listed company shall withhold and pay individual income tax payable by such mainland individual investors at the rate of 20% on their behalf;
- (ii) for dividends received by mainland securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, individual income tax payable by such mainland securities investment funds shall be withheld and paid by the relevant H share listed company in the same manner as stated in paragraph (i) above; and
- (iii) for dividends received by mainland enterprise investors from investing in H shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the relevant H share listed company shall not withhold or pay the income tax of dividends for mainland enterprise investors and those enterprise investors shall report and pay the income tax themselves.

Shenzhen-Hong Kong Stock Connect

For domestic investors (including enterprises and individuals) investing in the H Shares through the Shenzhen Stock Exchange, the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the H Shareholders through Shenzhen-Hong Kong Stock Connect, will receive the final dividends paid by the Company and further distribute the final dividends to the relevant investors of H Shares through Shenzhen-Hong Kong Stock Connect through its depository and clearing system.

The final dividends will be paid to investors investing in H Shares through Shenzhen-Hong Kong Stock Connect in RMB. Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)):

- (i) for dividends received by mainland individual investors from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the relevant H share listed company shall withhold and pay individual income tax payable by such mainland individual investors at the rate of 20% on their behalf;

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- (ii) for dividends received by mainland securities investment funds from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, individual income tax payable by such mainland securities investment funds shall be withheld and paid by the relevant H share listed company in the same manner as stated in paragraph (i) above; and
- (iii) for dividends received by mainland enterprise investors from investing in H shares listed on the Hong Kong Stock Exchange through Shenzhen-Hong Kong Stock Connect, the relevant H share listed company shall not withhold or pay the income tax of dividends for mainland enterprise investors and those enterprise investors shall report and pay the income tax themselves.

The record date, the date of distribution and other arrangements in relation to the payment of the final dividends to domestic investors investing in the H Shares through Shanghai-Hong Kong Stock Connect and/or Shenzhen-Hong Kong Stock Connect will be the same as those for the H Shareholders.

5. To qualify for the proposed final dividend for the year ended 31 December 2021

For the purpose of determining the H Shareholders' entitlement to the proposed final dividend for the year ended 31 December 2021, the Register of Members will be closed from 30 July 2022 to 4 August 2022 (both days inclusive), during which period no transfer of H Shares of the Company will be registered. The H Shareholders whose names appear on the Register of Members at the close of business on 4 August 2022 are entitled to receive the proposed final dividend. In order to qualify for the proposed final dividend, the H Shareholders shall lodge all transfer documents together with the relevant share certificates to Computershare, the H Share registrar of the Company, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 29 July 2022.

VIII. REMUNERATION OF DIRECTORS AND SUPERVISORS FOR THE YEAR 2022

An ordinary resolution will be proposed at the AGM to approve the remuneration of the Directors and the Supervisors for the year 2022, details of which are as follows:

- (i) the Directors and the Supervisors, who are nominated by the controlling shareholders and are employed and remunerated by China COSCO SHIPPING Corporation Limited and its direct subsidiaries, shall receive no remuneration from the Company as they have been remunerated by China COSCO SHIPPING Corporation Limited or its direct subsidiaries; and the external Directors shall receive remuneration based on the remuneration standard for the independent Directors;

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- (ii) the Directors and the employee Supervisors, who are employed as management or non-management personnel of the Company, shall receive remuneration after the remuneration proposal of their position has been approved, and shall receive no additional remuneration as a Director or an employee Supervisor; and
- (iii) the remuneration standard for the onshore independent Directors who are residents in the PRC is RMB150,000 per year (before tax). The remuneration standard for the offshore independent Directors who are residents outside the PRC is RMB300,000 per year (before tax). Both onshore independent Directors and offshore independent Directors shall perform their duties and functions as independent Directors of the Company.

Taking into account (i) remuneration arrangement for comparable companies incorporated in the PRC and (ii) the recommendation of the Audit Committee, the Board considers the above compensation arrangement is fair and reasonable and in the interest of the Company and its Shareholders as a whole.

The abovementioned resolution in relation to the remuneration of the Directors and Supervisors was considered and approved by the Board on 30 March 2022 and will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the AGM.

IX. RE-APPOINTMENT OF DOMESTIC AUDITOR, INTERNAL CONTROL AUDITOR AND APPOINTMENT OF INTERNATIONAL AUDITOR FOR THE YEAR 2022

Each of the following ordinary resolutions will be proposed at the AGM to approve the re-appointment of the domestic auditor, the internal control auditor and appointment of the international auditor of the Company, details of which are as follows:

- (i) to re-appoint ShineWing Certified Public Accountants LLP as the Company's domestic auditor for the year of 2022, with remuneration of RMB5.28 million (inclusive of applicable tax);
- (ii) to re-appoint ShineWing Certified Public Accountants LLP as the Company's internal control auditor for the year of 2022, with remuneration of RMB0.92 million (inclusive of applicable tax); and
- (iii) to appoint ShineWing Certified Public Accountants LLP as the international auditor of the Company for the year of 2022, following the retirement of Ernst & Young, with remuneration of RMB4.96 million (inclusive of applicable tax).

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Ernst & Young, the current international auditor, will retire as the international auditor of the Company upon expiration of its current term of office at the conclusion of the AGM. Ernst & Young has been the international auditor of the Company for 10 years and the Board considers the rotation of its international auditor after an appropriate period of time as a good corporate governance practice. Ernst & Young has confirmed that there are no matters that need to be brought to the attention of the Shareholders in relation to the above change. The Board has also confirmed that there are no disagreements or outstanding matters between the Company and Ernst & Young, and the Board is not aware of any other matters in relation to the proposed change of international auditor that need to be brought to the attention of the Shareholders.

The abovementioned resolutions in relation to the re-appointment of the domestic auditor, the internal auditor and the appointment of the international auditor of the Company for the year of 2022 were considered and approved by the Board on 30 March 2022 and will be submitted, by way of ordinary resolutions, for the Shareholders' consideration and approval at the AGM.

X. PROVISION OF GUARANTEES

As disclosed in the Overseas Regulatory Announcement, on 19 May 2022, the Board resolved that the Company, CS Investment, FIL and Oriental Fleet Asset Management shall provide the following guarantees for the Guaranteed Subsidiaries in the aggregate amounts of not exceeding RMB15.9 billion and US\$6.165 billion during the period from 1 July 2022 to 30 June 2023 and the relevant authorization shall be given to the Board to consider and approve each guarantee within the approved cap, including but not limited to the manner, type, term and amount of the guarantees:

- (i) the provision of guarantee for COSCO SHIPPING HK by the Company in the amount of not exceeding US\$2.50 billion;
- (ii) the provision of guarantee for Oriental Fleet by the Company in the amount of not exceeding US\$0.90 billion;
- (iii) the provision of guarantee for Oriental Fleet Pulp 01 by the Company in the amount of not exceeding US\$0.05 billion;
- (iv) the provision of guarantee for Florens Maritime by the Company in the amount of not exceeding US\$0.80 billion;
- (v) the provision of guarantee for Florens Container by the Company in the amount of not exceeding US\$0.30 billion;
- (vi) the provision of guarantee for COSCO SHIPPING Tianjin by the Company in the amount of not exceeding RMB2.00 billion;

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- (vii) the provision of guarantee for CS Development Hainan by the Company in the amount of not exceeding RMB0.60 billion;
- (viii) the provision of guarantee for Shanghai Universal by the Company in the amount of not exceeding RMB1.50 billion;
- (ix) the provision of guarantee for COSCO SHIPPING HK by CS Investment in the amount of not exceeding US\$0.17 billion;
- (x) the provision of guarantee for Florens Maritime by FIL in the amount of not exceeding US\$0.40 billion;
- (xi) the provision of guarantee for Florens Container by FIL in the amount of not exceeding US\$0.10 billion;
- (xii) the provision of guarantee for Oriental Fleet by Oriental Fleet Asset Management in the amount of not exceeding US\$0.10 billion; and
- (xiii) the provision of Shanghai Xinyuan by the Company in the amount of not exceeding RMB1.00 billion.

Pursuant to the relevant requirements under relevant PRC laws and regulations and the Articles of Association, the Provision of Guarantees shall be subject to the approval of the Shareholders.

The resolution in relation to the Provision of Guarantees will be submitted, by way of special resolution, for the Shareholders' consideration and approval at the AGM.

XI. DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO (1) THE DISPOSAL OF EQUITY INTERESTS IN COSCO SHIPPING FINANCE UNDER THE EQUITY TRANSFER AGREEMENT; AND (2) THE CAPITAL INCREASE IN COSCO SHIPPING FINANCE

Introduction

Reference is made to the announcement of the Company dated 19 May 2022 in relation to the Equity Transfer Agreement, the Capital Increase Agreement and the transactions contemplated thereunder.

The Independent Board Committee, comprising Mr. Cai Hongping, Mr. Lu Jianzhong, Ms. Zhang Weihua and Mr. Shao Ruiqing, all of whom are independent non-executive Directors, has been formed to advise the Independent Shareholders as to the Equity Transfer Agreement, the Capital Increase Agreement and the transactions contemplated thereunder. The letter from the Independent Board Committee setting out its recommendations to the Independent Shareholders on the Equity Transfer Agreement, the Capital Increase Agreement and the transactions contemplated thereunder is set out on pages 40 to 41 of this circular.

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TC Capital International Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Equity Transfer Agreement, the Capital Increase Agreement and the transactions contemplated thereunder. The letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders on the Equity Transfer Agreement, the Capital Increase Agreement and the transactions contemplated thereunder is set out on pages 42 to 64 of this circular.

This circular contains, among other things, (1) further details of the Equity Transfer Agreement, the Capital Increase Agreement and the transactions contemplated thereunder; (2) a letter from the Independent Board Committee to the Independent Shareholders, setting out its recommendations in connection with the Equity Transfer Agreement, the Capital Increase Agreement and the transactions contemplated thereunder; (3) a letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders in connection with the Equity Transfer Agreement, the Capital Increase Agreement and the transactions contemplated thereunder; and (4) other information as required under the Hong Kong Listing Rules.

Background

As at the Latest Practicable Date, COSCO SHIPPING Finance had 15 existing shareholders. To optimize its shareholding structure in order to enhance the overall performance of financial services to its shareholders, COSCO SHIPPING Finance proposed the Shareholding Restructuring. Pursuant to the Shareholding Restructuring, the following agreements were entered into by relevant parties on 19 May 2022:

- (1) the equity transfer agreement entered into by COSCO SHIPPING Holdings, COSCO International Freight, COSCO Tianjin, COSCO Qingdao, COSCO Xiamen, China Bunker, COSCO Shipbuilding and COSCO Shipyard, pursuant to which COSCO SHIPPING Holdings conditionally agrees to purchase an aggregate of 15.1258% of the equity interests of COSCO SHIPPING Finance from other parties thereto;
- (2) the Equity Transfer Agreement entered into by COSCO and COSCO SHIPPING Development, pursuant to which the Company conditionally agrees to sell and COSCO conditionally agrees to purchase 10.0000% of the equity interests of COSCO SHIPPING Finance;
- (3) the equity transfer agreement entered into by COSCO SHIPPING Logistics, China Agency and China Tally, pursuant to which COSCO SHIPPING Logistics conditionally agrees to purchase, China Agency and China Tally conditionally agree to sell an aggregate of 4.8018% of the equity interests of COSCO SHIPPING Finance; and
- (4) the equity transfer agreement entered into by COSCO SHIPPING Specialized and Guangzhou Ocean, pursuant to which COSCO SHIPPING Specialized conditionally agrees to purchase and Guangzhou Ocean conditionally agrees to sell 3.5214% of the equity interests of COSCO SHIPPING Finance.

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In addition to the Shareholding Restructuring, in order to increase the capital adequacy ratio for COSCO SHIPPING Finance to further develop its business and enhance its overall profitability, on 19 May 2022, each of the Post-restructuring Shareholders (including the Company) entered into the Capital Increase Agreement, pursuant to which the Post-restructuring Shareholders conditionally agree to increase the registered capital of COSCO SHIPPING Finance by an aggregate of RMB13,500 million (equivalent to approximately HK\$16,200 million) in proportion to their respective shareholdings of COSCO SHIPPING Finance after completion of the Shareholding Restructuring.

The Equity Transfer Agreement

The Board is pleased to announce that, on 19 May 2022, COSCO and the Company entered into the Equity Transfer Agreement, pursuant to which the Company conditionally agrees to sell and COSCO conditionally agrees to purchase 10.0000% of the equity interests of COSCO SHIPPING Finance at the total consideration of RMB911,638,820 (equivalent to approximately HK\$1,093,966,584). As at the Latest Practicable Date, the Company held 23.3840% equity interests in COSCO SHIPPING Finance.

The principal terms of the Equity Transfer Agreement is set out below.

Date

19 May 2022

Parties

- (1) The Company; and
- (2) COSCO

Subject matter

The Company conditionally agrees to sell and COSCO conditionally agrees to purchase 10.0000% of the equity interests of COSCO SHIPPING Finance at the consideration of RMB911,638,820 (equivalent to approximately HK\$1,093,966,584).

Consideration and valuation of COSCO SHIPPING Finance

The consideration for the Disposal of Equity Interests under the Equity Transfer Agreement in the amount of RMB911,638,820 (equivalent to approximately HK\$1,093,966,584) was determined after arm's length negotiations between the parties with reference to the appraised value of the entire equity interests of COSCO SHIPPING Finance as at 31 December 2021 by the Valuer. Pursuant to the valuation report issued by the Valuer, the appraised value of the entire equity interests of COSCO SHIPPING Finance as at 31 December 2021 was approximately RMB9,116,388,200 (equivalent to approximately HK\$10,939,665,840) under income approach, therefore the corresponding appraised value of 10.0000% of the equity interests of COSCO SHIPPING Finance as at 31 December 2021 was approximately RMB911,638,820 (equivalent to approximately HK\$1,093,966,584).

The following sets forth additional details of the Valuation Report (as defined below) and the factors taken into by the Board and the Valuer in arriving at the appraised value and the consideration for the Disposal of Equity Interests.

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(i) Valuation approach

Pursuant to the valuation report on the appraised value of COSCO SHIPPING Finance as at 31 December 2021 (the “**Valuation Report**”) prepared by the Valuer, the income approach was used for the valuation of the entire equity interests of COSCO SHIPPING Finance. Having reviewed the Valuation Report and discussed with the Valuer, the Board understands that three approaches, namely, the income approach, the market approach and the asset-based approach are applicable and commonly adopted, the selection of which shall be analyzed based on the purpose of valuation, the valuation target, the type of value, information gathering, etc.

The Board understands from the Valuation Report that the use of market approach requires an active market with substantial amount of market reference and comparable indicators with those of the appraisee and parameters which can be obtained and quantified. Having considered the lack of comparable listed entities and transactions in the market, the Valuer rejected the use of market approach. The asset-based approach refers to the valuation concept of determining the value of the valuation target based on reasonable valuation of all assets and liabilities of the enterprise under appraisal. Details of each asset and liability item of COSCO SHIPPING Finance could be collected and were available for valuation, and therefore the asset-based approach is applicable. Regarding the income approach, as stated in the Valuation Report, since COSCO SHIPPING Finance operates on a going concern basis, with relatively complete information in relation to its principal business for the historical years, and its future operating income can be forecasted upon discussion with its management, the income approach is therefore applicable.

As a result of the foregoing, the Valuer has assessed the value of the entire equity interests of COSCO SHIPPING Finance under the asset-based approach and the income approach and set out below is a summary of the appraised value under the said approaches as at 31 December 2021:

Valuation approach	Appraised value of total shareholders’ equity in COSCO SHIPPING Finance as at 31 December 2021
Asset-based approach	RMB8,943,126,400
Income approach	RMB9,116,388,200

As stated in the Valuation Report, since the valuation results of the income method focus on the overall future profitability of the appraised unit, and reflect the actual value of the enterprise by discounting the expected cash flow, the income approach can more accurately reflect the future profitability of the enterprise. Through the comparison of the above two evaluation methods, it is believed that the income method valuation conclusion can more appropriately reflect the total equity value of the shareholders of COSCO SHIPPING Finance. Therefore, the income method valuation result is selected as the final conclusion of the appraised value of COSCO SHIPPING Finance.

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(ii) Principal assumptions adopted

In addition, the Board has reviewed the principal assumptions under the income approach as stated in the Valuation Report, including but not limited to that (i) there will be no major changes in existing political, legal, and macro-economic conditions in the country or district where the subject transaction takes place; (ii) the target company will retain reliable operators, and the management is capable of discharging their duties; (iii) the target company fully complies with relevant laws and regulations; (iv) the accounting policies adopted by the target company in the future is in line with the accounting policies adopted by the target company as of the date of the Valuation Report; and (v) the target company's flow-in cash and flow-out cash under average flow after the benchmark date of the valuation. Further, the Board has also reviewed and discussed with the Valuer regarding the parameters used for the valuation of COSCO SHIPPING Finance, which include (i) the estimated profit and loss of the subject company, (ii) its estimated capital adequacy ratio, and (iii) the ratio of discounted cash flow derived from the capital assets pricing model. No doubts regarding the fairness and reasonableness of the above methodology, principal assumptions and parameters in any material respect were discovered and raised by the Board.

(iii) Financial forecast

For the financial forecast, the projected financial information taken into account by the Board and the Valuer mainly comprised the year-by-year projections of future cash flows of equity of COSCO SHIPPING Finance after taking into account of the operational data and long-term financial projections including operating income, operating expenses and taxes from 2022 to 2026. The cash flows of equity after 2026 were assumed to be equivalent to the cash flows of equity for 2026.

Further, in determining the forecasted operating income, the operating income forecast of COSCO SHIPPING Finance was mainly determined based on estimation of net interest income which was determined based on the expected average daily amount of interest bearing assets and liabilities and the expected interest rates for interest bearing assets and liabilities. For the expected average daily amount of interest bearing assets and liabilities, it was determined with reference to the historical average daily amount for each kind of interest bearing assets and liabilities and the growth rate of average daily amount for each kind of interest bearing assets and liabilities for financial years 2020 and 2021. For the expected interest rates for interest bearing assets and liabilities, they were determined with reference to the historical interest rates for each kind of assets and liabilities and the proposed adjustment of currency structure of these assets. In determining the forecasted operating expenses, the operating expenses of COSCO SHIPPING Finance mainly comprised business and management fees, asset impairment losses, taxes and surcharges. The operating expenses forecast was determined based on, among others, (i) the historical amounts of each kind of the operating expenses; and (ii) the ratio of operating expenses to operating income in previous years and the plan and policies of COSCO SHIPPING Finance on each of the operating expenses.

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(iv) Discount rate

In determination of the discount rate, the capital asset pricing model was adopted by the Board and the Valuer under which (i) the risk free rate was determined with reference to the 10-year yield of PRC government bond; (ii) the beta was determined based on listed companies in the monetary and financial services industry that were comparable to COSCO SHIPPING Finance in terms of business scale; (iii) the market risk premium was calculated based on the index rate of return of the SSE Composite Index and the SZSE Composite Index from 1992 to 2022 and the geometric mean of yield to maturity of the 10-year yield of PRC government bond for similar period; and (iv) the specific risk premium was determined based on the difference between COSCO SHIPPING Finance and comparable listed companies in terms of business scale, development stage, competitive position in the industry, dependence on key customers and key suppliers, etc.

(v) Adjustment for non-operating assets/liabilities

As stated in the Valuation Report, it is understood that the non-operating assets/liabilities of COSCO SHIPPING Finance is the investment real estate and the Valuer has adopted the market approach for the investment real estate of COSCO SHIPPING Finance. The investment real estate of COSCO SHIPPING Finance are two residential and office buildings. As (a) there is an active market for residential and office buildings and there are enough comparable transaction cases in the market of the region where the buildings entrusted for valuation are located in; (b) the deviation between the rental price and the selling price makes the income approach fail to objectively reflect the current market value of the buildings entrusted for valuation; and (c) the replacement cost cannot accurately reflect the actual market value of the residential and office buildings as the relevance between the cost and the value of the residential and office buildings is weak. The Valuer has also advised the Board that it is a common practice in the valuation to adopt the market approach for the residential and office buildings.

With respect to the investment real estate of COSCO SHIPPING Finance, the market value of the residential and office buildings of COSCO SHIPPING Finance is determined by the transaction unit prices and adjusted index of comparable properties and the built-up area of the buildings entrusted for valuation. For the comparable properties, they were selected for each of the buildings entrusted for valuation as the buildings entrusted for valuation and the comparable properties have similarity in usage of properties, date of transaction, location condition, physical condition and equity condition. The Board understands that the Valuer adjusted the index of comparable properties based on the difference between the comparable properties and the buildings entrusted for valuation in terms of each aforesaid category and condition. As the comparable properties have high similarity with the buildings entrusted for valuation, the difference between the adjusted index of comparable properties and the benchmark index of buildings entrusted for valuation is small. The Valuer has also advised the Board that these buildings are leased out and the market approach has reflected the value of leasing.

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The appraised value of the investment real estate of COSCO SHIPPING Finance increased by approximately RMB139 million from the book value. The Valuer has advised that the buildings were purchased in 1997 and the market price of the buildings has increased afterward.

As stated in the Valuation Report, these buildings of COSCO SHIPPING Finance are without real estate title certificates. The Valuer did not consider the effect on the valuation of the buildings because these buildings are currently owned by COSCO SHIPPING Finance without any ownership dispute. Further, the appraised value of these buildings is insignificant and accounted for approximately 0.1% of the appraised value of the total assets of COSCO SHIPPING Finance. The Valuer has advised the Board that such appraisal method is a common methodology in establishing the valuation of such buildings and complies with the relevant professional standard for valuation in the PRC.

(vi) Other issues

As stated in the Valuation Report, there are certain guarantees, the appraised value of which is approximately RMB4,319 million accounting for approximately 2.83% of the appraised value of the total assets of COSCO SHIPPING Finance. The valuation has not been affected by such guarantees as the guarantees are provided to the associated companies by COSCO SHIPPING Finance and there is no default risk in the loans in respect of such guarantees. The Valuer has advised the Board that not considering guarantees is a common methodology for valuation in the PRC.

The Board and the Valuer have also considered that as the major daily operation of COSCO SHIPPING Finance involved the fund transfers within the COSCO SHIPPING Group which were conducted online, the impact of COVID-19 on the operation of COSCO SHIPPING Finance is insignificant and therefore, would not affect the valuation results.

In light of the above and taking account of the qualification, experience, and background of the Valuer, the Board confirms that the Valuer is an independent and competent valuer to conduct the valuation of COSCO SHIPPING Finance, and is of the view that the selection of the income approach, the bases, principal assumptions and parameters adopted in the Valuation Report are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

For full text of the Valuation Report, please refer to the the Valuation Report published on the websites of the Stock Exchange and the Company as further described in the section headed “Appendix II – 8. Documents on Display” of this circular and the overseas regulatory announcement of the Company dated 20 May 2022.

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As the Valuation Report for the transactions contemplated under the Equity Transfer Agreement is still undergoing the state-owned assets filing procedures in accordance with relevant laws and regulations of the PRC as at the Latest Practicable Date, the parties to the Equity Transfer Agreement agreed and confirmed that if the Valuation Report is adjusted during the filing process, the consideration for the transactions contemplated under the Equity Transfer Agreement shall be adjusted accordingly as confirmed after the completion of the said filing procedures.

Conditions

The Equity Transfer Agreement shall be effective upon the satisfaction of the following conditions:

- (1) the completion of all internal approval procedures in respect of the execution and performance of the Equity Transfer Agreement by the parties thereto in accordance with their respective articles of association and applicable laws, regulations and normative documents;
- (2) the consent for the transactions contemplated under the Equity Transfer Agreement being obtained at the shareholders' meeting of COSCO SHIPPING Finance;
- (3) the consents for the non-exercise of the Right of First Refusal being obtained from relevant shareholders of COSCO SHIPPING Finance and the completion of all internal approval procedures by such shareholders of COSCO SHIPPING Finance in respect of the non-exercise of the Right of First Refusal;
- (4) the approval(s) for the transactions contemplated under the Equity Transfer Agreement being obtained from the PRC governmental department and its authorized offices in respect of state-owned assets supervision and administration; and
- (5) the approval for the proposal of the Shareholding Restructuring being obtained from Shanghai office of CBIRC.

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Payment Conditions and Terms

COSCO shall fully pay the consideration under the Equity Transfer Agreement in cash to the Company within 15 business days after all the following payment conditions have been satisfied or as otherwise agreed by the parties to the Equity Transfer Agreement:

- (1) the Equity Transfer Agreement becomes effective;
- (2) there is no material adverse changes of COSCO SHIPPING Finance in respect of its business, operation, asset and indebtedness taking place after 31 December 2021; and
- (3) there is no breach of the Equity Transfer Agreement and all the representations and warranties thereof remain valid.

Completion

The Company shall cooperate with COSCO to complete the registration with the relevant administration of industry and commerce of the PRC in relation to the transfer of equity interests of COSCO SHIPPING Finance contemplated under the Equity Transfer Agreement within 30 business days after all the consideration under the Equity Transfer Agreement having been fully settled and the Company's obligation under the Equity Transfer Agreement to deliver the 10.0000% equity interests in COSCO SHIPPING Finance to COSCO shall be duly performed upon the completion of such registration. The parties to the Equity Transfer Agreement agree and confirm that during the Transition Period, the profit and loss of the Target Assets shall accrue to or be borne by the Company, as the case may be.

Reasons for and Benefits of the Disposal of Equity Interests under the Equity Transfer Agreement and Use of Proceeds

The Disposal of Equity Interests could further optimize the layout of the Company's industrial structure with focus on the Company's main business of shipping leasing and container leasing and manufacturing. The Disposal of Equity Interests could provide cash inflow to the Company in the amount of approximately RMB911,638,820 (equivalent to approximately HK\$1,093,966,584). The Group currently intends to apply the proceeds from the Disposal of Equity Interests as general working capital and to support the funding needs for the future business development of the Group, where part of the proceeds will be wholly or partially used for the repayment of bank loans in the amount not exceeding RMB700,000,000 which would fall due in 2022 and the rest will be used to partially settle the interest expenses of the Company as of September 2022. Subject to final audit, it is expected that the Group will realize a gain on disposal from the Disposal of Equity Interests of approximately RMB1,378,039.6 (excluding the profit and loss of the Target Assets during the Transition Period) with reference to the carrying value of the Group's long term investment in the Target Assets as at 31 December 2021. In addition, the Disposal of Equity Interests could also enable COSCO SHIPPING Finance to further optimize its shareholding structure, better

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comply with the regulatory requirements and establish a corporate governance system that is more suitable for its development, so that the shareholding structure of COSCO SHIPPING Finance is more compatible with its business scale.

Pursuant to the Implementation Measures of the China Banking and Insurance Regulatory Commission for the Administrative Licensing Items concerning Non-Banking Financial Institutions (《中國銀保監會非銀行金融機構行政許可事項實施辦法》) issued by the CBIRC (the “**Implementation Measures**”), several existing shareholders of COSCO SHIPPING Finance failed to satisfy the requirement (including but not limited to the profitability capacity, and the percentage of net assets to total assets) as an eligible shareholder of COSCO SHIPPING Finance. Accordingly, such shareholders shall dispose of their shareholdings in COSCO SHIPPING Finance entirely and cease to act as its shareholders. In addition, pursuant to the Shareholding Restructuring, new shareholders of COSCO SHIPPING Finance could provide COSCO SHIPPING Finance with more abundant and high-quality resources to build and integrate an industry-financial ecosystem with closer connection with the shipping sector, so as to realize the transformation and upgrading of COSCO SHIPPING Finance and further enhance its financial services capabilities, and better meet the financing needs of the Company’s container leasing and manufacturing sector to provide the Shareholders with stable and sustainable return of investment. Moreover, the relevant regulatory authorities also welcome the members representing the core business sectors of the COSCO SHIPPING Group to become shareholders of COSCO SHIPPING Finance, so as to provide support to the strategic and business development of COSCO SHIPPING Finance, so that COSCO SHIPPING Finance can provide its shareholders with stable and sustainable return of investment based on its stable development. As a result the Shareholding Restructuring can optimize the shareholding structure of COSCO SHIPPING Finance in order to enhance the overall performance of financial services to its shareholders. Upon completion of the Disposal of Equity Interests, the Company will hold 13.3840% equity interests in COSCO SHIPPING Finance and become the third largest shareholder of COSCO SHIPPING Finance.

As the Disposal of Equity Interests can (i) further optimize the layout of the Company’s industrial structure with focus on the Company’s main business of shipping leasing and container leasing and manufacturing; (ii) provide cash inflow to the Company; and (iii) introduce new shareholders to COSCO SHIPPING Finance to support its development, the Board consider it a good opportunity to conduct the Disposal of Equity Interests as part of the Shareholding Restructuring. Taking into account the above, the Board (including the independent non-executive Directors) considers that the terms of the Equity Transfer Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

The Capital Increase Agreement

The Board is also pleased to announce that, on 19 May 2022, each of the Post-restructuring Shareholders (including the Company) entered into the Capital Increase Agreement, pursuant to which the Post-restructuring Shareholders conditionally agree to increase the registered capital of COSCO SHIPPING Finance by the aggregate of RMB13,500 million (equivalent to approximately HK\$16,200 million) in proportion to their respective shareholdings of COSCO SHIPPING Finance upon completion of the Shareholding Restructuring. Accordingly, the Company agrees to contribute RMB1,806,840,000 (equivalent to approximately HK\$2,168,208,000) pursuant to the Capital Increase Agreement.

Upon completion of the Shareholding Restructuring and the Capital Increase, the registered capital of COSCO SHIPPING Finance will be increased from RMB6,000 million to RMB19,500 million, while the shareholding by the Company in COSCO SHIPPING Finance will remain at 13.3840%.

The principal terms of the Capital Increase Agreement is set out below.

Date

19 May 2022

Parties

- (1) COSCO SHIPPING;
- (2) COSCO SHIPPING Holdings;
- (3) the Company;
- (4) COSCO SHIPPING Energy;
- (5) COSCO;
- (6) COSCO SHIPPING Lines;
- (7) COSCO SHIPPING Specialized; and
- (8) COSCO SHIPPING Logistics

LETTER FROM THE BOARD

Subject matter

The Post-restructuring Shareholders conditionally agree to increase the registered capital of COSCO SHIPPING Finance by an aggregate of RMB13,500 million (equivalent to approximately HK\$16,200 million) in proportion to their respective shareholdings of COSCO SHIPPING Finance upon completion of the Shareholding Restructuring.

Consideration

The aggregate amount of capital contribution payable by the Post-restructuring Shareholders to COSCO SHIPPING Finance for the Capital Increase under the Capital Increase Agreement is RMB13,500 million (equivalent to approximately HK\$16,200 million), the breakdown of which is set out below:

Post-restructuring Shareholders	Shareholding Percentage in Equity Interests of COSCO SHIPPING Finance upon the Completion of Shareholding Restructuring	Capital Contribution immediately before the Capital Increase	Amount of Capital Contribution Payable pursuant to the Capital Increase	Capital Contribution immediately after the Capital Increase
COSCO SHIPPING	31.2083%	RMB1,872,493,772	RMB4,213,120,500	RMB6,085,614,272
COSCO SHIPPING Holdings the Company	15.1258%	RMB907,548,333	RMB2,041,983,000	RMB2,949,531,333
COSCO SHIPPING Energy COSCO	13.3840%	RMB803,040,268	RMB1,806,840,000	RMB2,609,880,268
COSCO SHIPPING Lines	10.9145%	RMB654,872,460	RMB1,473,457,500	RMB2,128,329,960
COSCO SHIPPING Specialized	10.0000%	RMB600,000,000	RMB1,350,000,000	RMB1,950,000,000
COSCO SHIPPING Logistics	7.8430%	RMB470,580,380	RMB1,058,805,000	RMB1,529,385,380
Total	100%	RMB6,000,000,000	RMB13,500,000,000	RMB19,500,000,000

The amount of capital contribution for the Capital Increase shall be payable in full by each of the Post-restructuring Shareholders in cash within 15 business days after the approval for the Capital Increase has been obtained from Shanghai office of CBIRC.

The amount of capital contribution for the Capital Increase was determined after arm's length negotiations among the Post-restructuring Shareholders with reference to, among other things, (i) their respective shareholdings in COSCO SHIPPING Finance and (ii) the estimated business needs and future business development of COSCO SHIPPING Finance.

LETTER FROM THE BOARD

The amount of capital contribution for the Capital Increase payable by the Company in the amount of RMB1,806,840,000 (equivalent to approximately HK\$2,168,208,000) will be funded by the internal resources of the Group.

Conditions

The Capital Increase Agreement shall be effective upon the satisfaction of the following conditions:

- (1) the duly execution of the Capital Increase Agreement by the legal representatives or authorized representatives of the parties thereto and affix of company chop by the parties thereto;
- (2) the completion of relevant internal approval procedures in respect of the Capital Increase Agreement by the parties thereto in accordance with their respective articles of association and applicable laws and regulations;
- (3) the consent for the Capital Increase being obtained at the shareholders' meeting of COSCO SHIPPING Finance;
- (4) the approval(s) for the Capital Increase being obtained from the PRC governmental department and its authorized offices in respect of state-owned assets supervision and administration;
- (5) the approval for the Shareholding Restructuring being obtained from the Shanghai office of CBIRC and the Shareholding Restructuring being duly completed; and
- (6) the approval for the Capital Increase being obtained from the Shanghai office of CBIRC.

Reasons for and Benefits of the Capital Increase

In view of the COSCO SHIPPING Finance's capital adequacy ratio of 11.13% at the end of 2021, which is close to the regulatory red line of 10.5%, the business of COSCO SHIPPING Finance is restricted by the capital adequacy ratio, as a result, COSCO SHIPPING Finance needs to increase the registered capital to improve the capital adequacy ratio to meet the continuous growth of financial service need of members of the COSCO SHIPPING Group. The amount of the Capital Increase is based on the estimated capital concentration of 60% of COSCO SHIPPING Finance in the future, which is expected to reach RMB205 billion in deposits, and RMB112.8 billion in loans with a comprehensive deposit and loan ratio of 55%. If COSCO SHIPPING Finance increases its capital adequacy ratio to 15% with reference to the relevant regulatory requirements, it is predicted that the registered capital of COSCO SHIPPING Finance shall be increased by RMB13.5 billion.

LETTER FROM THE BOARD

The Capital Increase will provide additional capital for COSCO SHIPPING Finance to increase its capital adequacy ratio, increase its risk resistance capacity and effectively prevent and control the investment risk of its shareholders. In addition, the Capital Increase could also optimize the asset portfolio of COSCO SHIPPING Finance and enhance the efficiency and performance of its capital utility, provide stable and adequate return on investment to the Company and reduce the risks arising from fluctuation of the shipping market. Moreover, the Capital Increase will further strengthen its capacity of providing credit and loan-related services and in turn enable COSCO SHIPPING Finance to provide stable and favorable financial services to the Group in the future.

The terms of the Capital Increase Agreement and the transactions contemplated thereunder were agreed after arm's length negotiations among the Post-restructuring Shareholders. By participating in the Capital Increase in proportion to its shareholding in COSCO SHIPPING Finance, the Group can prevent dilution of its shareholding in COSCO SHIPPING Finance, which can maximize value to shareholders and further increase return on investment from COSCO SHIPPING Finance.

The Company has considered the approaches for (i) conducting the Disposal of Equity Interests and then conducting the Capital Increase by the Company or (ii) conducting the Capital Increase by the Company directly after the Company's shareholding in COSCO SHIPPING Finance drops to 13.3840% passively without conducting the Disposal of Equity Interests, and noted that there is no material difference in terms of the impact on the Group's cash flow. In addition, the Disposal of Equity Interests could further optimize the layout of the Company's industrial structure with focus on the Company's main business of shipping leasing and container leasing and manufacturing. As a result, the Company considers that conducting the Disposal of Equity Interests and the Capital Increase by the Company at the same time is in the interest of the Company and the Shareholders as a whole.

Taking into account the above, the Board (including the independent non-executive Directors) considers that the terms of the Capital Increase Agreement are on normal commercial terms, fair and reasonable and are in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Shareholding Structure of COSCO SHIPPING Finance

The shareholding structure of COSCO SHIPPING Finance (i) as at the Latest Practicable Date, (ii) immediately after completion of the Shareholding Restructuring, and (iii) immediately after completion of the Shareholding Restructuring and the Capital Increase is set out below:

Parties	Shareholding as at the Latest Practicable Date		Shareholding immediately after completion of the Shareholding Restructuring		Shareholding immediately after completion of the Shareholding Restructuring and the Capital Increase	
	<i>Amount of contribution to the registered capital (RMB)</i>	<i>Approximate percentage of the registered capital (%)</i>	<i>Amount of contribution to the registered capital (RMB)</i>	<i>Approximate percentage of the registered capital (%)</i>	<i>Amount of contribution to the registered capital (RMB)</i>	<i>Approximate percentage of the registered capital (%)</i>
(1) COSCO SHIPPING	1,872,493,772	31.2083	1,872,493,772	31.2083	6,085,614,272	31.2083
(2) The COSCO SHIPPING Holdings Group						
COSCO SHIPPING Holdings	Nil	–	907,548,333	15.1258	2,949,531,333	15.1258
COSCO SHIPPING Lines	470,580,380	7.8430	470,580,380	7.8430	1,529,385,380	7.8430
COSCO International Freight	192,072,841	3.2012	Nil	–	Nil	–
Sub-total	662,653,221	11.0442	1,378,128,713	22.9688	4,478,916,713	22.9688
(3) the Company	1,403,040,268	23.3840	803,040,268	13.3840	2,609,880,268	13.3840
(4) COSCO SHIPPING Energy	654,872,460	10.9145	654,872,460	10.9145	2,128,329,960	10.9145
(5) The COSCO SHIPPING Specialized Group						
COSCO SHIPPING Specialized	192,072,841	3.2012	403,355,526	6.7226	1,310,906,526	6.7226
Guangzhou Ocean	211,282,685	3.5214	Nil	–	Nil	–
Sub-total	403,355,526	6.7226	403,355,526	6.7226	1,310,906,526	6.7226
(6) Other COSCO SHIPPING Subsidiaries						
COSCO	Nil	–	600,000,000	10.0000	1,950,000,000	10.0000
COSCO SHIPPING Logistics	Nil	–	288,109,261	4.8018	936,352,261	4.8018
COSCO Tianjin	384,148,882	6.4025	Nil	–	Nil	–
China Agency	268,902,617	4.4817	Nil	–	Nil	–
COSCO Qingdao	153,659,553	2.5610	Nil	–	Nil	–
COSCO Shipbuilding	72,028,915	1.2005	Nil	–	Nil	–
COSCO Shipyard	48,018,210	0.8003	Nil	–	Nil	–
China Bunker	38,413,288	0.6402	Nil	–	Nil	–
COSCO Xiamen	19,206,644	0.3201	Nil	–	Nil	–
China Tally	19,206,644	0.3201	Nil	–	Nil	–
Sub-total	1,003,584,753	16.7264	888,109,261	14.8018	2,886,352,261	14.8018
Total	6,000,000,000	100	6,000,000,000	100	19,500,000,000	100

LETTER FROM THE BOARD

In light of the above, upon completion of the Shareholding Restructuring and the Capital Increase, the Company will remain its proportion of equity interests of COSCO SHIPPING Finance at 13.3840%, therefore COSCO SHIPPING Finance will not become a subsidiary of the Company and its financial statements will not be consolidated into the financial statements of the Group.

Information on COSCO SHIPPING FINANCE

COSCO SHIPPING Finance is a company established under the laws of the PRC with limited liability and is a non-wholly owned subsidiary of COSCO SHIPPING. It is principally engaged in the provision of deposit services, credit services, financial and financing consultation, credit verification and related consultation and agency services, settlement and liquidation.

Based on the financial statements of COSCO SHIPPING Finance prepared in accordance with Accounting Standards for Business Enterprises, the financial information of COSCO SHIPPING Finance for the two years ended 31 December 2020 and 2021 was approximately as follows:

	For the year ended	
	31 December	
	2020	2021
	<i>(RMB' 000)</i>	<i>(RMB' 000)</i>
	<i>(Audited)</i>	<i>(Audited)</i>
	<i>Approximately</i>	<i>Approximately</i>
Profit before taxation	651,768	456,466
Profit after taxation	500,158	341,335
	As at 31 December	
	2020	2021
	<i>(RMB' 000)</i>	<i>(RMB' 000)</i>
	<i>(Audited)</i>	<i>(Audited)</i>
	<i>Approximately</i>	<i>Approximately</i>
Net Assets	8,743,332	8,790,521

Information of the Parties to the Equity Transfer Agreement and the Parties to the Capital Increase Agreement

Information on the Company

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

The Group is principally engaged in shipping and industry-related leasing businesses, manufacturing of containers and provision of investment and financial services.

LETTER FROM THE BOARD

Information on COSCO SHIPPING

COSCO SHIPPING is a company incorporated under the laws of the PRC and is a state-owned enterprise controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

The scope of business of COSCO SHIPPING includes international shipping, ancillary business in international maritime transportation, import and export of goods and technologies, international freight agency business, leasing of self-owned vessels, sales of vessels, containers and steel and maritime engineering.

Information on COSCO SHIPPING Holdings

COSCO SHIPPING Holdings is a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Hong Kong Stock Exchange and the A shares of which are listed on the Shanghai Stock Exchange.

COSCO SHIPPING Holdings and its subsidiaries provide a wide range of container shipping and terminal services covering the whole shipping value chain for both international and domestic customers.

Information on COSCO SHIPPING Energy

COSCO SHIPPING Energy is a joint stock limited company incorporated in the PRC, the H shares of which are listed on the Hong Kong Stock Exchange and the A shares of which are listed on the Shanghai Stock Exchange.

COSCO SHIPPING Energy and its subsidiaries are principally engaged in investment holding, oil shipment along the coast of the PRC and internationally, international liquefied natural gas shipment and vessel chartering.

Information on COSCO

COSCO is a PRC state-owned enterprise established under the laws of the PRC and a wholly-owned subsidiary of COSCO SHIPPING. It is principally engaged in operation of bulk cargo shipping, general cargo and special vessel shipping, ship repair and retrofit, ship building, provision of vessel fuels, and provision of financial services, ship trading services and seaman and ship management services.

Information on COSCO SHIPPING Lines

COSCO SHIPPING Lines is a company established under the laws of the PRC with limited liability and is a wholly-owned subsidiary of COSCO SHIPPING Holdings. It is principally engaged in container shipping.

LETTER FROM THE BOARD

Information on COSCO SHIPPING Specialized

COSCO SHIPPING Specialized is a joint stock limited company established under the laws of the PRC with limited liability and the A shares of which are listed on the Shanghai Stock Exchange.

COSCO SHIPPING Specialized and its subsidiaries are principally engaged in the operations and management of vessels and carriers and cargo transportation.

Information on COSCO SHIPPING Logistics

COSCO SHIPPING Logistics is a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of COSCO SHIPPING. It is principally engaged in the provision of cargo logistics, international freight agency services and related consultancy services.

Implications under the Hong Kong Listing Rules

As at the Latest Practicable Date, 47,570,789 A Shares, representing approximately 0.35% of the total issued share capital of the Company, were held by COSCO SHIPPING, 4,628,015,690 A Shares, representing approximately 34.06% of the total issued share capital of the Company, were held by China Shipping, a wholly-owned subsidiary of COSCO SHIPPING, 1,447,917,519 A Shares, representing approximately 10.66% of the total issued share capital of the Company, were held by COSCO SHIPPING Investment, an indirect wholly-owned subsidiary of COSCO SHIPPING, and 100,944,000 H Shares, representing approximately 0.74% of the total issued share capital of the Company, were held by Ocean Fortune Investment Limited, a wholly-owned subsidiary of COSCO SHIPPING Investment. Therefore, COSCO SHIPPING and its associates control or are entitled to exercise control over the voting rights in respect of 6,123,503,998 A Shares and 100,944,000 H Shares, representing approximately 45.81% of the total issued share capital of the Company. Accordingly, COSCO SHIPPING is an indirect controlling shareholder of the Company and therefore a connected person of the Company.

As at the Latest Practicable Date, COSCO SHIPPING Finance was a non-wholly owned subsidiary of COSCO SHIPPING and COSCO was a wholly-owned subsidiary of COSCO SHIPPING, respectively. Therefore, each of COSCO SHIPPING Finance and COSCO is an associate (as defined under the Hong Kong Listing Rules) of COSCO SHIPPING and therefore a connected person of the Company. Accordingly, both of the Disposal of Equity Interests and the Capital Increase by the Company will constitute connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

LETTER FROM THE BOARD

The Disposal of Equity Interests

As one or more applicable percentage ratios calculated in accordance with the Hong Kong Listing Rules in respect of the Disposal of Equity Interests exceeds 5% but are all less than 25%, the Disposal of Equity Interests (i) constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules; and (ii) constitutes a connected transaction of the Company and is subject to the reporting, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Capital Increase by the Company

As one or more applicable percentage ratios calculated in accordance with the Hong Kong Listing Rules in respect of the Capital Increase exceeds 5% but are all less than 25%, the Capital Increase (i) constitutes a discloseable transaction of the Company and is subject to reporting and announcement requirements under Chapter 14 of the Hong Kong Listing Rules; and (ii) constitutes a connected transaction of the Company and is subject to the reporting, announcement, circular and independent Shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, all being executive Directors, and Mr. Huang Jian, Mr. Liang Yanfeng and Mr. Ip Sing Chi, all being non-executive Directors, hold directorship(s) or act as senior management in COSCO SHIPPING and/or its associates, and were nominated by China Shipping to the Board. Accordingly, Mr. Wang Daxiong, Mr. Liu Chong, Mr. Xu Hui, Mr. Huang Jian, Mr. Liang Yanfeng and Mr. Ip Sing Chi have therefore abstained from voting on the relevant Board resolutions approving (i) the Equity Transfer Agreement and the Disposal of Equity Interests, and (ii) the Capital Increase Agreement and the Capital Increase by the Company pursuant to the articles of association of the Company. Save as aforementioned, none of the other Directors has a material interest in (i) the Equity Transfer Agreement and the Disposal of Equity Interests, and (ii) the Capital Increase Agreement and the Capital Increase by the Company. Therefore, no other Director has abstained from voting on such Board resolutions.

Save as disclosed above, none of other Directors has a material interest in (i) the Equity Transfer Agreement and the Disposal of Equity Interests, and (ii) the Capital Increase Agreement and the Capital Increase by the Company and was required to abstain from voting on the relevant resolutions.

The resolutions in relation to each of (1) the Equity Transfer Agreement and the Disposal of Equity Interest; and (2) the Capital Increase Agreement and the Capital Increase by the Company will be submitted, by way of ordinary resolutions, for the Shareholders' consideration and approval at the AGM.

LETTER FROM THE BOARD

XII. THE AGM

The AGM will be held at 1:30 p.m. on Thursday, 30 June 2022 at Holiday Inn Shanghai Jinxiu, 399 Jin Zun Road, Pudong New Area, Shanghai, the PRC, for the Shareholders to consider and, if thought fit, approve the abovementioned resolutions. The abovementioned resolutions will be proposed by way of ordinary and special resolutions at the AGM to be approved by the Shareholders. The voting in relation to such resolutions will be conducted by way of poll.

The Notice of AGM, which contains the resolutions to be proposed at the AGM, is set out on pages AGM-1 to AGM-4 of this circular.

COSCO SHIPPING and its associates and those who are involved or interested in the Disposal of Equity Interests under the Equity Transfer Agreement and/or the Capital Increase by the Company will be required to abstain from voting on the relevant resolutions to be proposed at the AGM. Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Disposal of Equity Interests under the Equity Transfer Agreement and/or the Capital Increase by the Company and therefore no other Shareholder is required to abstain from voting on the relevant resolutions to be proposed at the AGM.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the resolutions to be proposed at the AGM, and therefore no Shareholder is required to abstain from voting at the AGM for such resolutions.

For the H Shareholders, the Form of Proxy should be returned to Computershare, the H Share registrar of the Company, by hand or by post not less than 24 hours before the time appointed for holding the AGM or any adjourned meeting thereof.

Completion and return of the Form of Proxy will not preclude a Shareholder from attending and voting in person at the AGM or at any adjourned meeting thereof should you so wish, but in such event the instrument appointing a proxy shall be deemed to be revoked.

XIII. RECOMMENDATION

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed in accordance with Chapter 14A of the Hong Kong Listing Rules to advise the Independent Shareholders on the Equity Transfer Agreement, the Capital Increase Agreement and the transactions contemplated thereunder.

In addition, the Company has appointed TC Capital International Limited as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

LETTER FROM THE BOARD

Having considered the advice from the Independent Financial Adviser in relation to the Equity Transfer Agreement, the Capital Increase Agreement and the transactions contemplated thereunder, which is set out on pages 42 to 64 of this circular, the Independent Board Committee is of the opinion that the Equity Transfer Agreement, the Capital Increase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favor of the ordinary resolutions to be proposed at the AGM in relation to (1) the Equity Transfer Agreement and the Disposal of Equity Interests; and (2) the Capital Increase Agreement and the Capital Increase by the Company.

Having considered the reasons set out herein, the Directors (including the independent non-executive Directors having considered the advice from the Independent Financial Adviser) are of the opinion that the Equity Transfer Agreement, the Capital Increase Agreement and the transactions contemplated thereunder are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The Board considers that the abovementioned resolutions are in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends the Shareholders to vote in favour of these resolutions to be proposed at the AGM.

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

* *The Company is a registered non-Hong Kong company as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and it is registered under its Chinese name and under the English name "COSCO SHIPPING Development Co., Ltd."*



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

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 02866)

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO
(1) THE DISPOSAL OF EQUITY INTERESTS IN COSCO SHIPPING FINANCE; AND
(2) THE CAPITAL INCREASE IN COSCO SHIPPING FINANCE**

We refer to the circular of the Company dated 9 June 2022 (the “**Circular**”), of which this letter forms part. Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of (a) the Equity Transfer Agreement and the Disposal of Equity Interests; and (b) the Capital Increase Agreement and the Capital Increase by the Company, details of which are set out in the “Letter from the Board” in the Circular. TC Capital International Limited has been appointed as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard.

We wish to draw your attention to the “Letter from the Board” set out on pages 10 to 39 of the Circular, the “Letter from the Independent Financial Adviser” set out on pages 42 to 64 of the Circular and the additional information set out in the appendices thereto.

Having taken into account, among other things, the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in the “Letter from the Independent Financial Adviser” in the Circular, we concur with the view of the Independent Financial Adviser and consider that while (a) the Equity Transfer Agreement and the Disposal of Equity Interests; and (b) the Capital Increase Agreement and the Capital Increase by the Company are not conducted in the ordinary and usual course of business of the Group, (i) the Equity Transfer Agreement and the Disposal of Equity Interests, and the Capital Increase Agreement and the Capital Increase by the Company are on normal commercial terms; and (ii) the Equity Transfer Agreement and the Disposal of Equity Interests, and the Capital Increase Agreement and the Capital Increase by the Company are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions in relation to the Equity Transfer Agreement and the Disposal of Equity Interests, and the Capital Increase Agreement and the Capital Increase by the Company to be proposed at the AGM.

Yours faithfully,

Independent Board Committee

Mr. Cai Hongping Mr. Lu Jianzhong

Ms. Zhang Weihua Mr. Shao Ruiqing

Independent non-executive Directors

* *The Company is a registered non-Hong Kong company as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and it is registered under its Chinese name and under the English name "COSCO SHIPPING Development Co., Ltd."*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is the text of a letter received from TC Capital International Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposal of Equity Interests and the Capital Increase by the Company for the purpose of inclusion in this circular.



9 June 2022

The Independent Board Committee and the Independent Shareholders
COSCO SHIPPING Development Co., Ltd.

Dear Sirs,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS IN RELATION TO
(1) THE DISPOSAL OF EQUITY INTERESTS IN COSCO SHIPPING FINANCE; AND
(2) THE CAPITAL INCREASE IN COSCO SHIPPING FINANCE**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Disposal of Equity Interests and the Capital Increase by the Company, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 9 June 2022 issued to the Shareholders (the “**Circular**”). Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 19 May 2022, COSCO and the Company entered into the Equity Transfer Agreement, pursuant to which the Company conditionally agrees to sell and COSCO conditionally agrees to purchase 10.0000% of the equity interests of COSCO SHIPPING Finance at the total consideration of RMB911,638,820 (equivalent to approximately HK\$1,093,966,584).

On 19 May 2022, each of the Post-restructuring Shareholders (including the Company) entered into the Capital Increase Agreement, pursuant to which the Post-restructuring Shareholders conditionally agree to increase the registered capital of COSCO SHIPPING Finance by the aggregate of RMB13,500 million (equivalent to approximately HK\$16,200 million) in proportion to their respective shareholdings in COSCO SHIPPING Finance upon completion of the Shareholding Restructuring. Accordingly, the Company agrees to contribute RMB1,806,840,000 (equivalent to approximately HK\$2,168,208,000) pursuant to the Capital Increase Agreement.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

COSCO SHIPPING is an indirect controlling shareholder of the Company and therefore a connected person of the Company. As at the Latest Practicable Date, COSCO SHIPPING Finance was a non-wholly owned subsidiary of COSCO SHIPPING and COSCO was a wholly-owned subsidiary of COSCO SHIPPING, respectively. Therefore, each of COSCO SHIPPING Finance and COSCO is an associate (as defined under the Hong Kong Listing Rules) of COSCO SHIPPING and therefore a connected person of the Company. Accordingly, both of the Disposal of Equity Interests and the Capital Increase by the Company will constitute connected transactions of the Company and are subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

The Independent Board Committee comprising Mr. Cai Hongping, Mr. Lu Jianzhong, Ms. Zhang Weihua and Mr. Shao Ruiqing (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Equity Transfer Agreement and the Capital Increase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Disposal of Equity Interests and the Capital Increase by the Company are in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Disposal of Equity Interests and the Capital Increase by the Company at the AGM. We, TC Capital International Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

OUR INDEPENDENCE

We have not provided any other services to the Company in the last two years. As at the Latest Practicable Date, we did not have any relationships with or interests in the Company or any other parties that could reasonably be regarded as relevant to the independence of us.

BASIS OF OUR OPINION

In putting forth our recommendation, we have relied on the information, opinions, facts and representations supplied to us by the Directors and/or the representatives of the Company. We have reviewed, among other things, (i) the Equity Transfer Agreement; (ii) the Capital Increase Agreement; (iii) the annual report of the Company for the year ended 31 December 2021 (the “**2021 Annual Report**”) and the first quarterly report of the Company for the three months ended 31 March 2022 (the “**2022 First Quarterly Report**”); (iv) the valuation report in respect of 100% equity interests in COSCO SHIPPING Finance as at 31 December 2021 (the “**Valuation Report**”) prepared by the Valuer; (v) the audit reports of COSCO SHIPPING Finance for the two years ended 31 December 2021; (vi) other information as set out in the Circular; and (vii) relevant market data and information available from public sources.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have assumed that all such information, opinions, facts and representations provided to us by the Directors and/or the representatives of the Company, for which they are fully responsible, are true, accurate and complete in all respects. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and/or the representatives of the Company. The Company has also confirmed to us that no material facts have been omitted from the information supplied and we have no reason to suspect that any material information has been withheld or is misleading.

We consider that we have sufficient information currently available to reach an informed view and to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided by the Directors and/or the representatives of the Company, nor have we conducted any independent investigation into the business, affairs, operations, financial position or future prospects of each of the Group, COSCO, COSCO SHIPPING Finance, COSCO SHIPPING, COSCO SHIPPING Holdings, COSCO SHIPPING Energy, COSCO SHIPPING Lines, COSCO SHIPPING Specialized, COSCO SHIPPING Logistics and any of their respective subsidiaries and associates.

We have not made any independent evaluation or appraisal of the assets and liabilities of COSCO SHIPPING Finance, and we have not been furnished with any such evaluation or appraisal, save as and except for the Valuation Report. The Valuation Report was prepared by the Valuer. Since we are not experts in the valuation of businesses, companies or assets, we have relied solely upon the Valuation Report for the appraised value of 100% equity interests in COSCO SHIPPING Finance as at 31 December 2021.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Disposal of Equity Interests and the Capital Increase by the Company, we have taken into account the following principal factors and reasons:

1. Background information of the parties

Information on the Group

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

The Group is principally engaged in shipping and industry-related leasing businesses, manufacturing of containers and provision of investment and financial services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is certain financial information of the Group for the three years ended 31 December 2021 (“FY2019”, “FY2020” and “FY2021” respectively) and the three months ended 31 March 2021 and 2022 respectively (“1Q2021” and “1Q2022” respectively) as extracted from the 2021 Annual Report and the 2022 First Quarterly Report:

	For the year ended 31 December			For the three months ended 31 March	
	2019	2020	2021	2021	2022
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
	<i>(Restated)</i>	<i>(Restated)</i>			
Revenue/total operating revenue	7,669	12,853	34,915	5,954	6,205
Gross profit/profit from operations	1,165	2,529	9,970	1,011	1,633
Profit for the year/net profit	1,600	2,139	6,089	828	1,377
				As at	
				As at 31 December	31 March
	2019	2020	2021	2021	2022
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
	<i>(Restated)</i>	<i>(Restated)</i>			
Total assets	149,676	153,235	132,616	131,816	
Total liabilities	122,153	125,829	99,927	99,250	
Net assets	27,523	27,406	32,689	32,566	

As shown in the above table, the revenue of the Group increased by approximately 67.6% to approximately RMB12,853 million for FY2020 as compared to that for FY2019. As advised by the representatives of the Company, such increase was mainly due to the increase in revenue from the container manufacturing business because of the increase in both sales volume and price of containers as a result of the shortage in repositioned containers in shipping routes across Europe and the USA and buoyant demands in the domestic container market caused by the COVID-19 pandemic. The gross profit of the Group amounted to approximately RMB2,529 million for FY2020, representing an increase of approximately 117.1% as compared to that for FY2019. As advised by the representatives of the Company, such increase was mainly due to the increase in gross profit from the container manufacturing business.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The revenue of the Group increased significantly by approximately 171.6% to approximately RMB34,915 million for FY2021 as compared to that for FY2020. As disclosed in the 2021 Annual Report, such increase was primarily attributable to the increase in revenue from the container manufacturing business because of the increase in both sales volume and price of containers as a result of the shortage in repositioned containers in shipping routes across Europe and the USA and buoyant demands in the domestic container market caused by the COVID-19 pandemic. The gross profit of the Group amounted to approximately RMB9,970 million for FY2021, representing a substantial increase of approximately 294.2% as compared to that for FY2020. As advised by the representatives of the Company, the increase was mainly due to the increase in gross profit from the container manufacturing business.

The total operating revenue of the Group increased by approximately 4.2% to approximately RMB6,205 million for 1Q2022 as compared to that for 1Q2021. As advised by the representatives of the Company, such increase was primarily attributable to the increase in revenue from the container manufacturing business which was partially offset by the deconsolidation of a subsidiary of the Company which led to the decrease in revenue from the leasing business. The profit from operations of the Group amounted to approximately RMB1,633 million for 1Q2022, representing an increase of approximately 61.5% as compared to that for 1Q2021. As advised by the representatives of the Company, the increase was mainly due to the increase in gross profit from the container manufacturing business.

As advised by the representatives of the Company, the net assets of the Group remained stable in FY2020 as a result of the net profit of the Group during the same period which was offset by the repayment of perpetual bonds of the Company, share of other comprehensive loss of associates and dividends declared during FY2020. The net assets of the Group increased by approximately 19.3% in FY2021 as a result of the profit-making position of the Group during the same period. The net assets of the Group kept stable in 1Q2022 mainly due to the net profit of the Group during the same period which was offset by the repayment of perpetual bonds of the Company during 1Q2022.

Information on COSCO SHIPPING Finance

As disclosed in the Letter from the Board, COSCO SHIPPING Finance is a company established under the laws of the PRC with limited liability and is a non-wholly owned subsidiary of COSCO SHIPPING. It is principally engaged in the provision of deposit services, credit services, financial and financing consultation, credit verification and related consultation and agency services, settlement and liquidation.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below is certain financial information of COSCO SHIPPING Finance for FY2020 and FY2021 prepared in accordance with the PRC Accounting Standards for Business Enterprises[#] (中國企業會計準則):

	For the year ended	
	31 December	
	2020	2021
	<i>RMB million</i>	<i>RMB million</i>
	<i>(Audited)</i>	<i>(Audited)</i>
Net profit before taxation	652	456
Net profit after taxation	500	341

	As at 31 December	
	2020	
	2020	2021
	<i>RMB million</i>	<i>RMB million</i>
	<i>(Audited)</i>	<i>(Audited)</i>
Net assets	8,743	8,791

According to the tables above, the net profit after taxation of COSCO SHIPPING Finance decreased from approximately RMB500 million for FY2020 to approximately RMB341 million for FY2021. As advised by the representatives of the Company, such decrease was mainly due to the increase in provision for asset impairment with the rapid growth of loan scale, and the impact of capital adequacy on asset allocation. The net assets of COSCO SHIPPING Finance remained stable at approximately RMB8,743 million and RMB8,791 million as at 31 December 2020 and 2021 respectively. As advised by the representatives of the Company, such movement was mainly due to the net profit after taxation for FY2021 which was offset by the cash dividend declared on 20 March 2021.

Information on COSCO SHIPPING

As stated in the Letter from the Board, COSCO SHIPPING is a company incorporated under the laws of the PRC and is a state-owned enterprise controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

The scope of business of COSCO SHIPPING includes international shipping, ancillary business in international maritime transportation, import and export of goods and technologies, international freight agency business, leasing of self-owned vessels, sales of vessels, containers and steel and maritime engineering.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Information on COSCO SHIPPING Holdings

As stated in the Letter from the Board, COSCO SHIPPING Holdings is a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Hong Kong Stock Exchange and the A shares of which are listed on the Shanghai Stock Exchange.

COSCO SHIPPING Holdings and its subsidiaries provide a wide range of container shipping and terminal services covering the whole shipping value chain for both international and domestic customers.

Information on COSCO SHIPPING Energy

As stated in the Letter from the Board, COSCO SHIPPING Energy is a joint stock limited company incorporated in the PRC, the H shares of which are listed on the Hong Kong Stock Exchange and the A shares of which are listed on the Shanghai Stock Exchange.

COSCO SHIPPING Energy and its subsidiaries are principally engaged in investment holding, oil shipment along the coast of the PRC and internationally, international liquefied natural gas shipment and vessel chartering.

Information on COSCO

As stated in the Letter from the Board, COSCO is a PRC state-owned enterprise established under the laws of the PRC and a wholly-owned subsidiary of COSCO SHIPPING. It is principally engaged in operation of bulk cargo shipping, general cargo and special vessel shipping, ship repair and retrofit, ship building, provision of vessel fuels, and provision of financial services, ship trading services and seaman and ship management services.

Information on COSCO SHIPPING Lines

As stated in the Letter from the Board, COSCO SHIPPING Lines is a company established under the laws of the PRC with limited liability and is a wholly-owned subsidiary of COSCO SHIPPING Holdings. It is principally engaged in container shipping.

Information on COSCO SHIPPING Specialized

As stated in the Letter from the Board, COSCO SHIPPING Specialized is a joint stock limited company established under the laws of the PRC with limited liability and the A shares of which are listed on the Shanghai Stock Exchange.

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COSCO SHIPPING Specialized and its subsidiaries are principally engaged in the operations and management of vessels and carriers and cargo transportation.

Information on COSCO SHIPPING Logistics

As stated in the Letter from the Board, COSCO SHIPPING Logistics is a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of COSCO SHIPPING. It is principally engaged in the provision of cargo logistics, international freight agency services and related consultancy services.

2. Reasons for and benefits of the Disposal of Equity Interests and the Capital Increase

According to the Letter from the Board, the Disposal of Equity Interests could further optimise the layout of the Company's industrial structure with focus on the Company's main business of shipping leasing and container leasing and manufacturing. In addition, the Disposal of Equity Interests could also enable COSCO SHIPPING Finance to further optimise its shareholding structure, better comply with the regulatory requirements and establish a corporate governance system that is more suitable for its development, so that the shareholding structure of COSCO SHIPPING Finance is more compatible with its business scale.

Pursuant to the Implementation Measures of the China Banking and Insurance Regulatory Commission for the Administrative Licensing Items concerning Non-Banking Financial Institutions (《中國銀保監會非銀行金融機構行政許可事項實施辦法》) issued by the CBIRC (the “**Implementation Measures**”), several existing shareholders of COSCO SHIPPING Finance failed to satisfy the requirement (including but not limited to the profitability capacity and the percentage of net assets to total assets) as an eligible shareholder of COSCO SHIPPING Finance. Accordingly, such shareholders shall dispose of their shareholdings in COSCO SHIPPING Finance entirely and cease to act as its shareholders. In addition, pursuant to the Shareholding Restructuring, new shareholders of COSCO SHIPPING Finance could provide COSCO SHIPPING Finance with more abundant and high-quality resources to build and integrate an industry-financial ecosystem with closer connection with the shipping sector, so as to realise the transformation and upgrading of COSCO SHIPPING Finance and further enhance its financial services capabilities, and better meet the financing needs of the Company's container leasing and manufacturing sector to provide the Shareholders with stable and sustainable return of investment. Moreover, the relevant regulatory authorities also welcome the members representing the core business sectors of the COSCO SHIPPING Group to become shareholders of COSCO SHIPPING Finance, so as to provide support to the strategic and business development of COSCO SHIPPING Finance, so that COSCO SHIPPING Finance can provide its shareholders with stable and sustainable return of investment based on its stable development. As a result, the Shareholding Restructuring can optimise the shareholding structure of COSCO SHIPPING Finance in order to enhance the overall performance of financial services to its shareholders.

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In view of the capital adequacy ratio of COSCO SHIPPING Finance of approximately 11.13% at the end of 2021, which is close to the regulatory red line of 10.5%, the business of COSCO SHIPPING Finance is restricted by the capital adequacy ratio. As a result, COSCO SHIPPING Finance needs to increase the registered capital to improve the capital adequacy ratio to meet the continuous growth of financial service need of members of the COSCO SHIPPING Group. The amount of the Capital Increase is based on the estimated capital concentration of 60% of COSCO SHIPPING Finance in the future, which is expected to reach RMB205 billion in deposits, and RMB112.8 billion in loans with a comprehensive deposit and loan ratio of 55%. If COSCO SHIPPING Finance increases its capital adequacy ratio to 15% with reference to the relevant regulatory requirements, it is predicted that the registered capital of COSCO SHIPPING Finance shall be increased by RMB13.5 billion.

We have reviewed the calculation of the amount of the Capital Increase of RMB13,500 million and noted that it was determined based on (i) the expected capital adequacy ratio of 15.0%; (ii) the amounts of net capital and risk weighted assets of COSCO SHIPPING Finance as at 31 December 2021; and (iii) the expected increase in each type of risk weighted assets after the Capital Increase. We noted that risk weighted assets mainly comprised credit assets and interbank assets. The expected increase in credit assets was determined based on (i) the expected amount of deposit which was determined based on the comprehensive deposit of COSCO SHIPPING and its subsidiaries as at 31 March 2022 and the target cash concentration rate with reference to the capital concentration rate required under the regulatory rating conducted by the CBIRC; and (ii) the target comprehensive deposit and loan ratio with reference to the average deposit and loan ratio of financial companies for FY2021 as published by the China National Association of Finance Companies (中國財務公司協會). The China National Association of Finance Companies (中國財務公司協會) is under the supervision of the CBIRC. The expected increase in interbank assets was determined based on the rest of the expected amount of deposit after deduction of the amount of deposit used for credit assets. We were also advised that major shareholders of COSCO SHIPPING Finance are obliged to replenish registered capital to improve the level of capital adequacy and enhance the credit risk resistance capacity of COSCO SHIPPING Finance accordingly with the increase in risk weighted assets. As advised by the representatives of COSCO SHIPPING Finance, COSCO SHIPPING Finance plans to increase the credit assets to meet the operation need of members of the COSCO SHIPPING Group and as a result, the registered capital of COSCO SHIPPING Finance shall be increased accordingly. The increase in registered capital enables a financial company to keep steady operation under a higher credit risk. In light of the above, the Capital Increase is likely to increase the capital adequacy ratio and the credit risk resistance capacity of COSCO SHIPPING Finance, taken into account of its estimated business needs and future development.

The Capital Increase will provide additional capital for COSCO SHIPPING Finance to increase its capital adequacy ratio, increase its risk resistance capacity and effectively prevent and control the investment risk of its shareholders. In addition, the Capital Increase could also optimise the asset portfolio of COSCO SHIPPING Finance and enhance the efficiency and performance of its capital utility, provide stable and adequate return on investment to the Company and reduce the risks arising from fluctuation of the shipping market. Moreover, the Capital Increase will further strengthen its capacity of providing credit and loan-related services and in turn enable COSCO SHIPPING Finance to provide stable and favourable financial services to the Group in the future.

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The terms of the Capital Increase Agreement and the transactions contemplated thereunder were agreed after arm's length negotiations among the Post-restructuring Shareholders. By participating in the Capital Increase in proportion to its shareholding in COSCO SHIPPING Finance, the Group can prevent dilution of its shareholding in COSCO SHIPPING Finance, which can maximise value to shareholders and further increase return on investment from COSCO SHIPPING Finance.

Having considered that (i) the Disposal of Equity Interests optimises the layout of the Company's industrial structure with focus on the Company's main business of shipping leasing and container leasing and manufacturing; (ii) the Capital Increase is likely to increase the capital adequacy ratio and the risk resistance capacity of COSCO SHIPPING Finance taken into account of its estimated business needs and future development; and (iii) the basis of the aggregate amount of capital contribution for the Capital Increase, we are of the view that the Disposal of Equity Interests and the Capital Increase by the Company are in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Equity Transfer Agreement and the Capital Increase Agreement

On 19 May 2022, COSCO and the Company entered into the Equity Transfer Agreement, pursuant to which the Company conditionally agrees to sell and COSCO conditionally agrees to purchase 10.0000% of the equity interests of COSCO SHIPPING Finance at the total consideration of RMB911,638,820 (equivalent to approximately HK\$1,093,966,584).

On 19 May 2022, each of the Post-restructuring Shareholders (including the Company) entered into the Capital Increase Agreement, pursuant to which the Post-restructuring Shareholders conditionally agree to increase the registered capital of COSCO SHIPPING Finance by the aggregate of RMB13,500 million (equivalent to approximately HK\$16,200 million) in proportion to their respective shareholdings in COSCO SHIPPING Finance upon completion of the Shareholding Restructuring. Accordingly, the Company agrees to contribute RMB1,806,840,000 (equivalent to approximately HK\$2,168,208,000) pursuant to the Capital Increase Agreement.

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The following table sets out the shareholding structure of COSCO SHIPPING Finance (i) as at the Latest Practicable Date; (ii) immediately after completion of the Shareholding Restructuring; and (iii) immediately after completion of the Capital Increase:

Parties	As at the Latest Practicable Date		Immediately after completion of the Shareholding Restructuring		Immediately after completion of the Capital Increase	
	<i>Amount of contribution to the registered capital (RMB)</i>	<i>Approximate percentage of the registered capital (%)</i>	<i>Amount of contribution to the registered capital (RMB)</i>	<i>Approximate percentage of the registered capital (%)</i>	<i>Amount of contribution to the registered capital (RMB)</i>	<i>Approximate percentage of the registered capital (%)</i>
(1) COSCO SHIPPING	1,872,493,772	31.2083	1,872,493,772	31.2083	6,085,614,272	31.2083
(2) The COSCO SHIPPING Holdings Group						
COSCO SHIPPING Holdings	Nil	–	907,548,333	15.1258	2,949,531,333	15.1258
COSCO SHIPPING Lines	470,580,380	7.8430	470,580,380	7.8430	1,529,385,380	7.8430
COSCO International Freight	192,072,841	3.2012	Nil	–	Nil	–
Sub-total	662,653,221	11.0442	1,378,128,713	22.9688	4,478,916,713	22.9688
(3) The Company	1,403,040,268	23.3840	803,040,268	13.3840	2,609,880,268	13.3840
(4) COSCO SHIPPING Energy	654,872,460	10.9145	654,872,460	10.9145	2,128,329,960	10.9145
(5) The COSCO SHIPPING Specialized Group						
COSCO SHIPPING Specialized	192,072,841	3.2012	403,355,526	6.7226	1,310,906,526	6.7226
Guangzhou Ocean	211,282,685	3.5214	Nil	–	Nil	–
Sub-total	403,355,526	6.7226	403,355,526	6.7226	1,310,906,526	6.7226
(6) Other COSCO SHIPPING Subsidiaries						
COSCO	Nil	–	600,000,000	10.0000	1,950,000,000	10.0000
COSCO SHIPPING Logistics	Nil	–	288,109,261	4.8018	936,352,261	4.8018
COSCO Tianjin	384,148,882	6.4025	Nil	–	Nil	–
China Agency	268,902,617	4.4817	Nil	–	Nil	–
COSCO Qingdao	153,659,553	2.5610	Nil	–	Nil	–
COSCO Shipbuilding	72,028,915	1.2005	Nil	–	Nil	–
COSCO Shipyard	48,018,210	0.8003	Nil	–	Nil	–
China Bunker	38,413,288	0.6402	Nil	–	Nil	–
COSCO Xiamen	19,206,644	0.3201	Nil	–	Nil	–
China Tally	19,206,644	0.3201	Nil	–	Nil	–
Sub-total	1,003,584,753	16.7264	888,109,261	14.8018	2,886,352,261	14.8018
Total	6,000,000,000	100	6,000,000,000	100	19,500,000,000	100

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Immediately after completion of the Disposal of Equity Interests, the shareholding of the Company in COSCO SHIPPING Finance will decrease from 23.3840% to 13.3840% and the Company will become the third largest shareholder of COSCO SHIPPING Finance. Upon completion of the Capital Increase, the shareholding of the Company in COSCO SHIPPING Finance will remain at 13.3840%.

Further details of the Equity Transfer Agreement and the Capital Increase Agreement are set out in the Letter from the Board.

As advised by the representatives of the Company, the consideration for the Disposal of Equity Interests of RMB911,638,820 was determined based on the valuation of 100% equity interests in COSCO SHIPPING Finance. The amount of capital contribution for the Capital Increase payable by the Company of RMB1,806,840,000 was determined based on (i) the Company's shareholding in COSCO SHIPPING Finance; and (ii) the estimated business needs and future business development of COSCO SHIPPING Finance.

Upon our further enquiries on the estimated business needs and future business development of COSCO SHIPPING Finance, the representatives of the Company advised us that due to the expansion of business, the capital adequacy ratio of COSCO SHIPPING Finance decreased to approximately 11.13% as at 31 December 2021 which is close to the lowest capital adequacy ratio of 10.5% required by the authorities. According to the relevant business plan of which the Capital Increase forms part, the capital adequacy ratio of COSCO SHIPPING Finance is expected to increase to approximately 15.0%. We have reviewed the 2021 Major Supervisory Indicators of Commercial Banking Institutions* (2021年商業銀行主要監管指標情況表) published on the website of the CBIRC and noted that the range of capital adequacy ratio of commercial banks in the PRC in 2021 were from approximately 14.48% to approximately 15.13%. Given that the expected capital adequacy ratio of COSCO SHIPPING Finance of approximately 15.0% is within the range of the capital adequacy ratio of commercial banks in the PRC in 2021, we are of the view that the expected capital adequacy ratio of COSCO SHIPPING Finance is fair and reasonable.

Based on the confirmation provided by the representatives of COSCO SHIPPING Finance, COSCO SHIPPING Finance has been in compliance with all the requirements and regulatory indicators set forth by the CBIRC in the past three years. In addition, COSCO SHIPPING Finance has been making profits each year since its establishment and the cash dividends of COSCO SHIPPING Finance has been providing the Company with stable cash flows continuously. The representatives of the Company also advised us that the non-performing loan ratio of COSCO SHIPPING Finance were all nil since its establishment, which indicated that COSCO SHIPPING Finance did not have any non-performing loans. However, due to (i) the increase in provision for asset impairment with the growth of loan scale; (ii) the rapid increase in deposits; and (iii) the lending capacity limited by the capital adequacy ratio and the existing registered capital, the net profit margin of COSCO SHIPPING Finance decreased from approximately 67.2% for FY2019 to approximately 52.4% for FY2020 and further decreased to approximately 33.5% for FY2021. In addition, the return on net asset of COSCO SHIPPING Finance decreased from approximately 12.1% for FY2019 to

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approximately 5.7% for FY2020 and further decreased to approximately 3.9% for FY2021. After the completion of the Capital Increase, the asset allocation structure of COSCO SHIPPING Finance will be optimised and the efficiency of capital use will be improved. The Directors are of the view that the Capital Increase will further expand the business of COSCO SHIPPING Finance and therefore the Company, as its shareholder, will benefit from its strong return on investment for shareholders.

The aggregate amount of capital contribution for the Capital Increase of RMB13,500 million was determined after arm's length negotiations among the Post-restructuring Shareholders and the amount of capital contribution for the Capital Increase payable by the Company of RMB1,806,840,000 was determined based on the Company's shareholding in COSCO SHIPPING Finance. For the basis of the aggregate amount of capital contribution for the Capital Increase of RMB13,500 million, please refer to the section headed "2.Reasons for and benefits of the Disposal of Equity Interests and the Capital Increase" above. Given the foregoing, we consider the amount of capital contribution for the Capital Increase payable by the Company to be fair and reasonable so far as the Independent Shareholders are concerned.

4. The Valuation Report

As advised by the representatives of the Company, the consideration for the Disposal of Equity Interests of RMB911,638,820 was determined based on the valuation of 100% equity interests in COSCO SHIPPING Finance. Pursuant to the Valuation Report, the appraised value of 100% equity interests in COSCO SHIPPING Finance as at 31 December 2021 was RMB9,116,388,200.

While reviewing the Valuation Report, we have discussed with the Valuer on its expertise and obtained the credentials of the persons signing the Valuation Report and both of them have around 20 years' experience in valuation in the PRC. We have also reviewed the Valuer's terms of engagement and discussed with the Valuer on its work performed as regards to the Valuation Report.

Valuation methodologies

We understood from the Valuer that the Valuation Report has been prepared in accordance with its standard practice. As discussed with the Valuer, as there are few comparable transactions in the market and limited disclosures on these transactions for private companies, the market approach was not adopted. We further understood from the Valuer that (i) the asset-based approach fails to reflect the value of COSCO SHIPPING Finance in terms of the franchise license for collecting and lending funds within the enterprise group; and (ii) the income approach focuses on the income generating capability of an enterprise and derive the present value of the enterprise by discounting expected cash flows and, can better reflect the value of COSCO SHIPPING Finance. The Valuer considered that the income approach is the appropriate method for the valuation of 100% equity interests in COSCO SHIPPING Finance and hence the income approach was adopted.

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Review of the Valuation Report

In respect of the valuation of 100% equity interests in COSCO SHIPPING Finance under the Valuation Report, the Company advised us that it has reviewed and discussed with COSCO SHIPPING Finance on the bases, assumptions and calculations of the discounted estimated cash flows of COSCO SHIPPING Finance.

We understood that the appraised value of COSCO SHIPPING Finance was arrived by first estimating the value of COSCO SHIPPING Finance's operating assets by adopting the income approach and then adjusting non-operating assets/liabilities as at 31 December 2021.

We have reviewed and discussed with the Valuer on the principal assumptions adopted for the valuation. The Valuer has confirmed that the relevant underlying assumptions adopted in the valuation are normally used and are fair and reasonable. Based on our discussion with the Valuer and review on the principal assumptions, nothing has come to our attention which would lead us to doubt the fairness and reasonableness of the principal assumptions adopted in the Valuation Report.

For our due diligence purpose, we have obtained the relevant working papers and reviewed the key figures and parameters adopted in arriving at the appraisal value of the cash flows of equity of COSCO SHIPPING Finance, which are mainly: (i) financial forecast; (ii) discount rate; and (iii) adjustment for non-operating assets/liabilities.

Financial forecast

In our discussion with the Valuer, for the financial forecast, we noted that the projected financial information mainly comprised the year-by-year projections of future cash flows of equity of COSCO SHIPPING Finance after taking into account of the operational data and long-term financial projections including operating income, operating expenses and taxes from 2022 to 2026. The cash flows of equity after 2026 were assumed to be equivalent to the cash flows of equity for 2026.

In determining the forecasted operating income, we understand that the operating income forecast of COSCO SHIPPING Finance was mainly determined based on estimation of net interest income which was determined based on the expected average daily amount of interest bearing assets and liabilities and the expected interest rates for interest bearing assets and liabilities. For the expected average daily amount of interest bearing assets and liabilities, it was determined with reference to the historical average daily amount for each kind of interest bearing assets and liabilities and the growth rate of average daily amount for each kind of interest bearing assets and liabilities for FY2020 and FY2021. For the expected interest rates for interest bearing assets and liabilities, they were determined with reference to the historical interest rates for each kind of assets and liabilities and the proposed adjustment of currency structure of these assets. In determining the forecasted operating expenses, we understand that the operating expenses

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of COSCO SHIPPING Finance mainly comprised business and management fees, asset impairment losses, taxes and surcharges. The operating expenses forecast was determined based on, among others, (i) the historical amounts of each kind of the operating expenses; and (ii) the ratio of operating expenses to operating income in previous years and the plan and policies of COSCO SHIPPING Finance on each of the operating expenses. Based on the above and having considered the business nature of COSCO SHIPPING Finance, we consider the appraisal based on the major cash inflow and outflow items to be reasonable.

Discount rate

According to the Valuation Report, the discount rate was determined based on the capital asset pricing model. Based on our review of the Valuation Report and discussion with the Valuer, we noticed that under the capital asset pricing model: (i) the risk free rate was determined with reference to the 10-year yield of PRC government bond. We noted from the website of “China Bond.com.cn” operated by the China Central Depository & Clearing Co., Ltd. that the 10-year yield of PRC government bond was consistent with the risk free rate as at 31 December 2021; (ii) the beta was determined based on listed companies in the monetary and financial services industry that were comparable to COSCO SHIPPING Finance in terms of business scale; (iii) the market risk premium was calculated based on the index rate of return of the SSE Composite Index and the SZSE Composite Index from 1992 to 2022 and the geometric mean of yield to maturity of the 10-year yield of PRC government bond for similar period; and (iv) the specific risk premium was determined based on the difference between COSCO SHIPPING Finance and comparable listed companies in terms of business scale, development stage, competitive position in the industry, dependence on key customers and key suppliers, etc.

As discussed with the Valuer, according to the industrial classification for national economic activities (國民經濟行業分類) published by the National Standardization Administration (中國國家標準化管理委員會) on 21 May 2019, both banks and financial companies are classified as the same sub-category of “Monetary and Financial Services” under the industry of “Finance”. Although COSCO SHIPPING Finance is a non-banking private company, we noted that the business nature of COSCO SHIPPING Finance is similar to that of the listed banks. For example, (i) both financial companies and banks generate majorities of revenue from the difference between the interest income of loans and advances to customers and the interest expense of deposits from customers; (ii) corporate banking is an important business segment of financial companies and banks; and (iii) both of them are supervised by the CBIRC. Therefore, we concur with the Valuer that the beta and specific risk premium determined based on the comparable listed companies are fair and reasonable.

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Adjustment for non-operating assets/liabilities

As advised by the Valuer, the non-operating assets/liabilities of COSCO SHIPPING Finance is the investment real estate and the Valuer has adopted the market approach for the investment real estate of COSCO SHIPPING Finance. As noted from the Valuation Report, the investment real estate of COSCO SHIPPING Finance are two residential and office buildings. As (i) there is an active market for residential and office buildings and there are enough comparable transaction cases in the market of the region where the buildings entrusted for valuation are located in; (ii) the deviation between the rental price and the selling price makes the income approach fail to objectively reflect the current market value of the buildings entrusted for valuation; and (iii) the replacement cost cannot accurately reflect the actual market value of the residential and office buildings as the relevance between the cost and the value of the residential and office buildings is weak, the Valuer advised us that it is a common practice in the valuation to adopt the market approach for the residential and office buildings. Therefore, we concur with the Valuer that using the market approach for the valuation of the investment real estate of COSCO SHIPPING Finance is fair and reasonable.

We have conducted our workdone on the valuation of the investment real estate of COSCO SHIPPING Finance by reviewing the relevant working papers and discussing with the Valuer, and noted that the market value of the residential and office buildings is determined by the transaction unit prices and adjusted index of comparable properties and the built-up area of the buildings entrusted for valuation. For the comparable properties, they were selected for each of the buildings entrusted for valuation as the buildings entrusted for valuation and the comparable properties have similarity in usage of properties, date of transaction, location condition, physical condition and equity condition. We also noted that the Valuer adjusted the index of comparable properties based on the difference between the comparable properties and the buildings entrusted for valuation in terms of each aforesaid category and condition. As the comparable properties have high similarity with the buildings entrusted for valuation, the difference between the adjusted index of comparable properties and the benchmark index of buildings entrusted for valuation is small. The Valuer also advised us that these buildings are leased out and the market approach has reflected the value of leasing.

The appraised value of the investment real estate increased by approximately RMB139 million from the book value. The Valuer advised us that the buildings were purchased in 1997 and the market price of the buildings has increased afterward.

As noted from the Valuation Report, these buildings of COSCO SHIPPING Finance are without real estate title certificates. As discussed with the Valuer, the Valuer did not consider the effect on the valuation of the buildings because these buildings are currently owned by COSCO SHIPPING Finance without any ownership dispute. Besides, the appraised value of these buildings is insignificant and accounted for approximately 0.1% of the appraised value of the total assets of COSCO SHIPPING Finance. As confirmed by the Valuer, such appraisal method is a common methodology in establishing the valuation of such buildings and complies with the relevant professional standard for valuation in the PRC.

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Given that (i) the financial forecast was based on historical operation performance and the plan of allocation of interest bearing assets; (ii) in determining comparable listed companies for the beta and specific risk premium underlying the discount rate, although COSCO SHIPPING Finance is a non-banking private company, the business nature of COSCO SHIPPING Finance is similar to that of the listed banks and both banks and financial companies are classified as players in the monetary and financial services industry. It is reasonable to select listed banks as the comparable companies; and (iii) as there are enough comparable transaction cases in the active market of the region where the buildings entrusted for valuation are located in, the market approach adopted for the valuation of the investment real estate is reasonable, we are of the view that the key figures and parameters are sufficient to consider the appraisal value of COSCO SHIPPING Finance to be fair and reasonable.

Other issues

As noted from the Valuation Report, there are certain guarantees. As advised by the Valuer, the appraised value of guarantees is approximately RMB4,319 million, accounting for approximately 2.83% of the appraised value of the total assets of COSCO SHIPPING Finance. The valuation has not been affected by such guarantees as the guarantees are provided to the associated companies by COSCO SHIPPING Finance and there is no default risk in the loans in respect of these guarantees. As confirmed by the Valuer, not considering guarantees is a common methodology and complies with the relevant professional standard for valuation in the PRC.

We have obtained the breakdown of the guarantees and noted that the guarantees involve a total of 53 warrantees, all of which are the members of the COSCO SHIPPING Group and the associated companies of COSCO SHIPPING Finance. These guarantees were classified as (i) the letter of guarantee issued by COSCO SHIPPING Finance; and (ii) the letter of guarantee issued by a commercial bank while the counter-guarantee was provided by COSCO SHIPPING Finance. The letters of guarantee were issued based on business contracts between the warrantees and the beneficiaries. If a warrantee fails to fulfill its obligations under the underlying contract, the issuer of the letter of guarantee which is either COSCO SHIPPING Finance or the commercial bank will take up the payment responsibility pursuant to the letter of guarantee.

We have obtained the three largest amount contracts for each of (i) the letter of guarantee issued by COSCO SHIPPING Finance; and (ii) the letter of guarantee issued by a commercial bank while the counter-guarantee was provided by COSCO SHIPPING Finance (the “**Top Three Contracts**”). The aggregate amount of the six letters of guarantee in respect of the Top Three Contracts represented approximately 31.5% of the total amount of the guarantees.

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For the terms of the guarantees relating to securing the rights and reducing the probability of default of the warrantee, we noted that (i) the warrantee should provide real financial statements and other relevant information and materials to COSCO SHIPPING Finance and the use of proceeds of the relevant business contract and the operation and financial activities of the warrantee would be supervised by COSCO SHIPPING Finance; (ii) the warrantee waives all objections and defenses to the recovery of COSCO SHIPPING Finance after the performance by COSCO SHIPPING Finance of the payment obligations pursuant to the letter of guarantee; (iii) the warrantee should obtain the written consent of COSCO SHIPPING Finance before provision of guarantees, transfer of assets, waiver of the debts of third parties and waiver of creditor's rights or other rights by the warrantee which may affect the solvency of the warrantee; (iv) the warrantee should notify COSCO SHIPPING Finance when the warrantee changes its name, legal representative, address, business scope, registered capital, and before the warrantee conducts merger, division, application for suspension of business for rectification, application for dissolution and application for bankruptcy; (v) the warrantee should notify COSCO SHIPPING Finance if it is ordered by the relevant authorities to stop operation, revoke the permit or license, pay a large amount of fines or penalties, or there is a lawsuit and arbitration with large liability for compensation, which will affect the solvency of the warrantee; (vi) COSCO SHIPPING Finance has the right to require the warrantee (a) to pay the amount advanced by COSCO SHIPPING Finance and other expenses; (b) to provide additional security deposit or other guarantee; and (c) to compensate for losses; and (vii) the warrantee should inform COSCO SHIPPING Finance if there are changes in the terms of the underlying contract with the commercial bank or the beneficiary.

Moreover, COSCO SHIPPING Finance has also adopted the following measures to ensure the recoverability of the amount of the letters of guarantee:

1. The amount of a letter of guarantee is subject to the credit line of the warrantee in COSCO SHIPPING Finance. If the amount of the letter of guarantee is higher than the credit line, COSCO SHIPPING Finance will request the warrantee to place margin in COSCO SHIPPING Finance which is equivalent to the amount of the letter of guarantee. For a letter of guarantee the amount of which is within the credit line, COSCO SHIPPING Finance will check whether the amount of current assets of the warrantee is higher than the amount of the letter of guarantee before issue of the letter of guarantee to ensure the repayment ability of the warrantee;
2. In the event of default, COSCO SHIPPING Finance has the right to recover the payment from the deposit account of the warrantee opened with COSCO SHIPPING Finance and has the right to pursue lawsuit for recovering the amount of the letter of guarantee;

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3. COSCO SHIPPING Finance understands the operation conditions and financial conditions of the warrantees by having access to their financial accounting reports, such that COSCO SHIPPING Finance may monitor the operation conditions and financial conditions of the warrantees on an ongoing basis and respond to possible barriers to the recovery in time;
4. All of the warrantees have not previously defaulted any repayment obligations nor breached any loans or contracts between the warrantees and the commercial banks or COSCO SHIPPING Finance; and
5. All of the letters of guarantee are performance guarantee to ensure the warrantees to fulfill their obligations under the underlying business contracts. As the warrantees have maintained good business reputation in their daily operation and their operation conditions and financial conditions are stable, COSCO SHIPPING Finance considers that there is no possibility of default of the warrantees.

We have obtained the financial information of the top five warrantees as at 31 December 2021. The aggregate amount of the letters of guarantee that is within the credit line for the top five warrantees represented approximately 91.1% of the total amount of the letters of guarantee. We noted that the amounts of current assets of the top five warrantees are higher than the amounts of the letters of guarantee of the top five warrantees respectively, which indicated the repayment ability of the warrantees. Having considered (i) a letter of guarantee, the amount of which is higher than the credit line, would be covered by margin; (ii) the warrantee of a letter of guarantee, the amount of which is below the credit line, possesses repayment ability in respect of their financial condition; (iii) since the commencement of the letter of guarantee business by COSCO SHIPPING Finance, there has been no event of default or claim by the beneficiaries of the letters of guarantee; and (iv) the above measures to ensure the recoverability of the amount of the letters of guarantee, we are of the view that there is no default risk in the loans in respect of the letters of guarantee.

As noted from the Valuation Report, due to the epidemic prevention and control in Shanghai, the Valuer has obtained related documents and conducted inspection of the assets (except for investment real estate) of COSCO SHIPPING Finance by means of e-mail, video and instant messaging mobile application. For investment real estate, the Valuer has conducted on-site inspection. As confirmed by the Valuer, the absence of other on-site inspection will not have a significant impact on the valuation of 100% equity interests in COSCO SHIPPING Finance.

Besides, some documents such as contracts and confirmation letters are outstanding and COSCO SHIPPING Finance has promised to provide the outstanding documents after the epidemic prevention and control of Shanghai. If the data currently on hands turn out to be inconsistent with the data in the outstanding documents, the valuation conclusion shall be adjusted. As confirmed by the Valuer, as these data are audited, the outstanding documents are not expected to have a significant impact on the valuation of 100% equity interests in COSCO SHIPPING Finance.

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In the discussion with the Valuer, we understood that as the major daily operation of COSCO SHIPPING Finance involved the fund transfers within the COSCO SHIPPING Group which were conducted online, the impact of COVID-19 on the operation of COSCO SHIPPING Finance is small. Therefore, the Valuer has considered the impact of COVID-19 on the valuation of 100% equity interests in COSCO SHIPPING Finance to be small and is of the view that it would not affect the valuation results.

As discussed with the Valuer, (i) they have obtained related documents and conducted inspection of the assets (except for investment real estate) of COSCO SHIPPING Finance by means of e-mail, video and instant messaging mobile application according to the Guideline No. 10 for Asset Appraisal Experts – Reasonably Performing the Asset Appraisal Procedures during the COVID-19* (資產評估專家指引第10號—在新冠肺炎疫情期間合理履行資產評估程序) (the “**Guideline**”) published by the China Appraisal Society (中國資產評估協會). We have obtained the Guideline and noted that after the basic verification conducted by a valuer, if appraisal procedures subject to limitations do not have a significant impact on the result of valuation, the valuer can issue the asset appraisal report first and then carry out the on-site verification after the epidemic prevention and control while disclosing the restricted matters in the asset appraisal report and reminding the users of the asset appraisal report to pay special attention to the failure to perform the on-site verification procedures; (ii) the appraised book value of assets and liabilities and the financial information of COSCO SHIPPING Finance mentioned in the Valuation Report referred to the audit reports of COSCO SHIPPING Finance for the two years ended 31 December 2021 dated 14 March 2022 and the auditor has already finished their due diligence and verification before the epidemic prevention and control in Shanghai in late March 2022; and (iii) the Valuer has already obtained all the outstanding documents and confirmed that the related data and amounts were consistent with those mentioned in the Valuation Report.

During our discussion with the Valuer and our review on the Valuation Report and having considered that (i) the methodologies applied in the Valuation Report; (ii) the principle bases and assumptions used in arriving at the Valuation Report; (iii) the experience and independence of the Valuer; and (iv) our workdone on the appraisal value of COSCO SHIPPING Finance, we did not identify any major factor which caused us to doubt the fairness and reasonableness of the methodology, principal bases, assumptions and parameters adopted for the Valuation Report.

5. Trading multiple analysis for the Disposal of Equity Interests

We have also performed a price to book (the “**P/B Multiple**”) analysis with respect to COSCO SHIPPING Finance. We consider the price to earnings analysis to be not meaningful due to the large fluctuation of the profit of COSCO SHIPPING Finance which implied a large fluctuation of the price to earnings ratio. As advised by the representatives of COSCO SHIPPING Finance, COSCO SHIPPING Finance did not involve overseas business or set up any branch outside of mainland China so far. Accordingly, we have searched for companies (the “**Comparable Companies**”) listed on the Main Board of the Stock Exchange engaging in the bank industry with all branches located in mainland China. To the best of our knowledge and endeavour, we identified 21 companies which met the said criteria and we consider such Comparable Companies to be exhaustive based on the above criteria.

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It should be noted that the principal activities and prospects of the Comparable Companies may not be entirely the same as that of COSCO SHIPPING Finance and the market capitalisation of the Comparable Companies are noticeably higher than the valuation of 100% equity interests in COSCO SHIPPING Finance. Therefore, the identified Comparable Companies are included for reference purpose only.

Company name	Stock code	Market capitalisation as at 30 April 2022 (Approximate HK\$ million) (Note 1)	P/B Multiple (times) (Note 2)
Bank of Jinzhou Co., Ltd.	00416.HK	15,799	0.19
Zhongyuan Bank Co., Ltd.	01216.HK	18,068	0.25
Guangzhou Rural Commercial Bank Co., Ltd.	01551.HK	30,689	0.32
Bank of Tianjin Co., Ltd.	01578.HK	12,323	0.18
Postal Savings Bank of China Co., Ltd.	01658.HK	554,304	0.59
Jiangxi Bank Co., Ltd.	01916.HK	7,832	0.16
Bank of Chongqing Co., Ltd.	01963.HK	15,531	0.28
Luzhou Bank Co., Ltd.	01983.HK	6,740	0.59
Shengjing Bank Co., Ltd.	02066.HK	52,780	0.56
Bank of Gansu Co., Ltd.	02139.HK	15,371	0.40
Jinshang Bank Co., Ltd.	02558.HK	7,999	0.30
Chongqing Rural Commercial Bank Co., Ltd.	03618.HK	34,752	0.28
Huishang Bank Corporation Limited	03698.HK	35,141	0.27
Bank of Qingdao Co., Ltd.	03866.HK	20,604	0.53
Jilin Jiutai Rural Commercial Bank Corporation Limited	06122.HK	11,071	0.64
Harbin Bank Co., Ltd.	06138.HK	7,367	0.10
Bank of Jiujiang Co., Ltd.	06190.HK	25,518	0.62
Bank of Zhengzhou Co., Ltd.	06196.HK	12,646	0.18
Bank of Guizhou Co., Ltd.	06199.HK	35,887	0.78
Weihai City Commercial Bank Co., Ltd.	09677.HK	19,316	0.85
Dongguan Rural Commercial Bank Co., Ltd.	09889.HK	52,353	0.93
		Maximum	0.93
		Minimum	0.10
		Average	0.43
The consideration for the Disposal of Equity Interests			1.04 (Note 3)

Source: website of the Stock Exchange

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Notes:

1. Market capitalisation is calculated based on the available closing stock price and the total number of authorised/registered shares as at 30 April 2022.
2. The P/B Multiples of the Comparable Companies are calculated based on the market capitalisation of the Comparable Companies as at 30 April 2022 divided by the equity attributable to the shareholders of the Comparable Companies as at 31 December 2021.
3. The implied P/B Multiple of the consideration for the Disposal of Equity Interests of approximately 1.04 times is calculated based on the appraised value of 100% equity interests in COSCO SHIPPING Finance as at 31 December 2021 divided by the equity attributable to the shareholders as at 31 December 2021.

As illustrated above, the P/B Multiples of the Comparable Companies ranged from approximately 0.10 times to 0.93 times with an average of approximately 0.43 times. The implied P/B Multiple of the consideration for the Disposal of Equity Interests of approximately 1.04 times is higher than all of the P/B Multiples of the Comparable Companies.

We also noted that the non-performing loan ratio of the Comparable Companies for FY2021 ranged from approximately 0.82% to 3.28% with an average of approximately 1.77%. The non-performing loan ratio is one of the key indicators of credit risk. A lower non-performing loan ratio indicates a smaller proportion of loans that cannot be recovered by financial institutions in the total loans, the better security of credit assets and the lower credit risk. As mentioned in the section headed “3. Principal terms of the Equity Transfer Agreement and the Capital Increase Agreement” above, the non-performing loan ratio of COSCO SHIPPING Finance were all nil since its establishment, which indicated that COSCO SHIPPING Finance did not have any non-performing loans. As the non-performing loan ratio of COSCO SHIPPING Finance is lower than all of the non-performing loan ratios of the Comparable Companies, COSCO SHIPPING Finance has lower credit risk than the Comparable Companies from such perspective.

Having considered that (i) the implied P/B Multiple of the consideration for the Disposal of Equity Interests is higher than all of the P/B Multiples of the Comparable Companies; (ii) COSCO SHIPPING Finance shows a better performance from the risk assessment perspective than the Comparable Companies; and (iii) the consideration for the Disposal of Equity Interests was determined based on the valuation of 100% equity interests in COSCO SHIPPING Finance, we consider that the consideration for the Disposal of Equity Interests is fair and reasonable so far as the Independent Shareholders are concerned.

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6. Financial effects of the Disposal of Equity Interests and the Capital Increase by the Company

Upon completion of the Disposal of Equity Interests, the shareholding of the Company in COSCO SHIPPING Finance will decrease from 23.3840% to 13.3840%. Upon completion of the Capital Increase, the shareholding of the Company in COSCO SHIPPING Finance will remain at 13.3840%. Therefore, COSCO SHIPPING Finance will not become a subsidiary of the Company and its financial statements will not be consolidated into the financial statements of the Group.

Subject to final audit, it is expected that the Group will realise a gain on disposal from the Disposal of Equity Interests of approximately RMB1,378,039.6 (excluding the profit and loss of the Target Assets during the Transition Period) with reference to the carrying value of the Group's long term investment in the Target Assets as at 31 December 2021.

Shareholders should note that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be upon completion of the Disposal of Equity Interests and the Capital Increase by the Company.

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the terms of the Equity Transfer Agreement and the Capital Increase Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned, and the Disposal of Equity Interests and the Capital Increase by the Company are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favour of the relevant resolutions to be proposed at the AGM to approve the Disposal of Equity Interests and the Capital Increase by the Company.

Yours faithfully,
For and on behalf of
TC Capital International Limited
Edith Lee
Director

Note: Ms. Edith Lee has been a responsible officer of type 6 (advising on corporate finance) regulated activities under the SFO since 2015. She has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

For identification purposes only

The English translation is for reference only. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

COSCO SHIPPING Development Co., Ltd.
2021 Work Report of the Independent Directors

According to the laws and regulations including the Company Law, the Securities Law, Rules for Independent Directors of Listed Companies and the relevant provisions of the Articles of Association and the Work System for Independent Directors, and under the Guidelines on the Format of Work Report of Independent Directors issued by the Shanghai Stock Exchange, we, as the independent Directors of COSCO SHIPPING Development Co., Ltd. (the “Company”), have prepared the 2021 Work Report of Independent Directors as follows.

I. BASIC INFORMATION ABOUT INDEPENDENT DIRECTORS

(1) Personal working experience, professional background and part-time engagement

Members of the sixth session of the Board of the Company currently comprise 4 independent non-executive Directors: Mr. Cai Hongping, Mr. Lu Jianzhong, Ms. Zhang Weihua and Mr. Shao Ruiqing (Ms. Hai Chi Yuet and Mr. Graeme Jack, whose term of office of six years ended, resigned on 29 June 2021 and on the same day, Mr. Shao Ruiqing was appointed as an independent non-executive director) with their work history, professional background and part-time status as follows:

Mr. Cai Hongping (蔡洪平)

Born in 1954, Mr. Cai is currently an independent non-executive Director of the Company, the chairman of AGIC Capital, an independent non-executive director of China Eastern Airlines Corporation Limited, which was listed on the Shanghai Stock Exchange with the stock code SH600115 and the Hong Kong Stock Exchange with the stock code HK0670, an independent non-executive director of Shanghai Pudong Development Bank Co. Ltd., which was listed on the Shanghai Stock Exchange with the stock code SH600000 and an independent director of BYD Company Limited, which was listed on the Shenzhen Stock Exchange with the stock code 002594.SZ). He worked for the Industrial and Transportation Management Committee of the Shanghai Government and Shanghai Petrochemical (Sinopec Shanghai Petrochemical Company Limited, listed on the Hong Kong Stock Exchange under the stock code 338, listed on the Shanghai Stock Exchange under the stock code 600688 and listed on the New York Stock Exchange under the stock code SHI) from 1987 to 1991, and participated in the entire process of the listing of the first batch of H shares of Shanghai Petrochemical in Hong Kong and the United States. From 1992 to 1996, he acted as a member of the Overseas Listing Guidance Team for Chinese Enterprises under the Economic Restructuring Committee of the State Council and the chairman of the Joint Committee of Board Secretaries for H Share Companies in China. From 1996 to 1997, he was the general manager of the investment banking division of Peregrine Asia. He served as a joint director of the investment banking division of BNP Paribas Peregrine Asia from 1997 to 2006, the chairman of the investment banking division of UBS AG in Asia from 2006 to 2010, and the executive chairman of Deutsche Bank in the Asia Pacific region from 2010 to 2015. Mr. Cai, a Hong Kong citizen, has a bachelor’s degree and graduated from Fudan University majoring in journalism.

Mr. Lu Jianzhong (陸建忠)

Born in 1954, Mr. Lu is currently an independent non-executive Director of the Company. Mr. Lu graduated from the Department of Accounting of Shanghai University of Finance and Economics with a bachelor's degree in economics in January 1983. He started his career in the field of finance in the same year. Mr. Lu was a lecturer and an associate professor of the Finance and Accounting Department at the Shanghai Maritime University from September 1986 to August 1997. He served as a certified accountant and a partner of the audit department of PricewaterhouseCoopers Zhong Tian LLP from September 1997 to June 2012. From July 2012 to September 2016, Mr. Lu served as a partner of Shanghai De'an Certified Public Accountants LLP, the marketing director of Daxin Certified Public Accountants LLP and a partner of Zhongxinghua Certified Public Accountants LLP. Mr. Lu has served as a certified accountant at Da Hua Certified Public Accountants LLP since October 2016. Mr. Lu is currently an supervisor of Hangzhou Hikvision Digital Technology Co., Ltd. (listed on the Shenzhen Stock Exchange under the stock code 002415), an independent director of each of BOMESC Offshore Engineering Company Limited (listed on the Shanghai Stock Exchange under the stock code 603727), Shanghai Xinnanyang Only Education & Technology Co., Ltd. (listed on the Shanghai Stock Exchange under the stock code 600661) and Shanghai Veken Jingmi Musu Limited Company (to be listed on the Shenzhen Stock Exchange Growth Enterprise Market); an enterprise mentor for the Master of Professional Accounting (MPAcc)/the Master of Auditing programs (Maud) of Antai College of Economics and Management of Shanghai Jiao Tong University and an external expert of the Asset Securitization Task Group under the Economic Research Center of the State Council. He is a member of Jiusan Society in the PRC.

Ms. Zhang Weihua(張衛華)

Born in 1961, Ms. Zhang is currently an independent non-executive Director of the Company. Ms. Zhang graduated from the Faculty of Business of University of Southern Queensland in Australia with a master's degree in business administration. Ms. Zhang once served as the compliance director of China Merchants Securities Co., Ltd. (listed on the Shanghai Stock Exchange under the stock code 600999) and the chairman of the supervisory committee of China Merchants Fund Management Co., Ltd.. Ms. Zhang served as, among others, the chief auditor, assistant to the president, general manager of the audit department of China Merchants Securities Co., Ltd. and the assistant to the general manager of the securities business department of the head office of China Merchants Bank successively.

Mr. SHAO RUIQING (邵瑞慶)

Born in 1957, Mr. Shao is currently an independent non-executive Director of the Company. Mr. Shao is currently an accounting professor (level-2 professor) in Shanghai Lixin University of Accounting and Finance and a doctoral tutor in Shanghai Maritime University. Mr. Shao is concurrently an independent director of Shanghai International Port (Group) Co., Ltd. (stock code: SH 600018), an independent non-executive director of China Everbright Bank Company Limited (stock codes: SH 601818/HK 6818), and an independent director of China Enterprise Co., Ltd. (stock code: SH 600675) and Arcplus Group Plc (stock code: SH 600629). He has been a professor in Shanghai Lixin University of Accounting and Finance since June 2016. He served as a professor in Shanghai Lixin University of Accounting from February 2015 to May 2016, a vice president and professor of Shanghai Lixin University of Accounting from February 2004 to January 2015, the dean, a professor and doctoral tutor of School of Economics and Management of Shanghai Maritime University from January 2002 to January 2014, the vice dean and a professor of School of Management of Shanghai Maritime University from October 1999 and December 2001, the dean and an assistant professor and professor of the Finance and Accounting Department of Shanghai Maritime University from May 1994 to September 1999 and a teaching assistant, lecturer and assistant professor of the Management Department and the Economics Department of Shanghai Maritime University from August 1982 to April 1994. Mr. Shao Ruiqing has been engaged in professional teaching and scientific research on accounting since 1982. He graduated from the Accounting Department of Shanghai Maritime University as an undergraduate (with a bachelor's degree in economics), the Accounting Department of Shanghai University of Finance and Economics as a master (with a master's degree in management) and the Technological Economics and Management Department of Tongji University as a doctor (with a doctoral degree in management). He was appointed as a member of Accounting & Finance Expert Advisory Committee by the Ministry of Transport and the consulting expert of China Accounting Standards Committee by the Ministry of Finance and concurrently serves as the vice president of China Communications Accounting Society, an executive director of Accounting Society of China, the vice president and chairman of the Academic Committee of Shanghai Accounting Association. Mr. Shao serves as a deputy to the 13th Shanghai Municipal People's Congress and is entitled to a special government allowance provided by the State Council.

Ms. Hai Chi Yuet (奚治月)

Born in 1954, Ms. Hai is currently an independent non-executive Director of the Company. She has over 30 years of extensive working experience in the shipping logistics industry. Since 2016, she has served as the advisor to Hutchison Port Holdings Limited. Ms. Hai served as the managing director of COSCO-HIT Terminals (Hong Kong) Limited, the managing director of Yantian International Container Terminals Limited, the chief executive officer of Hutchison Port Holdings Trust ("HPH Trust") and the advisor to Hutchison Port Holdings Limited. Ms. Hai also participates in public service

organizations, including being a member of the Election Committee for the Chief Executive of Hong Kong Special Administrative Region (Transport Subsector). She also served as a member of Hong Kong Port Development Advisory Group and the president of Shenzhen Ports Association. In 2011, Ms. Hai was awarded the title of Shenzhen Honorable Citizen. Ms. Hai graduated from York University, Toronto, Canada and the University of Hong Kong, obtaining a bachelor's degree in business administration and a master's degree in Buddhist studies respectively.

Mr. Graeme Allan Jack

Born in 1950, Mr. Graeme Allan Jack had served as an independent non-executive Director of the Company. He has more than 40 years of experience in finance and auditing. He worked in PricewaterhouseCoopers for 33 years and retired as a partner. Apart from the Company, he is also currently an independent non-executive director of each of The Greenbrier Companies Inc., HPH Trust and Hutchison China MediTech Limited. Mr. Graeme Jack holds a bachelor's degree in commerce, and is a fellow member of the Hong Kong Society of Accountants and an associate member of The Institute of Chartered Accountants in Australia and New Zealand.

(2) Explanation on circumstances that may affect independence

We, as independent Directors of the Company, do not have any of the following situations that may affect our independence:

- (1) holding any position in the Company or its subsidiaries other than independent Directors;
- (2) having immediate family relationship or key social relationship with the personnel in the Company or its subsidiaries (immediate family relationship means spouse, parents, children and other family relationship; key social relationship means brothers/sisters, parents-in-law, sons/daughters-in-law, spouses of brothers/sisters or brothers/sisters of spouses);
- (3) holding, directly or indirectly, 1% or more of the interests in the issued shares of a listed company or ranking among the top ten shareholders of the Company who are natural persons in terms of shareholdings or having immediate family relationships with them;
- (4) working in a corporate shareholder that directly holds 5% or more of the issued shares of a listed company or ranks among top five corporate shareholders of the listed company or having immediate family relationship with them;
- (5) having the circumstances as mentioned in the preceding four paragraphs during the past year;

**APPENDIX I WORK REPORT OF INDEPENDENT DIRECTORS
FOR THE YEAR ENDED 31 DECEMBER 2021**

- (6) providing financial, legal or consulting services to the Company or its subsidiaries;
- (7) having any other relationship with the Company or its substantial shareholders that could possibly interfere with the exercise of our independent and objective judgment;
- (8) breaching the Articles of Association in relation to our appointment as independent Directors;
- (9) breaching other laws and regulations in relation to our appointment as independent Directors.

II. PERFORMANCE OF DUTIES OF INDEPENDENT DIRECTORS DURING THE YEAR

(1) Attendance of meetings

1. Audit Committee of the Board

Name of Director	Number of attendance required for the year	Number of Meetings attended in person	Number of meetings attended by telecommunication	Number of Meeting(s) attended by proxy	Number of meeting(s) absent
Lu Jianzhong	6	6	3	0	0
Cai Hongping	6	6	3	0	0

2. Nomination Committee of the Board

Name of Director	Number of attendance required for the year	Number of meetings attended in person	Number of meeting(s) attended by telecommunication	Number of Meeting(s) attended by proxy	Number of meeting(s) absent
Hai Chi Yuet	1	1	1	0	0
Cai Hongping	1	1	1	0	0

3. Investment Strategy Committee of the Board

Name of Director	Number of attendance required for the year	Number of Meeting(s) attended in person	Number of meeting(s) attended by telecommunication	Number of Meeting(s) attended by proxy	Number of meeting(s) absent
Cai Hongping	3	3	3	0	0
Hai Chi Yuet	2	2	2	0	0
Shao Ruiqing	1	1	1	0	0

Note: Ms. Hai Chi Yuet resigned on 29 June 2021 and Mr. Shao Ruiqing was appointed on the same day.

4. Remuneration Committee of the Board

Name of Director	Number of attendance required for the year	Number of meetings attended in person	Number of meeting(s) attended by telecommunication	Number of Meeting(s) attended by proxy	Number of meeting(s) absent
Cai Hongping	3	3	3	0	0
Hai Chi Yuet	2	2	2	0	0
Graeme Jack	2	2	2	0	0
Shao Ruiqing	1	1	1	0	0

Note: Ms. Hai Chi Yuet and Mr. Graeme Jack resigned on 29 June 2021, and Mr. Shao Ruiqing was appointed on the same day.

5. Risk Control Committee of the Board

Name of Director	Number of attendance required for the year	Number of meetings attended in person	Number of meeting(s) attended by telecommunication	Number of Meeting(s) attended by proxy	Number of meeting(s) absent
Cai Hongping	2	2	0	0	0
Lu Jianzhong	2	2	0	0	0
Zhang Weihua	2	2	0	0	0

6. The Board of Directors

Name of Director	Number of meetings of the Board that should be attended in the year	Number of meetings attended in person	Number of meetings attended by telecommunication	Number of Meeting(s) attended by proxy	Number of meeting(s) absent	Not attend the meetings in person for twice consecutively or not
Cai Hongping	17	5	12	0	0	No
Hai Chi Yuet	9	3	6	0	0	No
Graeme Jack	9	3	6	0	0	No
Lu Jianzhong	17	5	12	0	0	No
Zhang Weihua	17	5	12	0	0	No
Shao Ruiqing	8	2	6	0	0	No

Note: Ms. Hai Chi Yuet and Mr. Graeme Jack resigned on 29 June 2021, and Mr. Shao Ruiqing was appointed on the same day.

(2) Voting on proposals at the Board meetings and special committee meetings of the Board

The Company reports the daily operation and production to us on a regular basis. Before the Board meetings and various special committee meetings of the Board in which we were serving, we reviewed the meeting materials and took the initiative to understand these materials, repeatedly communicated with one another, considered every proposal conscientiously, expressed our independent opinions, made reasonable suggestions at the meetings (whether voting at such meetings was by way of telecommunication or whether such meetings were on-site meetings) and expressed independent opinions on the matters under consideration in accordance with the relevant requirements under the listing rules of The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange. Following sufficient communication with the Company, we voted in favour of all resolutions proposed at the Board meetings and various special committee meetings of the Board we were serving in.

(3) Company's cooperation with the work of the Independent Directors

The Company actively cooperated with our work by ensuring smooth and adequate prior communication. The management has made sufficient reports to and communications with us in advance on major matters involving the 14th Five-Year Plan, annual significant investment and financing, and major capital operation of the Company. In addition to regular on-site communication, the Company also continued to diversify its means of communication and communicated online; the management arranged to prepare monthly reports on the Company's operation and submitted regular performance reports in the form of PPT and summary notes for our review, so that we can understand the Company's operation and management status dynamically; the Company also provided sufficient protection and facilitated the work of independent directors in their visits and on-site inspections.

(4) On-site inspections

In late October 2021, Ms. Zhang Weihua, Mr. Lu Jianzhong and Mr. Shao Ruiqing, independent non-executive Directors of the Company conducted on-site inspection in Dong Fang International Container (Qidong) Co., Ltd., a subsidiary of the Company, listened to the report of the management of the container manufacturing plant and paid a field visit to the first-line workshop to practically strengthen the understanding and judgment of the actual operation, business structure, risk control, internal audit, internal control and management and other aspects of the Company. On this basis, they made suggestions for the Company to make risk prediction and control the risk degree in the current situation, and put forward working ideas for further optimizing and strengthening the Company's risk management and internal construction.

III. KEY CONCERNS OF INDEPENDENT DIRECTORS FOR THE YEAR**(1) Related Transactions**

During the reporting period, the independent Directors discharged their duties conscientiously for the control and daily management of the related transactions of the Company. All independent Directors expressed prior approvals of and independent opinions on all material related transactions that the related transactions of the Company were conducted on normal commercial terms; that the pricing for these transactions was fair and reasonable; that these transactions were in compliance with the principles of fairness, impartiality and openness, and were in the interests of the Company and the shareholders as a whole; and that the procedures for considering these transactions were in compliance with laws and regulations, without prejudicing the interests of minority shareholders, and were in the interests of the Company and the shareholders as a whole.

(2) External guarantees and misappropriation of funds

We are of the opinion that the Company was able to strictly comply with the requirements of relevant laws and regulations, that the Company carried out the procedures for consideration, decision making and information disclosure as to external guarantees, and that the Company was not found to have provided illegal guarantees to controlling shareholders and other related parties. The flow of funds between the Company and the actual controller was flow of funds arising from normal business operation, and no controlling shareholders and other related parties were found to have misappropriated funds of the Company.

(3) Use of proceeds

During the reporting period, the Company issued shares to purchase assets and raise ancillary funds, and such ancillary funds were paid to the designated account of the Company on December 16, 2021. The Company has deposited the proceeds in a special account and fulfilled the relevant information disclosure obligations in a timely manner to comply with the relevant laws and regulations.

On February 18, 2022, the Resolution on the Utilization of Proceeds in Exchange for the Initial Investment of Self-raised Funds (《關於使用募集資金置換預先投入募投項目的自籌資金的決議案》) was considered and approved at the 49th meeting of the sixth session of the Board of Directors of the Company. As independent directors, we have reviewed the aforesaid resolution and believed that the utilization of proceeds in exchange for the initial investment of self-raised funds by the Company complies with the requirement that the exchange shall be carried out in 6 months after the proceeds are credited into the account, has no conflicts with the implementation plan of the investment projects for the proceeds, causes no impact on the normal operation of the investment projects for the proceeds, and there is no circumstance where the use of proceeds is changed or the interests of all the shareholders, especially minority shareholders, are harmed. The Company has performed the relevant approval

procedures for the exchange of proceeds and complied with the relevant requirements of *No. 2 Guideline for the Supervision of Listed Companies – Regulatory Requirements for the Management and Utilisation of Funds Raised by Listed Companies (2012 Revision)* and the *Self-regulatory Guidelines on the Listed Companies on the Shanghai Stock Exchange No. 1 – Standard Operation*. We agreed the Company to utilize the proceeds in exchange for the initial investment of self-raised funds.

(4) Nomination of senior management personnel

During the reporting period, no senior management personnel was newly appointed or re-appointed.

(5) Profit Distribution

Provided that ensuring the ordinary operation and long-term development of the Company while giving consideration to the immediate and long-term interests of shareholders, the Board recommended a profit distribution plan for the Company for 2020: a cash dividend of RMB0.56 (inclusive of tax) for every 10 shares be distributed to all shareholders and remaining undistributed profits be carried forward to the next year, on the basis of the total share capital registered on the record date during the profit distribution for 2020 less the balance of repurchased shares in the repurchased account then.

We are of the opinion that the profit distribution plan for 2020 of the Company is in line with the production, operational and capital needs of the Company and other actual circumstances, and is in compliance with the relevant provisions of the *No. 3 Guideline for the Supervision of Listed Companies – Cash Dividends of Listed Companies*, the *Guidelines for Cash Dividends of Listed Companies on the Shanghai Stock Exchange* and the *Articles of Association*. We agreed with the profit distribution plan for 2020 of the Company. The board of directors of the Company submitted this plan to the general meeting for consideration, and the decision-making procedures were in compliance with laws and regulations.

(6) Fulfillment of undertakings by the Company and Shareholders (To be confirmed in annual report)

Background of Undertaking	Types of Undertaking	The Undertaking Party	Details of Undertaking	Date and Deadline of Undertaking	Deadline for Fulfillment	Performed strictly and promptly or not
	Addressing horizontal competition	COSCO SHIPPING	<p>1. During the period in which COSCO SHIPPING holds, directly or indirectly, the controlling shareholding of COSCO SHIPPING Development, the COSCO SHIPPING and its subsidiaries shall not take any actions or measures or be engaged or involved in the business activities that constitute or may constitute substantive competition with the principal activities of COSCO SHIPPING Development and its subsidiaries, and shall not infringe upon the legitimate rights and interests of the Company and its subsidiaries, including but not limited to the future establishment of other subsidiaries or joint ventures or associated companies to be engaged in the businesses that constitute substantive competition with the existing principal activities of COSCO SHIPPING Development and its subsidiaries, or be involved, directly or indirectly, in the existing principal activities of COSCO SHIPPING Development and its subsidiaries by any other means. 2. If there may be substantive horizontal competition in principal business or substantive conflicts of interests between COSCO SHIPPING and companies under its control and COSCO SHIPPING Development in the future, COSCO SHIPPING shall give up or shall procure the companies under its control to give up such business opportunities that may cause such competition, or shall inject all the businesses, which may cause such competition by COSCO SHIPPING and the companies under its control, into COSCO SHIPPING Development at a fair market price at an appropriate time. 3. COSCO SHIPPING shall not take advantage of the information learned or known from COSCO SHIPPING Development to assist third parties to be engaged or involved in any business activities that may result in substantive or potential competition with the existing business of COSCO SHIPPING Development. 4. For any breach of the said undertakings on the part of COSCO SHIPPING or other companies under its control that results in prejudice against the interests of COSCO SHIPPING Development and other shareholders, COSCO SHIPPING shall be liable for compensating them for the loss accordingly in accordance with the laws.</p>	Committed on May 5, 2016	No	Yes

Background of Undertaking	Types of Undertaking	The Undertaking Party	Details of Undertaking	Date and Deadline of Undertaking	Deadline for Fulfillment	Performed strictly and promptly or not
Undertaking regarding the major asset restructuring	Addressing related transactions	COSCO SHIPPING	<p>1. COSCO SHIPPING and other companies under its control shall avoid conducting unnecessary related transactions with the listed company as much as possible; for those necessary related transactions conducted for its on-going operations, they shall be handled in a manner agreed by both parties, and in compliance with the market-oriented pricing principles, the requirements of the relevant laws, regulations and regulatory documents as well as the articles of association of COSCO SHIPPING Development and the rules for related transactions.</p> <p>2. COSCO SHIPPING and other companies under its control shall avoid and reduce potential related transactions with the listed company which may be conducted in the future; for the related transactions which cannot be avoided or which are conducted with a valid reason, COSCO SHIPPING shall enter into related transaction agreements with COSCO SHIPPING Development in compliance with the relevant laws, regulations and regulatory documents as well as the articles of association of COSCO SHIPPING Development and the rules for related transactions and on the basis of the general commercial principle of an open, fair and impartial market, and ensure the related transactions are fair and in compliance with laws; carry out the transaction procedures; and fulfill their information disclosure obligations in accordance with the requirements of the relevant laws, regulations and regulatory documents.</p> <p>3. COSCO SHIPPING's undertakings regarding the regulating of related transactions shall similarly apply to the other companies under its control; COSCO SHIPPING shall procure, within the range of its legal authority, that the other companies under its control to fulfill the obligations for regulating the existing or potential related transactions between them and the listed company.</p>	Committed on May 5, 2016	No	Yes

Background of Undertaking	Types of Undertaking	The Undertaking Party	Details of Undertaking	Date and Deadline of Undertaking	Deadline for Fulfillment	Performed strictly and promptly or not
	Addressing horizontal competition	China Shipping	China Shipping and COSCO SHIPPING Development shall be independent from each other in terms of assets, staff, finance, entities and business: 1. With respect to independence of assets, China Shipping warrants that COSCO SHIPPING Development shall have complete and sole ownership of all of its assets such that the assets of each of China Shipping and COSCO SHIPPING Development shall be totally separated and managed by each of the China Shipping and COSCO SHIPPING Development, and warrants that the funds and assets of COSCO SHIPPING Development shall not be misappropriated by China Shipping and companies under its control. 2. With respect to independence of staff, China Shipping warrants that COSCO SHIPPING Development shall have independent and a complete set of rules and regulations governing labor, human resources and wages, which shall be absolutely independent from those of China Shipping. China Shipping shall propose candidates for senior management personnel such as directors, supervisors and managers in accordance with statutory procedures, without interfering with the exercise of powers by the board and general meetings of COSCO SHIPPING Development to make decisions on the appointment and removal of staff. General managers, deputy general managers, financial administrators, secretary to the board and other senior management personnel of COSCO SHIPPING Development shall be working full-time at COSCO SHIPPING Development and receive remunerations from COSCO SHIPPING Development. They shall not be taking any positions at China Shipping or companies under its control and/or receive any remunerations therefrom. 3. With respect to financial independence, China Shipping warrants that COSCO SHIPPING Development shall have independent finance departments and independent finance auditing rules and regulations; COSCO SHIPPING Development shall have standardized and independent financial accounting systems; COSCO SHIPPING Development shall maintain its independent bank accounts and shall not share the same accounts with China Shipping and companies under its control; the finance staff of the Company shall not be working on a part-time basis at China Shipping and companies under its control; COSCO SHIPPING Development shall pay taxes as an independent entity in accordance with the law; the Company shall be able to make decisions on financial matters independently, and China Shipping shall not interfere with the utilization of funds by COSCO SHIPPING Development. 4. With respect to	Committed on December 11, 2015	No	Yes

Background of Undertaking	Types of Undertaking	The Undertaking Party	Details of Undertaking	Date and Deadline of Undertaking	Deadline for Fulfillment	Performed strictly and promptly or not
			<p>independence of entities, China Shipping warrants that COSCO SHIPPING Development shall maintain a sound structure of corporate governance as a joint-stock company as well as an independent and complete organization; the general meetings, board meetings, independent directors, board of supervisors and general managers of COSCO SHIPPING Development shall exercise their powers independently in accordance with the laws, regulations and the articles of association of the Company. 5. With respect to independence of business, China Shipping warrants that COSCO SHIPPING Development shall have an independent business management system as well as assets, staff, qualifications and capabilities for conducting business operations independently, and the capabilities for operating independently and continuously in the market. Other than the exercise of rights as a shareholder in accordance with the laws, China Shipping shall not interfere with the normal business activities of COSCO SHIPPING Development. This undertaking shall remain effective as long as the relationship between the China Shipping Group and COSCO SHIPPING Development exists. Avoidance of horizontal competition: 1. Upon completion of the major asset restructuring, China Shipping shall not, directly or indirectly, (including but not limited to wholly-owned investment, joint venture, cooperation and association) be engaged in or carry out business activities that have or may have substantive competition with the business of COSCO SHIPPING Development. 2. In the event that the products made or businesses carried out by the companies wholly-owned, controlled by China Shipping or in which it holds equity interests constitute or may constitute competition with those of COSCO SHIPPING Development in the future, upon request of COSCO SHIPPING Development, China Shipping warrants that it shall dispose of all its capital contributions or shares in the above-mentioned companies, and that it shall grant preemptive rights to COSCO SHIPPING Development or its wholly-owned subsidiaries to purchase such capital contributions or shares subject to legal compliance,, and use best efforts to ensure the prices for the relevant transactions are fair and reasonable and determined during the course of normal business transactions with independent third parties.</p>			

Background of Undertaking	Types of Undertaking	The Undertaking Party	Details of Undertaking	Date and Deadline of Undertaking	Deadline for Fulfillment	Performed strictly and promptly or not
			<p>3. In the event of a breach of the above-mentioned undertakings by China Shipping or other companies under its control that result in prejudice against the rights and interests of COSCO SHIPPING Development and the other shareholders, China Shipping shall be liable for compensating them for the loss accordingly in accordance with the law. Reduction of related transactions: 1. China Shipping and other companies under its control shall avoid or reduce related transactions with COSCO SHIPPING Development as much as possible. For those unavoidable or necessary related transactions, the China Shipping Group undertakes that it shall enter into legal agreements based on the general commercial principle of an open, fair and impartial market, carry out legal procedures in compliance with the relevant laws, regulations and regulatory documents as well as the articles of association of COSCO SHIPPING Development and other rules for related transactions, so as to ensure that the related transactions are fair and lawful, that no legitimate rights and interests of COSCO SHIPPING Development and the other shareholders are prejudiced by means of related transactions, and that it shall fulfill its information disclosure obligations in accordance with the requirements of the relevant laws, regulations and regulatory documents. 2. The China Shipping Group shall exercise its rights as a shareholder in strict compliance with the Company Law and other laws and regulations as well as the articles of association of COSCO SHIPPING Development, and abstain from voting at the general meetings of COSCO SHIPPING Development on the related transactions in relation to the China Shipping Group and other companies under its control.</p>			

Background of Undertaking	Types of Undertaking	The Undertaking Party	Details of Undertaking	Date and Deadline of Undertaking	Deadline for Fulfillment	Performed strictly and promptly or not
Undertaking regarding IPO	Addressing horizontal competition	The Company or shareholders holding more than 5% of equity interests	1. China Shipping shall adopt and procure its controlled subsidiaries to adopt effective measures not to engage in or be involved in any business that may compete with the container transportation business and the related business which the Company and/or its subsidiaries are mainly engaged in, or which have rights or interests in such business; where China Shipping or its controlled subsidiaries acquire any business opportunity to engage in the container transportation business and the related business that the Company and/or its controlled subsidiaries are currently engaged in or will be engaged in the projects related to such business in the future, China Shipping shall and shall procure its controlled subsidiaries to grant the preemptive rights to such projects to the Company or its subsidiaries free of charge. 2. China Shipping (Group) Company Limited agrees to indemnify and hold the Company and/or its subsidiaries harmless against all losses, damages and expenses incurred as a result of any breach of this undertaking by China Shipping and/or its subsidiaries.	Committed on August 29, 2007	No	Yes
Undertaking regarding refinancing	Others	China Shipping	The company shall continue to assure the independence of the listed company, shall not interfere with the business and management activities of the listed company beyond its authority, and shall not encroach on the interests of listed companies. The company hereby undertakes that it shall fulfill the undertaking effectively and shall be liable for compensating the listed company or the investors in accordance with the laws for any loss caused to the listed company or the investors as a result of any breach of these undertakings.	Committed on October 11, 2016	No	Yes
	Others	COSCO SHIPPING	The company shall continue to assure the independence of the listed company, shall not interfere with the business and management activities of the listed company beyond its authority, and shall not encroach on the interests of listed companies. The company hereby undertakes that it shall fulfill the undertaking effectively and shall be liable for compensating the listed company or the investors in accordance with the laws for any loss caused to the listed company or the investors as a result of any breach of these undertakings.	Committed on October 11, 2016	No	Yes

Background of Undertaking	Types of Undertaking	The Undertaking Party	Details of Undertaking	Date and Deadline of Undertaking	Deadline for Fulfillment	Performed strictly and promptly or not
	Other	The Company	<p>1. The funding plan for the coming 36 months, such as making additional investment or providing loans for the businesses with financial activity attributes: As of the issue date of this Letter of Undertaking, according to the current development plan of COSCO SHIPPING Development for the businesses with financial activity attributes, the parent company of COSCO SHIPPING Development does not have such funding plans for making additional investment or providing loans for the businesses with financial activity attributes in the coming 36 months.</p> <p>2. Undertaking concerning the funding plan for the coming 36 months, such as making additional investment or providing loans for the businesses with financial activity attributes: As of the issue date of this Letter of Undertaking, the parent company of COSCO SHIPPING Development does not have such funding plans for making additional investment or providing loans for the businesses with financial activity attributes in the coming 36 months.</p> <p>3. Undertaking that no investment in the businesses with financial activity attributes is made directly or in disguised form with the proceeds from this non-public offering: When the proceeds from this non-public offering are in place, COSCO SHIPPING Development shall utilize and manage the proceeds in strict compliance with the relevant laws, regulations and the measures for the management of the proceeds, and it shall review the utilization of the proceeds regularly to ensure the proceeds are utilized in a legal and reasonable manner. COSCO SHIPPING Development undertakes that it shall not make any investment in the businesses with financial activity attributes directly or in disguised form with the proceeds from this non-public offering.</p>	Committed on October 27, 2017 to October 27, 2020	No	Yes

Background of Undertaking	Types of Undertaking	The Undertaking Party	Details of Undertaking	Date and Deadline of Undertaking	Deadline for Fulfillment	Performed strictly and promptly or not
Other undertakings	Asset injection	COSCO SHIPPING	<p>1. The company shall procure CS Financial to entrust the equity of the target companies to COSCO SHIPPING Development or its specialized subsidiaries for management, and the Company shall be fully responsible for the operation and decision-making of the target companies. The company shall procure CS Financial or the relevant target companies to pay management service fees to COSCO SHIPPING Development or its specialized subsidiaries at a fair price. 2. Within three years from the date of completion of this acquisition and delivery, the company undertakes to transfer the equity of the target companies to COSCO SHIPPING Development at a fair and reasonable market price through legal procedures and appropriate ways. 3. If the rights and interests of COSCO SHIPPING Development and its subsidiaries are prejudiced as a result of breach of the above undertakings by the company or other companies under its control, the company shall assume liability for compensation accordingly according to law.</p>	From 6 May 2019 to the date on which the equity interests of the target companies were transferred to COSCO SHIPPING Development or the date on which the company no longer directly or indirectly controls itself, whichever is earlier	Yes	Yes

Background of Undertaking	Types of Undertaking	The Undertaking Party	Details of Undertaking	Date and Deadline of Undertaking	Deadline for Fulfillment	Performed strictly and promptly or not
Undertaking regarding the major asset restructuring	Addressing horizontal competition and related transactions	China Shipping	<p>1. After the completion of this reorganization, the Company will continue to maintain its independence from the listed company in terms of personnel, assets, business, organization, and finance in accordance with the requirements of relevant laws, regulations, and regulatory documents, and will not engage in any behavior that affects the independence of the listed company's personnel, the independence of assets, the independence of business, the independence of institutions, and the independence of finance, and will not harm the interests of the listed company and other shareholders, so as to effectively protect the independence of the listed company in terms of personnel, assets, businesses, institutions, and finance.</p> <p>2. As of the date of signing this letter of commitment, the Company has always been strictly fulfilling the Letter of Commitment on Avoiding Horizontal Competition and Reducing Related Party Transactions issued on December 11, 2015 without violating any of the commitments it has made. After the completion of this reorganization, the Company will continue to strictly implement the aforementioned letter of commitment to protect the interests of the listed company and all shareholders of the listed company.</p> <p>3. This letter of commitment takes effect from the date of official signing by the Company and cannot be revoked after being signed. The Company guarantees that this letter of commitment will be fulfilled, and the listed company has the right to supervise the performance of this letter of commitment; if the Company fails to fulfill this letter of commitment, and therefore causes any actual losses to the listed company, the Company will compensate the listed company for all direct or indirect losses caused to the listed company.</p>	Committed on October 13, 2020	No	Yes

Background of Undertaking	Types of Undertaking	The Undertaking Party	Details of Undertaking	Date and Deadline of Undertaking	Deadline for Fulfillment	Performed strictly and promptly or not
	Addressing horizontal competition and related transactions	COSCO SHIPPING	<p>1. After the completion of this reorganization, the Company will continue to maintain its independence from the listed company in terms of personnel, assets, business, organization, and finance in accordance with the requirements of relevant laws, regulations, and regulatory documents, and will not engage in any behavior that affects the independence of the listed company's personnel, the independence of assets, the independence of business, the independence of institutions, and the independence of finance, and will not harm the interests of the listed company and other shareholders, so as to effectively protect the independence of the listed company in terms of personnel, assets, businesses, institutions, and finance.</p> <p>2. As of the date of signing this letter of commitment, the Company has always been strictly fulfilling the Letter of Commitment on Avoiding Horizontal Competition of China COSCO SHIPPING Group Co., Ltd., the Letter of Commitment on Standardizing and Reducing related transactions of China COSCO SHIPPING Group Co., Ltd. issued on May 5, 2016 and the Letter of Commitment on Avoiding Horizontal Competition issued on May 6, 2019 without violating any of the commitments it has made. After the completion of this reorganization, the Company will continue to strictly implement the aforementioned letter of commitment to protect the interests of the listed company and all shareholders of the listed company.</p> <p>3. This letter of commitment takes effect from the date of official signing by the Company and cannot be revoked after being signed. The Company guarantees that this letter of commitment will be fulfilled, and the listed company has the right to supervise the performance of this letter of commitment; if the Company fails to fulfill this letter of commitment, and therefore causes any actual losses to the listed company, the Company will compensate the listed company for all direct or indirect losses caused to the listed company.</p>	Committed on October 13, 2020	No	Yes

Background of Undertaking	Types of Undertaking	The Undertaking Party	Details of Undertaking	Date and Deadline of Undertaking	Deadline for Fulfillment	Performed strictly and promptly or not
	Others	Company directors and senior executives	<p>1. I promise not to offer benefits to other units or individuals free of charge or on unfair terms, or otherwise harm the Company's interests. 2. I promise to restrain my position-related consumption. 3. I promise that I will not use the Company's assets to engage in investment and consumption activities that have nothing to do with my performance of duties. 4. I promise that the remuneration system formulated by the board of directors or the remuneration and appraisal committee will be linked to the implementation of the Company's compensation and return measures. 5. I promise that the conditions for exercise of the Company's equity incentives are linked to the implementation of the Company's compensation measures. 6. From the date of the issuance of this commitment to the completion of the Company's implementation of this transaction, if the China Securities Regulatory Commission has made other new regulatory requirements on the remuneration and repayment measures and commitments, and the above commitments cannot meet such new requirements of the China Securities Regulatory Commission, I promise to issue a supplementary commitment in accordance with the latest regulations of the China Securities Regulatory Commission. 7. If the commitment to earnestly fulfill the Company's relevant remuneration and repayment measures and the commitments made thereon are violated, causing losses to the Company or investors, I am willing to bear the liability of compensation to the Company or investors in accordance with the law.</p>	Committed on October 13, 2020	No	Yes

Background of Undertaking	Types of Undertaking	The Undertaking Party	Details of Undertaking	Date and Deadline of Undertaking	Deadline for Fulfillment	Performed strictly and promptly or not
	Others	China Shipping	<p>1. The Company will not exceed its competence to interfere in the operation and management activities of COSCO SHIPPING Development, and will not encroach on the interests of the listed company. The Company promises to fulfill these commitments, and in case of its violation of these commitments and causing losses to the listed company or investors, the Company will assume the compensation responsibilities for the listed company or investors in accordance with the law. 2. The Company earnestly fulfills the relevant compensation and repayment measures formulated by the Company and this commitment. If it violates this commitment or refuses to fulfill this commitment and causes losses to the Company or investors, the Company agrees to undertake the corresponding legal obligations in accordance with laws, regulations and relevant provisions of the securities regulatory authority. 3. From the date of the issuance of this commitment to the completion of the Company's implementation of this major asset reorganization transaction, if the China Securities Regulatory Commission has made other new regulatory requirements on the remuneration and repayment measures and commitments, and the above commitments cannot meet such new requirements of the China Securities Regulatory Commission, the Company promise to issue a supplementary commitment in accordance with the latest regulations of the China Securities Regulatory Commission.</p>	Committed on October 13, 2020	No	Yes

Background of Undertaking	Types of Undertaking	The Undertaking Party	Details of Undertaking	Date and Deadline of Undertaking	Deadline for Fulfillment	Performed strictly and promptly or not
	Others	COSCO SHIPPING	<p>1. The Company will not exceed its competence to interfere in the operation and management activities of COSCO SHIPPING Development, and will not encroach on the interests of the listed company. The Company promises to fulfill these commitments, and in case of its violation of these commitments and causing losses to the listed company or investors, the Company will assume the compensation responsibilities for the listed company or investors in accordance with the law. 2. The Company earnestly fulfills the relevant compensation and repayment measures formulated by the Company and this commitment. If it violates this commitment or refuses to fulfill this commitment and causes losses to the Company or investors, the Company agrees to undertake the corresponding legal obligations in accordance with laws, regulations and relevant provisions of the securities regulatory authority. 3. From the date of the issuance of this commitment to the completion of the Company's implementation of this major asset reorganization transaction, if the China Securities Regulatory Commission has made other new regulatory requirements on the remuneration and repayment measures and commitments, and the above commitments cannot meet such new requirements of the China Securities Regulatory Commission, the Company promise to issue a supplementary commitment in accordance with the latest regulations of the China Securities Regulatory Commission.</p>	Committed on October 13, 2020	No	Yes

Background of Undertaking	Types of Undertaking	The Undertaking Party	Details of Undertaking	Date and Deadline of Undertaking	Deadline for Fulfillment	Performed strictly and promptly or not
	Addressing horizontal competition and related transactions	China Shipping	<p>1. During the period in which the Company holds the controlling shareholding of COSCO SHIPPING Development, the Company and companies under its control shall not take any actions or measures or be engaged or involved in the business activities that constitute or may constitute substantive competition with the principal activities of COSCO SHIPPING Development and its subsidiaries, and shall not infringe upon the legitimate rights and interests of COSCO SHIPPING Development and its subsidiaries, including but not limited to the future establishment of other subsidiaries or joint ventures or associated companies to be engaged in the businesses that constitute substantive competition with the existing principal activities of COSCO SHIPPING Development and its subsidiaries, or be involved, directly or indirectly, in the existing principal activities of COSCO SHIPPING Development and its subsidiaries by any other means. 2. If there may be substantive horizontal competition in principal business or substantive conflicts of interests between the Company and companies under its control and COSCO SHIPPING Development in the future, the Company shall give up or shall procure the companies under its control to give up such business opportunities that may cause such competition, or shall inject all the businesses, which may cause such competition by the Company and the companies under its control, into COSCO SHIPPING Development at a fair market price at an appropriate time. 3. The Company shall not take advantage of the information learned or known from COSCO SHIPPING Development to assist third parties to be engaged or involved in any business activities that may result in substantive or potential competition with the existing business of COSCO SHIPPING Development. 4. As of the date of signing this letter of commitment, the Company has always been strictly fulfilling the Letter of Commitment on Avoiding Horizontal Competition and Reducing Related Party Transactions issued on December 11, 2015 and the Letter of Commitment on Maintaining the Independence of COSCO SHIPPING Development Co., Ltd., Reducing Related Party Transactions and Avoiding Horizontal Competition issued on October 12, 2020 without violating any of the commitments it has made. After the completion of this reorganization, the Company will continue to strictly implement the aforementioned letters of commitment to protect the interests of the listed company and all shareholders of the listed company.</p>	Committed on January 27, 2021	No	Yes

Background of Undertaking	Types of Undertaking	The Undertaking Party	Details of Undertaking	Date and Deadline of Undertaking	Deadline for Fulfillment	Performed strictly and promptly or not
			<p>5. This letter of commitment takes effect from the date of official signing by the Company and cannot be revoked after being signed. The Company guarantees that this letter of commitment will be fulfilled, and the listed company has the right to supervise the performance of this letter of commitment; if the Company fails to fulfill this letter of commitment, and therefore causes any actual losses to the listed company, the Company will compensate the listed company for all direct or indirect losses caused to the listed company.</p>			
	Addressing horizontal competition and related transactions	COSCO SHIPPING	<p>1. During the period in which the Company, directly or indirectly, holds the controlling shareholding of COSCO SHIPPING Development, the Company and companies under its control shall not take any actions or measures or be engaged or involved in the business activities that constitute or may constitute substantive competition with the principal activities of COSCO SHIPPING Development and its subsidiaries, and shall not infringe upon the legitimate rights and interests of COSCO SHIPPING Development and its subsidiaries, including but not limited to the future establishment of other subsidiaries or joint ventures or associated companies to be engaged in the businesses that constitute substantive competition with the existing principal activities of COSCO SHIPPING Development and its subsidiaries, or be involved, directly or indirectly, in the existing principal activities of COSCO SHIPPING Development and its subsidiaries by any other means. 2. If there may be substantive horizontal competition in principal business or substantive conflicts of interests between the Company and companies under its control and COSCO SHIPPING Development in the future, the Company shall give up or shall procure the companies under its control to give up such business opportunities that may cause such competition, or shall inject all the businesses, which may cause such competition by the Company and the companies under its control, into COSCO SHIPPING Development at a fair market price at an appropriate time. 3. The</p>	Committed on January 27, 2021	No	Yes

Background of Undertaking	Types of Undertaking	The Undertaking Party	Details of Undertaking	Date and Deadline of Undertaking	Deadline for Fulfillment	Performed strictly and promptly or not
			<p>Company shall not take advantage of the information learned or known from COSCO SHIPPING Development to assist third parties to be engaged or involved in any business activities that may result in substantive or potential competition with the existing business of COSCO SHIPPING Development. 4. As of the date of signing this letter of commitment, the Company has always been strictly fulfilling the Letter of Commitment on Avoiding Horizontal Competition of China COSCO SHIPPING Group Co., Ltd., issued on May 5, 2016, the Letter of Commitment on Avoiding Horizontal Competition issued on May 6, 2019 and the Letter of Commitment on Maintaining the Independence of COSCO SHIPPING Development Co., Ltd., Reducing Related Party Transactions and Avoiding Horizontal Competition issued on October 12, 2020 without violating any of the commitments it has made. After the completion of this reorganization, the Company will continue to strictly implement the aforementioned letters of commitment to protect the interests of the listed company and all shareholders of the listed company. 5. This letter of commitment takes effect from the date of official signing by the Company and cannot be revoked after being signed. The Company guarantees that this letter of commitment will be fulfilled, and the listed company has the right to supervise the performance of this letter of commitment; if the Company fails to fulfill this letter of commitment, and therefore causes any actual losses to the listed company, the Company will compensate the listed company for all direct or indirect losses caused to the listed company.</p>			

Background of Undertaking	Types of Undertaking	The Undertaking Party	Details of Undertaking	Date and Deadline of Undertaking	Deadline for Fulfillment	Performed strictly and promptly or not
	Addressing horizontal competition and related transactions	COSCO SHIPPING	<p>1. The Company and other companies under its control shall avoid and reduce potential related transactions with the listed company which may be conducted in the future; for the related transactions which cannot be avoided or which are conducted with a valid reason, the Company shall enter into related transaction agreements with COSCO SHIPPING Development in compliance with the relevant laws, regulations and regulatory documents as well as the articles of association of COSCO SHIPPING Development and the rules for related transactions and on the basis of the general commercial principle of an open, fair and impartial market, and ensure the related transactions are fair and in compliance with laws; carry out the transaction procedures; and fulfill their information disclosure obligations in accordance with the requirements of the relevant laws, regulations and regulatory documents. 2. The Company's undertakings regarding the regulating of related transactions shall similarly apply to the other companies under its control; the Company shall procure, within the range of its legal authority, that the other companies under its control to fulfill the obligations for regulating the existing or potential related transactions between them and the listed company. 3. As of the date of signing this letter of commitment, the Company has always been strictly fulfilling the Letter of Commitment on Standardizing and Reducing Related Transactions of China COSCO SHIPPING Group Co., Ltd. issued on May 5, 2016 and the Letter of Commitment on Maintaining the Independence of COSCO SHIPPING Development Co., Ltd., Reducing Related Party Transactions and Avoiding Horizontal Competition issued on October 12, 2020 without violating any of the commitments it has made. After the completion of this reorganization, the Company will continue to strictly implement the aforementioned letters of commitment to protect the interests of the listed company and all shareholders of the listed company. 4. This letter of commitment takes effect from the date of official signing by the Company and cannot be revoked after being signed. The Company guarantees that this letter of commitment will be fulfilled, and the listed company has the right to supervise the performance of this letter of commitment; if the Company fails to fulfill this letter of commitment, and therefore causes any actual losses to the listed company, the Company will compensate the listed company for all direct or indirect losses caused to the listed company.</p>	Committed on January 27, 2021	No	Yes

Background of Undertaking	Types of Undertaking	The Undertaking Party	Details of Undertaking	Date and Deadline of Undertaking	Deadline for Fulfillment	Performed strictly and promptly or not
	Addressing horizontal competition and related transactions	China Shipping	<p>1. The Company and other companies under its control shall avoid and reduce potential related transactions with the listed company which may be conducted in the future; for the related transactions which cannot be avoided or which are conducted with a valid reason, the Company shall enter into related transaction agreements with COSCO SHIPPING Development in compliance with the relevant laws, regulations and regulatory documents as well as the articles of association of COSCO SHIPPING Development and the rules for related transactions and on the basis of the general commercial principle of an open, fair and impartial market, and ensure the related transactions are fair and in compliance with laws; carry out the transaction procedures; and fulfill their information disclosure obligations in accordance with the requirements of the relevant laws, regulations and regulatory documents. 2. The Company's undertakings regarding the regulating of related transactions shall similarly apply to the other companies under its control; the Company shall procure, within the range of its legal authority, that the other companies under its control to fulfill the obligations for regulating the existing or potential related transactions between them and the listed company. 3. As of the date of signing this letter of commitment, the Company has always been strictly fulfilling the Letter of Commitment on Avoiding Horizontal Competition and Reducing Related Transactions issued on December 11, 2015 and the Letter of Commitment on Maintaining the Independence of COSCO SHIPPING Development Co., Ltd., Reducing Related Party Transactions and Avoiding Horizontal Competition issued on October 12, 2020 without violating any of the commitments it has made. After the completion of this reorganization, the Company will continue to strictly implement the aforementioned letters of commitment to protect the interests of the listed company and all shareholders of the listed company. 4. This letter of commitment takes effect from the date of official signing by the Company and cannot be revoked after being signed. The Company guarantees that this letter of commitment will be fulfilled, and the listed company has the right to supervise the performance of this letter of commitment; if the Company fails to fulfill this letter of commitment, and therefore causes any actual losses to the listed company, the Company will compensate the listed company for all direct or indirect losses caused to the listed company.</p>	Committed on January 27, 2021	No	Yes

Background of Undertaking	Types of Undertaking	The Undertaking Party	Details of Undertaking	Date and Deadline of Undertaking	Deadline for Fulfillment	Performed strictly and promptly or not
	Others	COSCO SHIPPING	<p>1. After the completion of this reorganization, the Company will continue to maintain its independence from the listed company in terms of personnel, assets, business, organization, and finance in accordance with the requirements of relevant laws, regulations, and regulatory documents, and will not engage in any behavior that affects the independence of the listed company's personnel, the independence of assets, the independence of business, the independence of institutions, and the independence of finance, and will not harm the interests of the listed company and other shareholders, so as to effectively protect the independence of the listed company in terms of personnel, assets, businesses, institutions, and finance.</p> <p>2. As of the date of signing this letter of commitment, the Company has always been strictly fulfilling the Letter of Commitment on Maintaining the Independence of China COSCO SHIPPING Group Co., Ltd. issued on May 5, 2016 and the Letter of Commitment on Maintaining the Independence of COSCO SHIPPING Development Co., Ltd., Reducing Related Party Transactions and Avoiding Horizontal Competition issued on October 12, 2020 without violating any of the commitments it has made. After the completion of this reorganization, the Company will continue to strictly implement the aforementioned letters of commitment to protect the interests of the listed company and all shareholders of the listed company.</p> <p>3. This letter of commitment takes effect from the date of official signing by the Company and cannot be revoked after being signed. The Company guarantees that this letter of commitment will be fulfilled, and the listed company has the right to supervise the performance of this letter of commitment; if the Company fails to fulfill this letter of commitment, and therefore causes any actual losses to the listed company, the Company will compensate the listed company for all direct or indirect losses caused to the listed company.</p>	Committed on January 27, 2021	No	Yes

Background of Undertaking	Types of Undertaking	The Undertaking Party	Details of Undertaking	Date and Deadline of Undertaking	Deadline for Fulfillment	Performed strictly and promptly or not
Undertaking regarding the major asset restructuring	Others	China Shipping	<p>1. After the completion of this reorganization, the Company will continue to maintain its independence from the listed company in terms of personnel, assets, business, organization, and finance in accordance with the requirements of relevant laws, regulations, and regulatory documents, and will not engage in any behavior that affects the independence of the listed company's personnel, the independence of assets, the independence of business, the independence of institutions, and the independence of finance, and will not harm the interests of the listed company and other shareholders, so as to effectively protect the independence of the listed company in terms of personnel, assets, businesses, institutions, and finance.</p> <p>2. As of the date of signing this letter of commitment, the Company has always been strictly fulfilling the Letter of Commitment on Maintaining the Independence of the Listed Company issued on December 11, 2015 and the Letter of Commitment on Maintaining the Independence of COSCO SHIPPING Development Co., Ltd., Reducing Related Party Transactions and Avoiding Horizontal Competition issued on October 12, 2020 without violating any of the commitments it has made. After the completion of this reorganization, the Company will continue to strictly implement the aforementioned letters of commitment to protect the interests of the listed company and all shareholders of the listed company.</p> <p>3. This letter of commitment takes effect from the date of official signing by the Company and cannot be revoked after being signed. The Company guarantees that this letter of commitment will be fulfilled, and the listed company has the right to supervise the performance of this letter of commitment; if the Company fails to fulfill this letter of commitment, and therefore causes any actual losses to the listed company, the Company will compensate the listed company for all direct or indirect losses caused to the listed company.</p>	Committed on January 27, 2021	No	Yes

Background of Undertaking	Types of Undertaking	The Undertaking Party	Details of Undertaking	Date and Deadline of Undertaking	Deadline for Fulfillment	Performed strictly and promptly or not
Undertaking regarding the major asset restructuring	Others	COSCO SHIPPING	<p>1. The Company will not exceed its competence to interfere in the operation and management activities of COSCO SHIPPING Development, and will not encroach on the interests of COSCO SHIPPING Development. 2. The Company earnestly fulfills the relevant compensation and repayment measures formulated by COSCO SHIPPING Development and this commitment. If it violates this commitment or refuses to fulfill this commitment and causes losses to COSCO SHIPPING Development or investors, the Company agrees to undertake the corresponding legal obligations in accordance with laws, regulations and relevant provisions of the securities regulatory authority. 3. From the date of the issuance of this commitment to the completion of COSCO SHIPPING Development's implementation of this reorganization transaction, if the China Securities Regulatory Commission has made other new regulatory requirements on the remuneration and repayment measures and commitments, and the above commitments cannot meet such new requirements of the China Securities Regulatory Commission, the Company promise to issue a supplementary commitment in accordance with the latest regulations of the China Securities Regulatory Commission.</p>	Committed on April 29, 2021	No	Yes

Background of Undertaking	Types of Undertaking	The Undertaking Party	Details of Undertaking	Date and Deadline of Undertaking	Deadline for Fulfillment	Performed strictly and promptly or not
Undertaking regarding the major asset restructuring	Others	China Shipping	<p>1. The Company will not exceed its competence to interfere in the operation and management activities of COSCO SHIPPING Development, and will not encroach on the interests of COSCO SHIPPING Development. 2. The Company earnestly fulfills the relevant compensation and repayment measures formulated by COSCO SHIPPING Development and this commitment. If it violates this commitment or refuses to fulfill this commitment and causes losses to COSCO SHIPPING Development or investors, the Company agrees to undertake the corresponding legal obligations in accordance with laws, regulations and relevant provisions of the securities regulatory authority. 3. From the date of the issuance of this commitment to the completion of COSCO SHIPPING Development's implementation of this reorganization transaction, if the China Securities Regulatory Commission has made other new regulatory requirements on the remuneration and repayment measures and commitments, and the above commitments cannot meet such new requirements of the China Securities Regulatory Commission, the Company promise to issue a supplementary commitment in accordance with the latest regulations of the China Securities Regulatory Commission.</p>	Committed on April 29, 2021	No	Yes

Background of Undertaking	Types of Undertaking	The Undertaking Party	Details of Undertaking	Date and Deadline of Undertaking	Deadline for Fulfillment	Performed strictly and promptly or not
Undertaking regarding the major asset restructuring	Others	Company directors and senior executives	<p>1. I promise not to offer benefits to other units or individuals free of charge or on unfair terms, or otherwise harm the Company's interests. 2. I promise to restrain my position-related consumption. 3. I promise that I will not use the Company's assets to engage in investment and consumption activities that have nothing to do with my performance of duties. 4. I promise that the remuneration system formulated by the board of directors or the remuneration and appraisal committee will be linked to the implementation of the Company's compensation and return measures. 5. I promise that the conditions for exercise of the Company's equity incentives are linked to the implementation of the Company's compensation measures. 6. From the date of the issuance of this commitment to the completion of the Company's implementation of this transaction, if the China Securities Regulatory Commission has made other new regulatory requirements on the remuneration and repayment measures and commitments, and the above commitments cannot meet such new requirements of the China Securities Regulatory Commission, I promise to issue a supplementary commitment in accordance with the latest regulations of the China Securities Regulatory Commission. 7. If the commitment to earnestly fulfill the Company's relevant remuneration and repayment measures and the commitments made thereon are violated, causing losses to the Company or investors, I am willing to bear the liability of compensation to the Company or investors in accordance with the law.</p>	Committed on April 29, 2021	No	Yes

Background of Undertaking	Types of Undertaking	The Undertaking Party	Details of Undertaking	Date and Deadline of Undertaking	Deadline for Fulfillment	Performed strictly and promptly or not
Undertaking regarding the major asset restructuring	Others	COSCO SHIPPING	The shares of COSCO SHIPPING Development held by the Company before the reorganization shall not be transferred within 18 months after the completion of the reorganization. The abovementioned lock-up period arrangement shall be adjusted accordingly in accordance with the latest regulatory opinions of the relevant securities regulatory authorities in the event of inconsistency with the latest regulatory opinions of the relevant security regulatory authorities. The Company will faithfully fulfill the above undertaking. If the Company fails to fulfill the obligations and responsibilities conferred by this undertaking, the Company will bear the corresponding legal liabilities in accordance with relevant laws, regulations, departmental rules and regulatory documents.	Within 18 months upon the completion of the restructuring	Yes	Yes
Undertaking regarding the major asset restructuring	Others	China Shipping	1. The shares of COSCO SHIPPING Development acquired by the Company as a result of the issuance shall not be transferred within thirty-six months from the date of closing of the issuance (the shares of the listed company increased as a result of bonus issue or capital reserve converted into share capital of the listed company shall also comply with the aforementioned lock-up period arrangement); 2. The shares of COSCO SHIPPING Development held by the Company before the reorganization shall not be transferred within 18 months after the completion of the reorganization; 3. The abovementioned lock-up period arrangement shall be adjusted accordingly in accordance with the latest requirements and regulatory opinions of the relevant securities regulatory authorities in the event of inconsistency with the latest requirements or regulatory opinions of the relevant security regulatory authorities. The Company will faithfully fulfill the above undertaking. If the Company fails to fulfill the obligations and responsibilities conferred by this undertaking, the Company will bear the corresponding legal liabilities in accordance with relevant laws, regulations, departmental rules and regulatory documents.	For shares acquired in the issuance, within 36 months from the date of closing of the issuance; for shares held before the reorganization, within 18 months after the completion of the reorganization	Yes	Yes

Background of Undertaking	Types of Undertaking	The Undertaking Party	Details of Undertaking	Date and Deadline of Undertaking	Deadline for Fulfillment	Performed strictly and promptly or not
Undertaking regarding the major asset restructuring	Others	COSCO SHIPPING Investment	<p>1. The shares of COSCO SHIPPING Development acquired by the Company as a result of the reorganization shall not be transferred within 36 months from the date of closing of the issuance (the shares of the listed company increased as a result of bonus issue or capital reserve converted into share capital of the listed company shall also comply with the aforementioned lock-up period arrangement). 2. If the closing price of the shares of the listed company for 20 consecutive trading days within 6 months after the completion of the reorganization is lower than the issue price of the shares of the reorganization (during this period, if any ex-right or ex-dividend event such as distribution of dividends, stock dividends, and capital reserve converted into share capital occurred in COSCO SHIPPING Development, corresponding adjustments shall be made in accordance with the relevant regulations of the China Securities Regulatory Commission and Shanghai Stock Exchange, the same shall apply below), or if the closing price of the shares of the listed company at the end of 6 months after the completion of the reorganization is lower than the issue price of the shares of the reorganization, the lock-up period of COSCO SHIPPING Development's shares held by the Company shall be automatically extended for 6 months. 3. The abovementioned lock-up period arrangement shall be adjusted accordingly in accordance with the latest requirements and regulatory opinions of the relevant securities regulatory authorities in the event of inconsistency with the latest requirements or regulatory opinions of the relevant security regulatory authorities. 4. The Company will faithfully fulfill the above undertaking. If the Company fails to fulfill the obligations and responsibilities conferred by this undertaking, the Company will bear the corresponding legal liabilities in accordance with relevant laws, regulations, departmental rules and regulatory documents.</p>	36 months from the completion of the issuance	Yes	Yes

Background of Undertaking	Types of Undertaking	The Undertaking Party	Details of Undertaking	Date and Deadline of Undertaking	Deadline for Fulfillment	Performed strictly and promptly or not
Undertaking regarding the major asset restructuring	Others	COSCO SHIPPING Investment	<p>The Company confirms that there are no disputes on the ownership of the properties of the Target Companies without certificates. There is no mortgage, judicial seizure, freezing or other restriction of rights with no significant and adverse effects on the production and operation of the Target Companies. It is applying for the ownership certificates for the office building and the comprehensive building of DFIC Ningbo and there are no substantial legal barriers in obtaining the ownership certificates.</p> <p>The Company undertakes that if COSCO SHIPPING Development and/or the Target Companies suffers any losses (including but not limited to losses arising from disputes over the ownership of the properties without certificates, the relocation as a result of being ordered to demolish by competent authorities and administrative punishment by competent authorities) due to the above properties without certificates after the completion of the Transaction, such losses of COSCO SHIPPING Development and/or the Target Companies will be fully compensated by the company based on the request of COSCO SHIPPING Development.</p>	Committed on April 29, 2021	No	Yes

Background of Undertaking	Types of Undertaking	The Undertaking Party	Details of Undertaking	Date and Deadline of Undertaking	Deadline for Fulfillment	Performed strictly and promptly or not
Undertaking regarding the major asset restructuring	Others	COSCO SHIPPING Investment	<p>1. After the completion of the transaction, the Company will no longer participate in the indirect sales of Target Companies, no longer enter into new container purchase contracts with Target Companies, and no longer enter into new container sales contracts with Dong Fang International Container (Hong Kong) Co., Ltd. ("DFIC HK") or end customers. After the completion of the transaction, the Company will adopt the following arrangements for the existing contracts signed before the completion of the transaction: (1) the existing purchase contracts signed with Target Companies will be terminated; (2) the sales contracts signed with DFIC HK or the end customer will be changed, and Target Companies originally designated as the container manufacturing plant in the sales contract will succeed the rights and obligations of the Company under the corresponding contract. 2. As of the date of this commitment letter, there is no circumstance where the Company has received the payment for the container sales but has not yet paid Target Companies. On the date of the completion of the Transaction, the Company will ensure that there is no circumstance where the payment for the container sales has been received but not yet paid to Target Companies; after the completion of the Transaction, the Company will pay the relevant amount to Target Companies within 5 business days after receiving the payment for the container sales if the Company has not yet recovered the payment for the container sales on the settlement date. 3. As of the date of this commitment letter, Target Companies does not have any non-operating funds which are appropriated by the Company and does not provide any guarantee for the Company. From the date of issuance of this commitment letter, the Company will not appropriate any non-operating funds of Target Companies and COSCO SHIPPING Development and will not seek any non-compliant guarantee from Target Companies and COSCO SHIPPING Development. 4. If COSCO SHIPPING Development and its subsidiaries suffer losses due to the Company's failure to fulfill the above undertaking, the Company will bear the corresponding compensation responsibility in accordance with the law. This undertaking shall be effective from the date of issuance and shall continue to be valid during the period when the Company is a related party COSCO SHIPPING Development.</p>	Committed on September 9, 2021	No	Yes

Background of Undertaking	Types of Undertaking	The Undertaking Party	Details of Undertaking	Date and Deadline of Undertaking	Deadline for Fulfillment	Performed strictly and promptly or not
Undertaking regarding the major asset restructuring	Performance commitments	COSCO SHIPPING Investment	<p>COSCO SHIPPING Investment makes a commitment to the level of fulfillment of the performance of the assets that were evaluated and priced by the income approach among the target assets during the performance compensation period: 1. If the Transaction shall be completed prior to 31 December 2021 (inclusive), COSCO SHIPPING Investment make a commitment that the audited income sharing amount of the DFIC Qidong Performance Compensation Assets in 2021, 2022 and 2023 shall not be less than RMB2,021,200, RMB1,418,000 and RMB1,159,200, respectively. If the Transaction fails to be completed prior to 31 December 2021 (inclusive), COSCO SHIPPING Investment makes a commitment that the audited income sharing amount of the DFIC Qidong Performance Compensation Assets in 2022, 2023 and 2024 shall not be less than RMB1,418,000, RMB1,159,200 and RMB1,040,400, respectively (hereinafter referred to as the "DFIC Qidong Commitment Income Sharing Amount"). If the audited income sharing amount of the DFIC Qidong Performance Compensation Assets achieved by DFIC Qidong during the performance commitment period is lower than the DFIC Qidong Commitment Income Sharing Amount, COSCO SHIPPING Investment shall compensate the Listed Company with the shares of the Listed Company acquired through the Transaction as priority and cash as supplement. 2. If the Transaction shall be completed prior to 31 December 2021 (inclusive), COSCO SHIPPING Investment make a commitment that the total audited income sharing amount of the Universal Technology Performance Compensation Assets in 2021, 2022 and 2023 shall not be less than RMB7,473,200, RMB5,104,600 and RMB4,195,800, respectively. If the Transaction fails to be completed prior to 31 December 2021 (inclusive), COSCO SHIPPING Investment makes a commitment that the total audited income sharing amount of the Universal Technology Performance Compensation Assets in 2022, 2023 and 2024 shall not be less than RMB5,104,600, RMB4,195,800 and RMB3,644,900, respectively (hereinafter referred to as "Universal Technology Commitment Income Sharing Amount"). If the audited income sharing amount of the Universal Technology Performance Compensation Assets achieved by Universal Technology during the performance commitment period is lower than the Universal Technology Commitment Income Sharing Amount, COSCO SHIPPING Investment shall compensate the Listed Company with the shares of the Listed Company acquired through the Transaction as priority and cash as supplement.</p>	Three consecutive accounting year after the completion of the transaction (including the year when the transaction was completed)	Yes	Yes

Background of Undertaking	Types of Undertaking	The Undertaking Party	Details of Undertaking	Date and Deadline of Undertaking	Deadline for Fulfillment	Performed strictly and promptly or not
			<p>3. Impairment testing compensation at the end of the period. Upon the expiry of the performance compensation period, the Listed Company shall decide and engage an accounting firm in accordance with the provisions of the Securities Law to conduct an impairment testing on the Performance Compensation Assets and issue an impairment testing report. In case of the amount of impairment of a certain Performance Compensation Asset at the end of the period > total number of shares compensated for such Performance Compensation Assets during the performance compensation period (without taking into account of the impact of ex-rights and ex-dividends) × the offering price of shares to be issued for acquisition of assets this time + total cash compensated by COSCO SHIPPING Investment for such Performance Compensation Asset, COSCO SHIPPING Investment shall compensate the Listed Company for the impairment of such assets separately.</p>			

We are of the opinion that the mentioned undertakings were implemented strictly.

(7) Implementation of information disclosure

During the reporting period, the Company was able to make information disclosures in an “open, fair and impartial” manner according to the requirements of relevant laws and regulations, without being criticized or penalized by regulatory authorities.

(8) Implementation of internal control

For the implementation of internal control, please refer to the “Internal Control Evaluation Report for 2021” considered and passed by the Board, and the “Internal Control Audit Report for 2021” of the Company issued by ShineWing Certified Public Accountants.

(9) Operation of the Board and the special committees under the Board

The Board has set up six special committees, namely the investment strategy committee, nomination committee, remuneration committee, audit committee, risk control committee and execution committee. All these special committees considered the matters according to their respective specialized fields. The Board and its special committees operated in a regulated manner and discharged their duties according to law. For details about the operation, please refer to the Company’s Annual Report 2021.

(10) Other issues which the Independent Directors considered that the Company should improve

The Company operated in a regulated manner according to relevant laws and regulations as well as regulatory requirements for listed companies. Currently, no issues which need to be raised for improvement were found.

IV. OVERALL ASSESSMENT

As the independent directors of the Company, we discharged our duties based on the principles of objectiveness, fairness and independence; participated in the decision making of material matters of the Company, remained diligent and responsible, and played an active role as independent Directors in strict compliance with the requirements of laws and regulations, including the Company Law, the Securities Law, Rules for Independent Directors of Listed Companies, the Articles of Association and Working System of Independent Directors, thus safeguarded the legitimate rights and interests of the Company and its shareholders (especially minority shareholders) as a whole.

In 2022, we will continue to uphold the principles of prudence, diligence and loyalty and the spirit of being accountable to the Company and all shareholders; we will strengthen learning and constantly enhance our professional skills and decision-making capabilities; and we will discharge our duties and obligations as independent Directors faithfully and effectively so as to better protect the legitimate rights and interests of the Company and minority shareholders.

Independent Directors of COSCO SHIPPING Development Co., Ltd.

Hai Chi Yuet, Graeme Jack, Cai Hongping, Lu Jianzhong, Zhang Weihua and Shao Ruiqing

30 March 2022

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS

Interests and short positions of Directors, Supervisors and chief executives

Save as disclosed below, as at the Latest Practicable Date, none of the Directors, Supervisors or chief executive(s) of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors or chief executive(s) is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company.

Name	Position	Class of		Number of Shares interested <i>(Note 1)</i>	Approximate	Approximate
		Shares	Capacity		percentage of the total number of the relevant class of Shares of the Company <i>(%)</i>	
Wang Daxiong	Director	A Shares	Beneficial owner	1,500,000 (L) <i>(Note 2)</i>	0.02	0.01
		H Shares	Other	834,677 (L) <i>(Notes 3 and 4)</i>	0.02	0.01
Liu Chong	Director	A Shares	Beneficial owner	1,490,100 (L) <i>(Note 2)</i>	0.02	0.01
		H Shares	Other	1,112,903 (L) <i>(Notes 3 and 5)</i>	0.03	0.01

Name	Position	Class of Shares Capacity		Number of Shares interested (Note 1)	Approximate percentage of the total number of the relevant class of Shares of the Company (%)	Approximate percentage of the issued share capital of the Company (%)
Xu Hui	Director	A Shares	Beneficial owner	1,490,100 (L) (Note 2 and 7)	0.02	0.01
		H Shares	Other	945,968 (L) (Notes 3 and 6)	0.03	0.01

Notes:

1. “L” means long position in the shares.
2. Such interests relate to share options granted to the Directors on 30 March 2020 pursuant to the A Share option incentive scheme of the Company approved by the Shareholders on 5 March 2020.
3. As disclosed in the announcement of the Company dated 24 November 2016, certain executive Directors, Supervisor, senior management and employees of the Company have voluntarily invested, with their own fund, in an asset management plan (the “**Asset Management Plan**”), pursuant to which the executive Directors, Supervisor, senior management and employees of the Company had subscribed to the units of the Asset Management Plan and entrusted the manager of the Asset Management Plan to manage the Asset Management Plan, which would invest in the H Shares. The manager of the Asset Management Plan shall be responsible for, among other things, the investment and re-investment of the assets under the Asset Management Plan and shall be entitled to exercise the voting rights and other relevant rights in respect of the H Shares held under the Asset Management Plan. The Company did not participate in the Asset Management Plan, and the Asset Management Plan does not constitute a share option scheme or any type of employee benefit scheme of the Company. As at the Latest Practicable Date, the Asset Management Plan has been fully funded and has acquired 6,900,000 H Shares on the market at an average price of HK\$1.749 per H Share.
4. Mr. Wang Daxiong was one of the participants of the Asset Management Plan through which he held approximately 12.10% of the total number of units of the Asset Management Plan as at the Latest Practicable Date. Accordingly, the 834,677 H Shares represent the interests derived from the units subscribed by Mr. Wang Daxiong in the Asset Management Plan as at the Latest Practicable Date. As at the Latest Practicable Date, Mr. Wang Daxiong did not hold any Shares.
5. Mr. Liu Chong was one of the participants of the Asset Management Plan through which he held approximately 16.13% of the total number of units of the Asset Management Plan as at the Latest Practicable Date. Accordingly, the 1,112,903 H Shares represent the interests derived from the units subscribed by Mr. Liu Chong in the Asset Management Plan as at the Latest Practicable Date. As at the Latest Practicable Date, Mr. Liu Chong did not hold any Shares.
6. Mr. Xu Hui was one of the participants of the Asset Management Plan through which he held approximately 13.71% of the total number of units of the Asset Management Plan as at the Latest Practicable Date. Accordingly, the 945,968 H Shares represent the interests derived from the units subscribed by Mr. Xu Hui in the Asset Management Plan as at the Latest Practicable Date. As at the Latest Practicable Date, Mr. Xu Hui did not hold any Shares.
7. The share options to subscribe for 496,700 A Shares were exercised by Mr. Xu on 23 May 2022 at the adjusted exercise price of RMB2.419 per A Share and the relevant shares were listed on 24 May 2022. All the 496,700 A Shares come from the A Shares previously repurchased by the Company and no new Shares were issued and allotted pursuant to the exercise of share options by Mr. Xu.

Positions held by Directors and Supervisors in substantial Shareholder(s)

As at the Latest Practicable Date:

- (a) Mr. Huang Jian, a non-executive Director, was also a department general manager of COSCO SHIPPING; and
- (b) Mr. Ye Hongjun, a Supervisor, was also the chief legal adviser of COSCO SHIPPING.

Save as disclosed above, none of the Directors or Supervisors was, as at the Latest Practicable Date, a director or employee of a company which had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors, Supervisors or chief executive(s) of the Company, the interests or short positions of the Shareholders who are entitled to exercise or control 5% or more of the voting power at any general meeting or other persons (other than a Director, Supervisor or chief executive(s) of the Company) in the Shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO or which have been notified to the Company and the Hong Kong Stock Exchange were as follows:

Name of Shareholder	Class of Shares	Capacity	Number of Shares interested (Note 1)	Approximate percentage of the total number of the relevant class of Shares of the Company (%)	Approximate percentage of the issued share capital of the Company (%)
China Shipping	A Shares	Beneficial owner	4,628,015,690 (L) (Note 2)	46.70	34.06
		Interest of controlled corporation	1,447,917,519 (L) (Note 3)	14.61	10.66
	H Shares	Interest of controlled corporation	100,944,000 (L) (Note 4)	2.75	0.74
COSCO SHIPPING	A Shares	Beneficial owner	47,570,789 (L)	0.48	0.35
		Interest of controlled corporation	4,628,015,690 (L) (Note 2)	46.70	34.06
	H Shares	Interest of controlled corporation	1,447,917,519 (L) (Note 3)	14.61	10.66
		Interest of controlled corporation	100,944,000 (L) (Note 4)	2.75	0.74
COSCO SHIPPING Investment Holdings Co., Ltd.	A Shares	Beneficial owner	1,447,917,519 (L) (Note 3)	14.61	10.66

Notes:

1. “L” means long position in the shares.
2. Such 4,628,015,690 A Shares represent the same block of Shares.
3. Such 1,447,917,519 A Shares represent the same block of Shares.
4. Such 100,944,000 H Shares represent the same block of Shares and is held by Ocean Fortune Investment Limited, an indirectly wholly-owned subsidiary of China Shipping.

Save as disclosed above, as at the Latest Practicable Date, no other person (other than Directors, Supervisors or chief executive(s) of the Company) had any interests or short positions in any Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or any interests or short positions recorded in the register kept by the Company pursuant to Section 336 of the SFO or any interests or short positions which have been notified to the Company and the Hong Kong Stock Exchange.

3. NO MATERIAL ADVERSE CHANGE

The Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

4. SERVICE CONTRACTS

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

5. MATERIAL INTERESTS

As at the Latest Practicable Date:

- (a) none of the Directors or the Supervisors had any direct or indirect interest in any assets which had been, since 31 December 2021 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) none of the Directors or the Supervisors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, nor any of their respective close associates had any interest in other business which competes or may compete, either directly or indirectly, with the business of the Group as if each of them were treated as a controlling shareholder under Rule 8.10 of the Hong Kong Listing Rules.

7. EXPERTS' QUALIFICATIONS AND CONSENTS

The following are the qualifications of the experts who have given their opinions or advice which are contained in this circular:

Name	Qualification
TC Capital International Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
China Tong Cheng Assets Appraisal Co., Ltd.	an independent valuer

As at the Latest Practicable Date, each of the abovementioned experts had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinion and/or the reference to its name and opinions in the form and context in which they respectively appear.

As at the Latest Practicable Date, each of the abovementioned experts did not have any shareholding in any member of the Group or any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in any member of the Group.

As at the Latest Practicable Date, each of the abovementioned experts did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021 (being the date to which the latest published audited statements of the Group were made up).

8. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://development.coscoshipping.com>) during the period of 14 days from the date of this circular:

- (a) the Equity Transfer Agreement;
- (b) the Capital Increase Agreement;

- (c) the letter from the Board, the text of which is set out in the section headed “Letter from the Board” in this circular;
- (d) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Board Committee” in this circular;
- (e) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed “Letter from the Independent Financial Adviser” in this circular;
- (f) the Valuation Report referred to in this circular;
- (g) the written consents referred to in the paragraph headed “7. Experts’ Qualifications and Consents” in this Appendix; and
- (h) this circular.

9. MISCELLANEOUS

- (a) The joint company secretaries of the Company are Mr. Cai Lei (“**Mr. Cai**”) and Ms. Ng Sau Mei (“**Ms. Ng**”). Mr. Cai is qualified as a national judicial professional and an insurance assessor, and holds the title of intermediate economist. Ms. Ng is a fellow member of both the Hong Kong Chartered Governance Institute (formerly known as the Hong Kong Institute of Chartered Secretaries) and The Chartered Governance Institute (formerly known as The Institute of Chartered Secretaries and Administrators) in the United Kingdom.
- (b) The legal address of the Company in the PRC is Room A-538, International Trade Center, China (Shanghai) Pilot Free Trade Zone, Shanghai, the PRC.
- (c) The principal place of business of the Company in the PRC is 5299 Binjiang Dadao, Pudong New Area, Shanghai, the PRC.
- (d) The principal place of business of the Company in Hong Kong is 50/F, COSCO Tower, 183 Queen’s Road Central, Hong Kong.
- (e) The Hong Kong H Share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong.

NOTICE OF AGM

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



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

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 02866)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the annual general meeting for the year of 2021 (the “AGM”) of COSCO SHIPPING Development Co., Ltd. (the “Company”) will be held at 1:30 p.m. on Thursday, 30 June 2022 (or at any adjournment thereof) at Holiday Inn Shanghai Jinxiu, 399 Jin Zun Road, Pudong New Area, Shanghai, the People’s Republic of China to consider and, if thought fit, pass the following resolutions. Unless otherwise defined, capitalised terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 9 June 2022 (the “Circular”).

ORDINARY RESOLUTIONS

1. To consider and approve the report of the Board for the year ended 31 December 2021.
2. To consider and approve the report of the Supervisory Committee for the year ended 31 December 2021.
3. To consider and approve the work report of the independent non-executive Directors for the year ended 31 December 2021.
4. To consider and approve the audited financial statements and the auditors’ report of the Group for the year ended 31 December 2021.
5. To consider and approve the annual report of the Company for the year ended 31 December 2021.

NOTICE OF AGM

6. To consider and approve the proposed profit distribution plan of the Company and the proposed payment of a final dividend of RMB0.226 per share of the Company (inclusive of applicable tax) for the year ended 31 December 2021.
7. To consider and determine the remuneration of the Directors and the Supervisors for the year 2022.
- 8.(a) To re-appoint ShineWing Certified Public Accountants LLP as the Company's domestic auditor for the year of 2022, with remuneration of RMB5.28 million (inclusive of applicable tax).
- 8.(b) To re-appoint ShineWing Certified Public Accountants LLP as the Company's internal control auditor for the year of 2022, with remuneration of RMB0.92 million (inclusive of applicable tax).
- 8.(c) To appoint ShineWing Certified Public Accountants LLP as the international auditor of the Company for the year of 2022, with remuneration of RMB4.96 million (inclusive of applicable tax).
9. To consider and approve the resolution in relation to the Equity Transfer Agreement and the Disposal of Equity Interest.
10. To consider and approve the resolution in relation to the Capital Increase Agreement and the Capital Increase by the Company.

SPECIAL RESOLUTION

11. To consider and approve the Provision of Guarantees, details of which are set out in the Circular.

By order of the Board
COSCO SHIPPING Development Co., Ltd.
Cai Lei
Joint Company Secretary

Shanghai, the People's Republic of China

9 June 2022

NOTICE OF AGM

Notes:

1. The Register of Members will be closed during the following periods and during these periods, no transfer of H Shares will be registered.

- (a) To attend and vote at the AGM

For the purpose of holding the AGM, the Register of Members will be closed from 24 June 2022 to 30 June 2022 (both days inclusive), during which period no transfer of H Shares will be registered. The H Shareholders whose names appear on the Register of Members at the close of business on 24 June 2022 are entitled to attend and vote at the AGM.

In order to attend and vote at the AGM, the H Shareholders shall lodge all transfer documents together with the relevant share certificates to Computershare, the H Share registrar of the Company, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 23 June 2022.

- (b) To qualify for the proposed final dividend for the year ended 31 December 2021

For the purpose of determining the H Shareholders' entitlement to the proposed final dividend for the year ended 31 December 2021, the Register of Members will be closed from 30 July 2022 to 4 August 2022 (both days inclusive), during which period no transfer of H Shares will be registered. The H Shareholders whose names appear on the Register of Members at the close of business on 4 August 2022 are entitled to receive the proposed final dividend.

In order to qualify for the proposed final dividend, the H Shareholders shall lodge all transfer documents together with the relevant share certificates to Computershare, the H Share registrar of the Company, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 29 July 2022.

2. Each H Shareholder who has the right to attend and vote at the AGM is entitled to appoint in writing one or more proxies, whether a Shareholder or not, to attend and vote on his/her behalf at the AGM.
3. The Form of Proxy must be signed by the Shareholder or his/her attorney duly authorised in writing or, in the case of a legal person, must either be executed under its common seal or under the hand of a legal representative or other attorney duly authorised to sign the same. If the Form of Proxy is signed by an attorney of the appointer, the power of attorney authorising that attorney to sign, or other document of authorisation, must be notarially certified.
4. To be valid, for H Shareholders, the Form of Proxy, and if the Form of Proxy is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or other authority, must be delivered to Computershare at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time for holding the AGM or any adjournment thereof in order for such documents to be valid.
5. If a proxy attends the AGM on behalf of a Shareholder, he/she should produce his/her identity card and the Form of Proxy signed by the Shareholder or his/her legal representative or his/her duly authorised attorney, and specify the date of its issuance. If a legal person Shareholder appoints its corporate representative to attend the AGM, such representative should produce his/her identity card and the notarised copy of the resolution passed by the board of directors or other authorities, or other notarised copy of the licence issued by such legal person Shareholder. The Form of Proxy duly signed and submitted by HKSCC Nominees Limited are deemed to be valid, and it is not necessary for the proxy(ies) appointed by HKSCC Nominees Limited to produce the signed Form of Proxy when the proxy(ies) attend(s) the AGM. Completion and return of the Form of Proxy will not preclude a Shareholder from attending in person and voting at the AGM or any adjournment thereof should he/she so wish.

NOTICE OF AGM

6. Pursuant to the Hong Kong Listing Rules, any vote of Shareholders at a general meeting must be taken by way of poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, the resolutions set out in the notice of the AGM will be voted on by poll. Results of the poll voting will be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk after the AGM.
7. Where there are joint registered holders of any share of the Company, only the person whose name stands first on the Register of Members in respect of such share may vote at the AGM, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto.
8. The AGM is estimated to last for half a day. Shareholders who attend the AGM in person or by proxy shall bear their own transportation and accommodation expenses.

The Board as at the date of this notice comprises Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, being executive Directors, Mr. Huang Jian, Mr. Liang Yanfeng and Mr. Ip Sing Chi, being non-executive Directors, and Mr. Cai Hongping, Mr. Lu Jianzhong, Ms. Zhang Weihua and Mr. Shao Ruiqing, being independent non-executive Directors.

- * *The Company is a registered non-Hong Kong company as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and it is registered under its Chinese name and under the English name “COSCO SHIPPING Development Co., Ltd.”.*