
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, a 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, the form of proxy and the reply slip to the purchaser or 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.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, 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 circular.



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) MAJOR TRANSACTIONS
EQUITY TRANSFER AGREEMENT
AND
PROPOSED MANDATE IN RELATION TO POTENTIAL CAPITAL INCREASE
AND
(2) NOTICE OF EGM**

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 5 to 25 of this circular.

A notice convening the EGM to be held at 1:30 p.m. on Monday, 28 December 2020 at Level 3, Ocean Hotel Shanghai, 1171 Dong Da Ming Road, Hong Kou District, Shanghai, the PRC is set out on pages EGM-1 to EGM-3 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."*

CONTENTS

	<i>Page</i>
DEFINITIONS	1
LETTER FROM THE BOARD	5
APPENDIX I – ERNST & YOUNG’S REPORT ON PROFIT FORECAST	I-1
APPENDIX II – VALUATION REPORT	II-1
APPENDIX III – VALUATION REPORT	III-1
APPENDIX IV – LETTER FROM THE BOARD RELATING TO THE VALUATIONS	IV-1
APPENDIX V – FINANCIAL INFORMATION OF THE GROUP	V-1
APPENDIX VI – GENERAL INFORMATION	VI-1
NOTICE OF EGM	EGM-1

DEFINITIONS

In this circular, unless the context otherwise requires, the expressions below 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
“Announcement”	the announcement of the Company dated 10 December 2020 in relation to, among other things, the Equity Transfer Agreement and the Proposed Mandate and the transactions contemplated thereunder
“associate”	has the meaning ascribed to it under the Listing Rules
“Beijing CEA”	Beijing China Enterprise Appraisals Co., Ltd. (北京中企華資產評估有限責任公司), a PRC qualified valuer
“Board”	the board of directors of the Company
“Capital Increase Agreement”	the capital increase agreement to be entered into between COSCO SHIPPING Leasing and the successful bidder in relation to the Potential Capital Increase
“Chengtong Fund Management”	Chengtong Mixed Reform Equity Investment Fund Management Co., Ltd. [#] (誠通混改股權投資基金管理有限公可), a company established in the PRC with limited liability and the manager of Mixed Ownership Reform Fund
“China Chengtong”	China Chengtong Holdings Group Ltd. [#] (中國誠通控股集團有限公司), a company established in the PRC with limited liability and a PRC state-owned enterprise
“China Reform Holdings”	China Reform Holdings Co., Ltd. [#] (中國國新控股有限責任公司), a company established in the PRC with limited liability and a PRC state-owned enterprise
“China Shipping”	China Shipping (Group) Company Limited [#] (中國海運集團有限公司), a PRC state-owned enterprise and the controlling shareholder of the Company

DEFINITIONS

“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 the A Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 02866) and the Shanghai Stock Exchange (Stock Code: 601866), respectively
“Computershare”	Computershare Hong Kong Investor Services Limited, the H Share registrar of the Company
“COSCO SHIPPING”	China COSCO SHIPPING Corporation Limited [#] (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 Leasing”	COSCO SHIPPING Leasing Co., Ltd. [#] (中遠海運租賃有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company as at the Latest Practicable Date
“COSCO SHIPPING Leasing Group”	COSCO SHIPPING Leasing and its subsidiaries
“CNBM United Investment”	CNBM United Investment Co., Ltd. [#] (中建材聯合投資有限公司), a company established in the PRC with limited liability and a PRC state-owned enterprise
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened at 1:30 p.m. on Monday, 28 December 2020 at Level 3, Ocean Hotel Shanghai, 1171 Dong Da Ming Road, Hong Kou District, Shanghai, the PRC (or any adjournment thereof) to consider and, if thought fit, approve, among other things, the Equity Transfer Agreement and the Proposed Mandate and the transactions contemplated thereunder

DEFINITIONS

“Equity Transfer Agreement”	the equity transfer agreement dated 10 December 2020 entered into between Chengtong Fund Management (on behalf of Mixed Ownership Reform Fund) and the Company in relation to the disposal of 35.22% equity interest in COSCO SHIPPING Leasing held by the Company
“Group”	the Company and its subsidiaries
“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)”	the holder(s) of H Share(s)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Shareholders”	the Shareholders other than (i) COSCO SHIPPING and its associates and (ii) all other parties (if any) who are involved or interested in the Equity Transfer Agreement and the transactions contemplated thereunder
“Latest Practicable Date”	10 December 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Mixed Ownership Reform Fund”	China State-owned Enterprises Mixed Ownership Reform Fund Co., Ltd. [#] (中國國有企業混合所有制改革基金有限公司), a company to be established under the laws of the PRC with limited liability
“percentage ratios”	has the meaning ascribed to such term under the Listing Rules
“Potential Capital Increase”	the proposed capital increase of COSCO SHIPPING Leasing by one strategic investor for at least RMB1,000,000,000 and no more than RMB3,000,000,000

DEFINITIONS

“PRC”	the People’s Republic of China, and for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“Proposed Mandate”	the general mandate to be granted in advance by the Shareholders to the Group to conduct the Potential Capital Increase by way of public tender
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	the State-owned Assets Supervision and Administration Commission of the State Council of the PRC
“Share(s)”	A Share(s) and H Shares(s)
“Shareholder(s)”	holder(s) of the Share(s)
“Southern Power Grid Capital”	Southern Power Grid Capital Holdings Co., Ltd. [#] (南方電網資本控股有限公司), a company established in the PRC with limited liability and a PRC state-owned enterprise
“SUAAE”	Shanghai United Assets and Equity Exchange (上海聯合產權聯交所)
“Valuation Benchmark Date”	the valuation benchmark date adopted in the Valuation Reports, being 31 December 2019
“Valuation Reports”	collectively, the two assessment reports issued by Beijing CEA in relation to the Equity Transfer Agreement and the Potential Capital Increase, the full text of which are set out in Appendices II and III to this circular
“Yangtze Three Gorges Investment Management”	Yangtze Three Gorges Investment Management Co., Ltd. [#] (長江三峽投資管理有限公司), a company established in the PRC with limited liability and a PRC state-owned enterprise
“%”	per cent

* 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 purpose 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

Ms. Hai Chi Yuet

Mr. Graeme Jack

Mr. Lu Jianzhong

Ms. Zhang Weihua

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

11 December 2020

To the Shareholders

Dear Sir or Madam,

**(1) MAJOR TRANSACTIONS
EQUITY TRANSFER AGREEMENT
AND
PROPOSED MANDATE IN RELATION TO POTENTIAL CAPITAL INCREASE
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

I. INTRODUCTION

Reference is made to the Announcement in relation to, among other things, the Equity Transfer Agreement and the Proposed Mandate and the transactions contemplated thereunder.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, further details of the Equity Transfer Agreement and the Proposed Mandate and the transactions contemplated thereunder and other 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 EGM.

At the EGM, ordinary resolutions will be proposed to approve the Equity Transfer Agreement and the Proposed Mandate and the transactions contemplated thereunder.

II. THE EQUITY TRANSFER AGREEMENT

On 10 December 2020, the Company and Chengtong Fund Management entered into the Equity Transfer Agreement, pursuant to which and subject to the terms thereof, Chengtong Fund Management (on behalf of Mixed Ownership Reform Fund) has agreed to acquire and the Company has agreed to sell 35.22% of the equity interest in COSCO SHIPPING Leasing held by the Company at the consideration of RMB1,800,000,000.

The Equity Transfer Agreement and the Potential Capital Increase are not inter-conditional upon each other.

1. Terms of the Equity Transfer Agreement

The principal terms of the Equity Transfer Agreement are set out as follows:

Date: 10 December 2020

Subject matter: Pursuant to the Equity Transfer Agreement and subject to the terms thereof, Chengtong Fund Management (on behalf of Mixed Ownership Reform Fund) has agreed to acquire and the Company has agreed to sell 35.22% of the equity interest in COSCO SHIPPING Leasing held by the Company at the consideration of RMB1,800,000,000.

Chengtong Fund Management undertakes that:

- (i) the establishment of Mixed Ownership Reform Fund shall be completed within fifteen (15) working days after the date of the Equity Transfer Agreement; and
- (ii) Mixed Ownership Reform Fund will confirm and agree to be bound by the terms of the Equity Transfer Agreement and perform the specific obligations under the Equity Transfer Agreement (in particular, the obligation in relation to payment of consideration).

LETTER FROM THE BOARD

Consideration:

The consideration payable under the Equity Transfer Agreement shall be RMB1,800,000,000, which was determined after arm's length negotiations between the parties on normal commercial terms based on the appraised value of the total shareholders' equity in COSCO SHIPPING Leasing of approximately RMB5,109,545,900 as at the Valuation Benchmark Date of 31 December 2019 as set out in the Valuation Report.

The full text of the Valuation Report is set out in Appendix II 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.

As the Valuation Report is subject to the filing procedures in respect of state-owned assets in accordance with the relevant PRC laws and regulations, in the event of any adjustments to the valuation results during the filing procedures, the consideration payable under the Equity Transfer Agreement shall be adjusted accordingly.

Payment:

The consideration of RMB1,800,000,000 shall be paid in cash to the designated bank account of the Company in the following manner:

- (i) within five (5) working days after the effective date of the Equity Transfer Agreement, the first instalment of RMB540,000,000 (being 30% of the consideration payable) shall be paid by Chengtong Fund Management or Mixed Ownership Reform Fund; and
- (ii) Chengtong Fund Management shall procure Mixed Ownership Reform Fund to pay the remaining balance of the consideration (being RMB1,260,000,000) within forty five (45) working days after the payment of the first instalment.

LETTER FROM THE BOARD

**Effectiveness of the
Equity Transfer
Agreement:**

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

- (i) Chengtong Fund Management having completed the establishment and first tranche fund raising of Mixed Ownership Reform Fund;
- (ii) the parties having completed the relevant internal approval procedures in respect of the signing and implementation of the Equity Transfer Agreement in accordance with their articles of association and relevant internal decision-making requirements;
- (iii) the internal decision-making body of COSCO SHIPPING Leasing having approved the transaction contemplated under the Equity Transfer Agreement; and
- (iv) the transaction contemplated under the Equity Transfer Agreement having been approved by the appropriate state-owned regulatory authorities or their authorized departments.

Based on the information provided by Chengtong Fund Management, it is currently expected that the completion of the establishment and first tranche fund raising of Mixed Ownership Reform Fund will take place by the end of December 2020.

The internal approval procedures referred to in the condition as set out in sub-paragraph (ii) above include the approval of the Equity Transfer Agreement by the Independent Shareholders at the EGM.

None of the conditions above is waivable. As at the Latest Practicable Date, the condition as set out in sub-paragraph (iv) above has been satisfied.

Completion:

Completion shall take place upon the full settlement of the consideration by Chengtong Fund Management and/or Mixed Ownership Reform Fund.

LETTER FROM THE BOARD

The change of industry and commerce registration in respect of Mixed Ownership Reform Fund as a shareholder of COSCO SHIPPING Leasing shall be completed within sixty (60) working days after the full settlement of the consideration.

**Governance of COSCO
SHIPPING Leasing:**

Following completion of the Equity Transfer Agreement:

- (i) the articles of association of COSCO SHIPPING Leasing shall be amended such that Mixed Ownership Reform Fund and the Company will be entitled to the rights and be responsible for the obligations in accordance with their equity interests in COSCO SHIPPING Leasing pursuant to the Company Law of the PRC, other laws, regulations and departmental rules and the articles of association of COSCO SHIPPING Leasing; and
- (ii) adjustments will be made to the board of directors and the supervisory committee of COSCO SHIPPING Leasing where, the board of directors shall comprise seven (7) members, two (2) of which shall be nominated by Chengtong Fund Management or Mixed Ownership Reform Fund, and the supervisory committee shall comprise three (3) members, one (1) of which shall be nominated by Chengtong Fund Management or Mixed Ownership Reform Fund.

Termination:

The Equity Transfer Agreement may be terminated in the following circumstances:

- (i) the parties terminate the Equity Transfer Agreement upon the occurrence of force majeure events;
- (ii) the parties unanimously agree to terminate the Equity Transfer Agreement;
- (iii) in the event of material breach of the Equity Transfer Agreement by one party rendering the purpose of the Equity Transfer Agreement being no longer achievable, the non-defaulting party shall be entitled to terminate the Equity Transfer Agreement;

LETTER FROM THE BOARD

- (iv) if due to any objections raised by government authorities, securities transaction management authorities or judicial institutions in relation to the content and performance of the Equity Transfer Agreement, (a) the Equity Transfer Agreement is terminated, revoked or deemed invalid, or (b) the material principles and provisions contained therein cannot be fulfilled which materially affects the purpose of the signing of the Equity Transfer Agreement, any of the parties is entitled to terminate the Equity Transfer Agreement by written notice; and
- (v) if (a) the occurrence of material changes to relevant laws, regulations and regulatory documents renders the principal terms of the Equity Transfer Agreement illegal, or (b) any of the parties is unable to perform its main obligations under the Equity Transfer Agreement due to national policies and orders, any of the parties is entitled to terminate the Equity Transfer Agreement by written notice.

Upon the termination of the Equity Transfer Agreement, the Company shall return any consideration paid without interest to Chengtong Fund Management.

Other terms:

Following the establishment of Mixed Ownership Reform Fund, the parties and Mixed Ownership Reform Fund will enter into necessary documents so as to confirm that Mixed Ownership Reform Fund will be entitled to the rights and be responsible for the obligations in respect of the transfer of 35.22% of the equity interest in COSCO SHIPPING Leasing under the Equity Transfer Agreement.

Chengtong Fund Management acknowledges that COSCO SHIPPING Leasing proposes to conduct the Potential Capital Increase by way of public tender and Chengtong Fund Management undertakes to procure Mixed Ownership Reform Fund (as an original shareholder of COSCO SHIPPING Leasing) to agree to and waive any pre-emptive right in respect of the Potential Capital Increase.

LETTER FROM THE BOARD

2. Information on the parties to the Equity Transfer Agreement

Information on the Group

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.

Information on Chengtong Fund Management and Mixed Ownership Reform Fund

Chengtong Fund Management is a company established under the laws of the PRC with limited liability and is a wholly-owned subsidiary of China Chengtong. Chengtong Fund Management is principally engaged in asset management and investment management and will be the manager of Mixed Ownership Reform Fund.

Based on the information provided by Chengtong Fund Management, the establishment of Mixed Ownership Reform Fund was approved by SASAC and China Chengtong takes the lead in such establishment. Mixed Ownership Reform Fund aims to introduce mixed ownership reforms and establish mixed ownership companies. Mixed Ownership Reform Fund will be principally engaged in equity investments and asset management, with majority of its investments being made to mixed ownership reform projects in emerging industries including information technology, biotechnology, high-end equipment manufacturing, new energy, new materials, new energy cars, electricity supplies and energy conservation. The target size of Mixed Ownership Reform Fund is RMB200 billion. The proposed acquisition of 35.22% of the equity interest in COSCO SHIPPING Leasing for the consideration of RMB1.8 billion under the Equity Transfer Agreement is only a part of a wide range of investments to be made by Mixed Ownership Reform Fund. It is expected that the fund raising for Mixed Ownership Reform Fund will be completed in two years and the shareholders of Mixed Ownership Reform Fund will include PRC state-owned enterprises, financial institutions, social capital funds and other private enterprises in the PRC.

LETTER FROM THE BOARD

As at the Latest Practicable Date, Mixed Ownership Reform Fund has not been established. Based on the information provided by Chengtong Fund Management, Mixed Ownership Reform Fund will initially have a registered capital of RMB70.7 billion upon its establishment and there will be twenty (20) initial shareholders of Mixed Ownership Reform Fund, which are PRC state-owned enterprises and other private enterprises, with further details as follows:

Initial shareholders	Amount of capital contribution (RMB)	Corresponding approximate percentage of equity interest initially (%)
China Chengtong	24 billion	33.95
CNBM United Investment	6 billion	8.49
China Reform Holdings	6 billion	8.49
Yangtze Three Gorges Investment Management	6 billion	8.49
COSCO SHIPPING	5 billion	7.07
Southern Power Grid Capital Holdings	5 billion	7.07
14 other shareholders ^(Note 1)	18.7 billion	26.45
TOTAL	70.7 billion	100.00

Note 1: Each of those other 14 shareholders is a PRC state-owned enterprise or a private enterprise in the PRC, who is a third party independent of the Company and its connected persons, and will hold less than 5% of the equity interest in Mixed Ownership Refund Fund initially.

The percentage of equity interests held by the abovementioned proposed shareholders of Mixed Ownership Reform Fund (including COSCO SHIPPING) is expected to be diluted as a result of further fund raising of Mixed Ownership Reform Fund in the future.

China Chengtong is a company established under the laws of the PRC with limited liability and a PRC state-owned enterprise. It is principally engaged in asset management, investment holdings and provision of integrated logistics services.

CNBM United Investment is a company established under the laws of the PRC with limited liability and a PRC state-owned enterprise. It is principally engaged in investment management, asset management and investment consultancy.

China Reform Holdings is a company established under the laws of the PRC with limited liability and a PRC state-owned enterprise. It is principally engaged in state-owned capital operation.

LETTER FROM THE BOARD

Yangtze Three Gorges Investment Management is a company established under the laws of the PRC with limited liability and a PRC state-owned enterprise. It is principally engaged in investment and asset management.

COSCO SHIPPING is a company incorporated under the laws of the PRC, and is a state-owned enterprise wholly-owned and controlled by SASAC and an indirect controlling shareholder of the Company.

Southern Power Grid Capital is a company established in the PRC with limited liability and a PRC state-owned enterprise. It is principally engaged in financial investments and investment management.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors, having made all reasonable enquiries, Chengtong Fund Management, Mixed Ownership Reform Fund, the abovementioned proposed shareholders of Mixed Ownership Reform Fund and their ultimate beneficial owners are third parties independent of the Company and its connected persons, and there is no other relationship among the foregoing parties.

Save for the abovementioned proposed holding of approximately 7.07% equity interest of COSCO SHIPPING in Mixed Ownership Reform Fund upon its establishment, there is no participation or involvement of COSCO SHIPPING in Mixed Ownership Reform Fund and in the negotiation of the Equity Transfer Agreement between Chengtong Fund Management and the Company.

III. PROPOSED MANDATE IN RELATION TO POTENTIAL CAPITAL INCREASE

On 10 December 2020, the Board resolved to approve the Potential Capital Increase of COSCO SHIPPING Leasing by one strategic investor for at least RMB1,000,000,000 and no more than RMB3,000,000,000.

As the Company is a PRC state-owned enterprise and the equity interests in COSCO SHIPPING Leasing are regarded as state-owned assets, the Potential Capital Increase is subject to a public tender organized by an approved equity exchange in accordance with the relevant PRC laws and regulations. The Potential Capital Increase will be conducted by way of public tender on the SUAEE and the successful bidder and COSCO SHIPPING Leasing will enter into the Capital Increase Agreement in accordance with the relevant rules of the SUAEE.

The Equity Transfer Agreement and the Potential Capital Increase are not inter-conditional upon each other.

LETTER FROM THE BOARD

The principal terms of the Proposed Mandate and the Potential Capital Increase are set out as follows:

Subject matter: It is proposed that COSCO SHIPPING Leasing will conduct a capital increase by one strategic investor for at least RMB1,000,000,000 and no more than RMB3,000,000,000.

Consideration: Pursuant to the Measures for the Supervision and Administration of the Transactions of State-Owned Assets of Enterprises (《企業國有資產交易監督管理辦法》) and other relevant PRC laws and regulations, the minimum bidding price in respect of the Potential Capital Increase shall be the appraised value of the total shareholders' equity in COSCO SHIPPING Leasing of approximately RMB5,109,545,900 as at the Valuation Benchmark Date of 31 December 2019 as set out on Valuation Report. As the Valuation Report is subject to the filing procedures in respect of state-owned assets in accordance with the relevant PRC laws and regulations, in the event of any adjustments to the valuation results during the filing procedures, the minimum bidding price shall be adjusted accordingly.

The full text of the Valuation Report is set out in Appendix III 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.

Assuming that the final amount of capital increase under the Potential Capital Increase will be RMB3,000,000,000 and the final bidding price will be the minimum bidding price (being the appraised value of the total shareholders' equity in COSCO SHIPPING Leasing of approximately RMB5,109,545,900), following completion of the Potential Capital Increase, the successful bidder will hold approximately 36.99% of the equity interest in COSCO SHIPPING Leasing, which is calculated in accordance with the formula below:

Final percentage of the equity interest held by the successful bidder in COSCO SHIPPING Leasing = final amount of capital increase / (final amount of capital increase + final bidding price)

LETTER FROM THE BOARD

The successful bidder will make a capital contribution to COSCO SHIPPING Leasing equivalent to the final amount of capital increase for the Potential Capital Increase to the registered capital (the amount of which shall correspond to the final percentage of the equity interest held by the successful bidder in COSCO SHIPPING Leasing) and the capital reserves of COSCO SHIPPING Leasing.

**Qualification
requirements of
potential bidders:**

Set out below are the qualification requirements of the potential bidder:

- (i) The potential bidder shall be a Chinese-funded enterprise which is legally registered and validly subsisting in the PRC.
- (ii) The registered capital of the potential bidder shall not be less than RMB1 billion (based on the business license).
- (iii) The potential bidder shall have sound financial status and the ability to pay, and shall participate in the subscription in cash in RMB.
- (iv) The sources of capital of the potential bidder shall be lawful, with the potential bidder not having engaged in material illegal and unlawful conduct nor having received penalty from relevant PRC authorities or industry associations for illegal or dishonest conduct.
- (v) The public tender for the Potential Capital Increase is not open to joint investment entities.
- (vi) The qualifications of the potential bidder shall meet the requirements of the PRC laws and regulations.

**Public tender
procedures:**

After obtaining the Shareholders' approval for the Proposed Mandate at the EGM, the Group will commence the formal process of public tender for the Potential Capital Increase by submission of the tender application to the SUAEE on or around 29 December 2020 which sets out, among other things, (i) the minimum bidding price for the Potential Capital Increase; (ii) the principal terms of the tender; and (iii) qualification requirements of potential bidders.

LETTER FROM THE BOARD

The tender period shall be a period of forty (40) working days from the date of disclosure of the tender on the SUAEE. In the event that no qualified tender is received, the tender period shall be extended for each subsequent period of five (5) working days, subject to the maximum tender period of one year.

Upon the completion of the tender period and the receipt of qualified tender, COSCO SHIPPING Leasing will consider the tender and confirm the successful bidder. In the event that more than one qualified tenders are received, COSCO SHIPPING Leasing will choose the successful bidder based on the highest bidding price submitted and if the bidding prices submitted are on the same level, COSCO SHIPPING Leasing will conduct competitive negotiations with the potential bidders and determine the successful bidder taking into account, among other things, overall capability of the potential bidders, potential synergy with the potential bidders and industry and prior experience in the financing industry of the potential bidders.

Within five (5) working days after confirming to be the successful bidder, the successful bidder shall enter into the Capital Increase Agreement with COSCO SHIPPING Leasing.

Further announcement(s) will be made by the Company in relation to, among other things, the identity of the successful bidder and the Capital Increase Agreement as and when appropriate.

**Undertakings of
potential bidders:**

The potential bidder shall agree to and give written undertakings in respect of the following:

- (i) the potential bidder shall not engage in business that may be in competition with the principal business of COSCO SHIPPING Leasing;
- (ii) the potential bidder does not have any economic interest with COSCO SHIPPING Leasing's board of directors, members of management or their immediate family members or other relationships to be avoided pursuant to the PRC laws and regulations;

LETTER FROM THE BOARD

- (iii) COSCO SHIPPING Leasing may adjust the amount of subscription of the registered capital of the potential bidder after submission of the tender application; and
- (iv) the potential bidder shall agree to the legal governance structure and relevant rules of procedure of COSCO SHIPPING Leasing after its mixed ownership reform, including but not limited to, board arrangements and management structure.

Use of proceeds:

The proceeds to be raised from the Potential Capital Increase are intended to be used for the replenishment of the capital of COSCO SHIPPING Leasing for its future business development.

Pursuant to the relevant rules of the SUAEE, once the successful bidder is identified, COSCO SHIPPING Leasing will become unconditionally obliged to enter into the Capital Increase Agreement with such successful bidder for the Potential Capital Increase and, subject to the terms and conditions thereunder, complete the Potential Capital Increase. Accordingly, the Board would like to seek the advance approval of the Proposed Mandate from the Shareholders at the EGM to authorize the Board and its authorized persons to deal with all matters in connection with the Potential Capital Increase, including but not limited to:

1. authorize the Board to handle and determine specific matters relating to the Potential Capital Increase including but not limited to, confirming the successful bidder from the public tender process, the investment amount, the corporate governance structure of COSCO SHIPPING Leasing after the capital increase, and the signing of the Capital Increase Agreement, in accordance with the laws, regulations, regulatory documents and resolutions of the Shareholders, regulatory opinions of the Shanghai Stock Exchange and the Hong Kong Stock Exchange, and the approval by state-owned regulatory authorities or their authorized departments;
2. authorize the Board to handle all administrative approvals in relation to the Potential Capital Increase, submit the tender application to the SUAEE and handle the change of industry and commerce registration and the change of ownership procedures; and
3. authorize the Board to take all necessary actions to determine and handle other matters relating to the Potential Capital Increase.

The Proposed Mandate shall be effective for twelve (12) months from date of the approval by the Shareholders at the EGM. After obtaining the Shareholders' approval for the Proposed Mandate at the EGM, the Group will commence the formal process of public tender for the Potential Capital Increase by submission of the tender application to the SUAEE on or around

LETTER FROM THE BOARD

29 December 2020, if the tender application is not submitted on or before 30 December 2020, a revised valuation report with a revised valuation benchmark date will be required for the Potential Capital Increase and separate approval of the Shareholders will be sought by the Company accordingly.

IV. INFORMATION ON COSCO SHIPPING LEASING

COSCO SHIPPING Leasing is a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of the Company. It is principally engaged in financial leasing, commercial factoring and the provision of related financial services across various fields, including the medical sector, education, energy, construction, industrial equipment, electronic information, transportation and logistics, and automobile financing.

Based on the financial statements of the COSCO SHIPPING Leasing Group prepared in accordance with the China Accounting Standards for Business Enterprises, the financial information of the COSCO SHIPPING Leasing Group for the two years ended 31 December 2018 and 2019 and the six months ended 30 June 2020 was approximately as follows:

	For the year ended		For the six
	31 December		months ended
	2018	2019	30 June
	(audited)	(audited)	(unaudited)
	(RMB'000)	(RMB'000)	(RMB'000)
Profit before taxation	321,542	605,119	160,500
Profit after taxation	239,979	453,015	109,954

The unaudited net assets of the COSCO SHIPPING Leasing Group as at 30 June 2020 were approximately RMB5,143,492,000.

V. PROFIT FORECAST UNDER THE VALUATION REPORTS

As the appraised values of the total shareholders' equity of COSCO SHIPPING Leasing as set out in the Valuation Reports were determined based on the income approach, which involved the calculation of discounted cash flow method, such valuation in the Valuation Reports constitutes a profit forecast under Rule 14.61 of the Listing Rules.

LETTER FROM THE BOARD

The principal assumptions upon which each of the Valuation Reports has been prepared are set out below:

General assumptions

1. It is assumed that there are no material changes in current related national laws regulations and policies, as well as national macroeconomic situation; no material changes in the local political, economic and social environment of such regions where parties to the transaction are based.
2. It is assumed that COSCO SHIPPING Leasing will operate on a going concern basis according to the actual conditions of assets on the Valuation Benchmark Date.
3. It is assumed that there are no material changes in interest rates, exchange rates, tax bases, tax rates and policy-based levies related to COSCO SHIPPING Leasing after the Valuation Benchmark Date.
4. It is assumed that the management of COSCO SHIPPING Leasing is accountable, stable and competent to perform their duties after the Valuation Benchmark Date.
5. It is assumed that COSCO SHIPPING Leasing fully complies with all relevant laws and regulations, unless otherwise stated.
6. It is assumed that there is no force majeure and unforeseeable event which may materially and adversely affect COSCO SHIPPING Leasing after the Valuation Benchmark Date.

Specific assumptions

1. It is assumed that the accounting policies adopted by COSCO SHIPPING Leasing after the Valuation Benchmark Date are consistent with the accounting policies adopted when preparing the Valuation Report in all material aspects.
2. It is assumed that the scope of business and the mode of operation of COSCO SHIPPING Leasing after the Valuation Benchmark Date are consistent with the current ones based on the existing management mode and management level.
3. It is assumed that COSCO SHIPPING Leasing will have balance cash inflows and cash outflows after the Valuation Benchmark Date.
4. It is assumed that the products or services of COSCO SHIPPING Leasing will stay competitive on current market after the Valuation Benchmark Date.

LETTER FROM THE BOARD

5. It is assumed that the financing channels, financing costs and fund resources of COSCO SHIPPING Leasing would remain unchanged under the status quo subsequent to the Valuation Benchmark Date.
6. It is assumed that the value-added tax policy to which COSCO SHIPPING Leasing is entitled and that tax refund is returned as soon as it is imposed would continue to be implemented within a projected period subsequent to the valuation benchmark date.
7. It is assumed that the core management and marketing personnel of COSCO SHIPPING Leasing will remain relatively stable and no material changes that affect the development and profit realization of COSCO SHIPPING Leasing will happen during the period of forecast.

Confirmations

Ernst & Young, the auditor of the Company, has reviewed the arithmetical accuracy of the calculations of the discounted cash flows forecast on which the Valuation Reports were based.

The Directors have reviewed the bases and assumptions of the Valuation Reports and confirm that the profit forecasts in the Valuation Reports have been made after due and careful enquiry.

The report from Ernst & Young and the letter from the Board relating to the Valuation Reports are set out in Appendices I and IV to this circular, respectively.

VI. FINANCIAL EFFECTS OF THE EQUITY TRANSFER AGREEMENT AND THE POTENTIAL CAPITAL INCREASE

As at the Latest Practicable Date, COSCO SHIPPING Leasing is a wholly-owned subsidiary of the Company.

Upon completion of the Equity Transfer Agreement (and without considering the effect of the Potential Capital Increase), the equity interest held by the Company in COSCO SHIPPING Leasing will decrease from 100% to approximately 64.78% and COSCO SHIPPING Leasing will become a non-wholly owned subsidiary of the Company.

Upon completion of the Potential Capital Increase, assuming that the final amount of capital increase under the Potential Capital Increase will be RMB3,000,000,000 and the final bidding price will be the minimum bidding price as further set out in the section headed “III. Proposed Mandate in relation to Potential Capital Increase – Consideration” (and without considering the effect of the Equity Transfer Agreement), the equity interest held by the Company in COSCO SHIPPING Leasing will decrease from 100% to approximately 63.01% and COSCO SHIPPING Leasing will become a non-wholly owned subsidiary of the Company.

LETTER FROM THE BOARD

Upon completion of the Equity Transfer Agreement and the Potential Capital Increase, assuming that the final amount of capital increase under the Potential Capital Increase will be RMB3,000,000,000 and the final bidding price will be the minimum bidding price as further set out in the section headed “III. Proposed Mandate in relation to Potential Capital Increase – Consideration”, it is expected that the equity interest held by the Company in COSCO SHIPPING Leasing will decrease from 100% to approximately 40.82%, and the Company will retain such equity interests and remain the largest shareholder of COSCO SHIPPING Leasing. COSCO SHIPPING Leasing will cease to be a subsidiary of the Company and the assets and liabilities and financial results of the COSCO SHIPPING Leasing Group will no longer be consolidated into the consolidated financial statements of the Group. COSCO SHIPPING Leasing will be accounted for as an associate of the Company under the equity method of accounting in the consolidated financial statements of the Group.

Earnings

As the Equity Transfer Agreement will not result in the Company’s loss of control over COSCO SHIPPING Leasing, completion of the Equity Transfer Agreement alone will not result in the recognition of any gain or loss in the Company’s consolidated income statement.

As the Potential Capital Increase will not result in the Company’s loss of control over COSCO SHIPPING Leasing, completion of the Potential Capital Increase alone will not result in the recognition of any gain or loss in the Company’s consolidated income statement.

Assuming that completion of the Equity Transfer Agreement and the Potential Capital Increase had taken place on 30 June 2020, it is estimated that the Group will recognise a gain before taxation attributable to the Shareholders of approximately RMB11,708,000, which is calculated based on the difference between (a) the sum of (i) the estimated fair value of the 40.82% equity interest held by the Company in COSCO SHIPPING Leasing upon completion of approximately RMB3,355,200,000, which is calculated by (1) the estimated fair value of COSCO SHIPPING Leasing as at 30 June 2020 of approximately RMB8,219,500,000 (being the sum of (x) the appraised value of the total shareholders’ equity as at 31 December 2019 of approximately RMB5,109,546,000; (y) the unaudited profit after tax of COSCO SHIPPING Leasing (on the basis of parent company only) for the six months ended 30 June 2020 of approximately RMB109,954,000; and (z) the Potential Capital Increase of RMB3,000,000,000), times (2) the percentage of the equity interest held by the Company in COSCO SHIPPING Leasing upon completion of approximately 40.82%; and (ii) the consideration received from the Equity Transfer Agreement of approximately RMB1,800,000,000; and (b) the carrying amount of the net asset value of COSCO SHIPPING Leasing of approximately RMB5,143,492,000, which was included in the consolidated financial statements of the Group as at 30 June 2020.

LETTER FROM THE BOARD

Assets and liabilities

Assuming that completion of the Equity Transfer Agreement had taken place on 30 June 2020, and without considering the use of the proceeds from the Equity Transfer Agreement, the consolidated total assets of the Group is expected to increase by RMB1,800,000,000 and the consolidated net assets of the Group is expected to increase by RMB1,800,000,000, which represents the proceeds from the Equity Transfer Agreement.

Assuming that Completion of the Potential Capital Increase had taken place on 30 June 2020 (with the final amount of capital increase under the Potential Capital Increase being RMB3,000,000,000) and without considering the use of the proceeds from the Potential Capital Increase, the consolidated total assets of the Group is expected to increase by RMB3,000,000,000 and the consolidated net assets of the Group is expected to increase by RMB3,000,000,000, which represents the proceeds from the Potential Capital Increase.

Assuming that completion of the Equity Transfer Agreement and the Potential Capital Increase had taken place on 30 June 2020 and without considering the use of the proceeds from disposal under the Equity Transfer Agreement, the consolidated total assets of the Group is expected to decrease by RMB30,431,011,000, which is calculated based on the difference of (a) the carrying amount of the total assets of COSCO SHIPPING Leasing of approximately RMB35,587,855,000 as at 30 June 2020; and (b) the sum of (i) the estimated fair value of the 40.82% equity interest held by the Company in COSCO SHIPPING Leasing upon completion of approximately RMB3,356,844,000; and (ii) the consideration received from the Equity Transfer Agreement of approximately RMB1,800,000,000. The consolidated total liabilities of the Group is expected to decrease by RMB30,444,363,000, which is calculated based on the carrying amount of the total liabilities of COSCO SHIPPING Leasing of approximately RMB30,444,363,000 as at 30 June 2020.

Proposed use of proceeds

The Group intends to apply the net proceeds from disposal under the Equity Transfer Agreement for the replenishment of the working capital for the shipping and industry-related leasing business of the Group, whereby the Group can make use of such funds to acquire additional vessels and/or containers for the purpose of conducting lease transactions as lessor. It is currently expected that such proceeds will be utilized by the Group by 31 December 2022.

The net proceeds from the Potential Capital Increase are intended to be used by COSCO SHIPPING Leasing for replenishment of its capital for future business development in the provision of financial leasing, commercial factoring and related financial services, the operation of which is capital intensive. The additional equity capital will improve the financial conditions and the capital structure of COSCO SHIPPING Leasing. It is currently expected that such proceeds will be utilized by COSCO SHIPPING Leasing by 30 September 2021.

LETTER FROM THE BOARD

VII. REASONS FOR AND BENEFITS OF THE EQUITY TRANSFER AGREEMENT AND THE POTENTIAL CAPITAL INCREASE

The Group is principally engaged in shipping and industry-related leasing businesses, manufacturing of containers and provision of investment and financial services. As a shipping financing platform, the Group will integrate premium resources and give full play to its advantages in the shipping industry. Synergic development will be pursued for various financial businesses in an attempt to become China's leading and the world's first-class integrated supply chain financial service provider with distinct shipping logistics features.

COSCO SHIPPING Leasing is principally engaged in financial leasing, commercial factoring and the provision of related financial services across various fields other than the shipping industry. The disposal under the Equity Transfer Agreement will facilitate the Group's focus on the strategic development objective as a shipping financing platform, whereby the Group can make use of the proceeds from the disposal to acquire additional vessels and/or containers for the purpose of conducting lease transactions as lessor so as to expand its shipping and industry-related leasing business. Further, the liabilities to assets ratio of COSCO SHIPPING Leasing as at 31 December 2019 and 30 June 2020 was approximately 85.15% and approximately 85.55% respectively. The Equity Transfer Agreement and the Potential Capital Increase, which will lead to the deconsolidation of COSCO SHIPPING Leasing from the financial statements of the Group, will lower the overall level of debt and optimize the asset structure of the Group.

The Potential Capital Increase, if materialized, will facilitate the future business development of COSCO SHIPPING Leasing as the operation of the provision of financial leasing, commercial factoring and related financial services of COSCO SHIPPING Leasing is capital intensive and the additional equity capital from the Potential Capital Increase will improve the financial conditions and the capital structure of COSCO SHIPPING Leasing (particularly in light of the level of its liabilities to assets ratio). As such, it will be beneficial to the Group in the long run as the Group will continue to retain a substantial interest in COSCO SHIPPING Leasing.

The Directors (including the independent non-executive Directors) consider that the terms of the Equity Transfer Agreement, which were negotiated on an arm's length basis, and the terms of the Potential Capital Increase, which will be conducted by way of public tender on the SUAEE, are fair and reasonable and that the Equity Transfer Agreement and the Proposed Mandate and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole.

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 COSCO SHIPPING to the Board. As COSCO SHIPPING will hold approximately 7.07% of the equity interests in Mixed Ownership Reform Fund upon its establishment and is therefore regarded to have a material interest in the Equity Transfer

LETTER FROM THE BOARD

Agreement and the transactions contemplated thereunder, 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 resolution approving the Equity Transfer Agreement and the transactions contemplated thereunder. Save as aforementioned, none of the other Directors has a material interest in the Equity Transfer Agreement and the Proposed Mandate and the transactions contemplated thereunder. Therefore, no other Director has abstained from voting on the relevant Board resolutions.

VIII. IMPLICATIONS UNDER THE LISTING RULES

It is expected that upon completion of the Potential Capital Increase, there will be a decrease of the equity interest held by the Company in COSCO SHIPPING Leasing. Accordingly, the Potential Capital Increase constitutes a deemed disposal of the Group under Rule 14.29 of the Listing Rules.

As the Equity Transfer Agreement and the Potential Capital Increase are entered into within a 12 month period and are related, the transactions contemplated under the Equity Transfer Agreement and the Potential Capital Increase should be aggregated as a series of transactions under Rule 14.22 of the Listing Rules.

As one or more of the applicable percentage ratios in respect of the disposal and deemed disposal of the equity interest in COSCO SHIPPING Leasing under the Equity Transfer Agreement and the Potential Capital Increase (on an aggregated basis) in accordance with the Listing Rules exceed 25% but are less than 75%, the Equity Transfer Agreement and the Potential Capital Increase and the transactions contemplated thereunder constitute major transactions of the Company which are subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

IX. EGM

The EGM will be convened at 1:30 p.m. on Monday, 28 December 2020 at Level 3, Ocean Hotel Shanghai, 1171 Dong Da Ming Road, Hong Kou District, Shanghai, the PRC, for the Shareholders to consider and, if thought fit, approve the Equity Transfer Agreement and the Proposed Mandate and the transactions contemplated thereunder.

As COSCO SHIPPING will hold approximately 7.07% of the equity interests in Mixed Ownership Reform Fund upon its establishment and is therefore regarded to have a material interest in the Equity Transfer Agreement and the transactions contemplated thereunder, COSCO SHIPPING and its associates will be required to abstain from voting on the resolution in relation to the Equity Transfer Agreement and the transactions contemplated thereunder. Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder had a material interest in the Equity Transfer Agreement and the Proposed Mandate and the transactions contemplated thereunder and therefore no Shareholder is required to abstain from voting at the EGM for the relevant resolutions.

LETTER FROM THE BOARD

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying form of proxy in accordance with the instructions printed thereon. The forms of proxy must be delivered to Computershare Hong Kong Investor Services Limited not less than 24 hours before the time for holding the EGM or any adjournment thereof in order for such documents to be valid.

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 EGM or any adjournment thereof.

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

X. RECOMMENDATION

The Board (including the independent non-executive Directors) is of the view that the Equity Transfer Agreement and the Proposed Mandate are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends all the Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM.

As Completion is subject to a number of conditions, the Equity Transfer Agreement and/or the Potential Capital Increase may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

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."*

The following is the text of a report received from the Company's auditors, Ernst & Young, Certified Public Accountants, Hong Kong, for inclusion in the Announcement.

REPORT FROM AUDITORS ON THE DISCOUNTED CASH FLOW FORECAST IN CONNECTION WITH THE VALUATION OF COSCO SHIPPING LEASING CO., LTD. IN RELATION TO THE EQUITY TRANSFER AGREEMENT AND THE POTENTIAL CAPITAL INCREASE

10 December 2020

To the Directors of COSCO SHIPPING Development Co., Ltd.

We have been engaged to report on the arithmetical accuracy of the calculations of the discounted cash flow forecast (the "Forecast") on which the valuation dated 10 December 2020 prepared by Beijing China Enterprise Appraisal Co., Ltd. in respect of COSCO SHIPPING Leasing Co., Ltd. (the "Target") as at 31 December 2019 is based. The valuation is set out in the announcement of COSCO SHIPPING Development Co., Ltd. (the "Company") dated 10 December 2020 (the "Announcement") in connection with the Target in relation to the Equity Transfer Agreement and the Potential Capital Increase. The valuation based on the Forecast is regarded by The Stock Exchange of Hong Kong Limited as a profit forecast under paragraph 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "Listing Rules").

Directors' responsibilities

The directors of the Company (the "Directors") are solely responsible for the Forecast. The Forecast has been prepared using a set of bases and assumptions (the "Assumptions"), the completeness, reasonableness and validity of which are the sole responsibility of the Directors. The Assumptions are set out in pages 13 to 14 of the Announcement.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements*, and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting Accountants' responsibilities

Our responsibility is to express an opinion on the arithmetical accuracy of the calculations of the Forecast based on our work. The Forecast does not involve the adoption of accounting policies.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* issued by the HKICPA. This standard requires that we plan and perform our work to obtain reasonable assurance as to whether, so far as the arithmetical accuracy of the calculations are concerned, the Directors have properly compiled the Forecast in accordance with the Assumptions adopted by the Directors. Our work consisted primarily of checking the arithmetical accuracy of the calculations of the Forecast prepared based on the Assumptions made by the Directors. Our work is substantially less in scope than an audit conducted in accordance with Hong Kong Standards on Auditing issued by the HKICPA. Accordingly, we do not express an audit opinion.

We are not reporting on the appropriateness and validity of the Assumptions on which the Forecast are based and thus express no opinion whatsoever thereon. Our work does not constitute any valuation of the Target. The Assumptions used in the preparation of the Forecast include hypothetical assumptions about future events and management actions that may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Forecast and the variation may be material. Our work has been undertaken for the purpose of reporting solely to you under paragraph 14.62(2) of the Listing Rules and for no other purpose. We accept no responsibility to any other person in respect of our work, or arising out of or in connection with our work.

Opinion

Based on the foregoing, in our opinion, so far as the arithmetical accuracy of the calculations of the Forecast is concerned, the Forecast has been properly compiled in all material respects in accordance with the Assumptions adopted by the Directors.

Yours faithfully,

Ernst & Young
Certified Public Accountants

Hong Kong

The following is the full text of the Valuation Report in relation to the Equity Transfer Agreement for the purpose of inclusion in this circular.

THIS REPORT IS PREPARED IN ACCORDANCE WITH PRC ASSET VALUATION STANDARDS.

Asset Assessment Report

on

The Value of the Entire Shareholders' Equity of COSCO SHIPPING Leasing Co., Ltd.

Involved in the Proposed Transfer of Certain Equity Interests in
COSCO SHIPPING Leasing by COSCO SHIPPING Development

Zhong Qi Hua Ping Bao Zi [2020] No. 1267

1 of 1

Beijing China Enterprise Appraisals Co., Ltd.

10 December 2020

CONTENTS

Disclaimer	
Summary of the Asset Assessment Report	
Text of the Asset Assessment Report	
I. The Client, Appraised Entity and Other Users of the Asset Assessment Report as Agreed in the Asset Valuation Engagement Contract.	
II. Purpose of Valuation	
III. Valuation Target and Scope	
IV. Type of Value	
V. Valuation Benchmark Date.	
VI. Basis of Valuation	
VII. Valuation Methodology	
VIII. Process and Implementation of Valuation Procedures.	
IX. Valuation Assumptions.	
X. Valuation Conclusion.	
XI. Explanations on Special Matters	
XII. Restrictions on the Use of the Asset Assessment Report	
XIII. Date of the Asset Assessment Report.	
Annexes of the Asset Assessment Report	

Disclaimer

- I. This Asset Assessment Report is prepared in accordance with the Basic Asset Valuation Standards issued by the Ministry of Finance and the Practice Guidelines for Asset Appraisal and the Professional Code of Ethics for the Appraisal of Assets issued by the China Appraisal Society.
- II. The valuation agency and its asset appraisers have abided by the principles of independence, objectivity and impartiality, have complied with the laws, administrative regulations and asset valuation standards, and have assumed responsibilities for the Asset Assessment Report in accordance with laws.
- III. The client or other users of the Asset Assessment Report shall use the Asset Assessment Report in accordance with the laws and administrative rules and regulations and within the scope of use set out in this Asset Assessment Report. The asset valuation agency and its asset appraisers take no responsibility for any non-compliance with the above-mentioned requirements for the use of the Asset Assessment Report by the client or other users of the Asset Assessment Report.

This Asset Assessment Report shall only be used by the client, other users of the Asset Assessment Report as agreed in the Asset Valuation Engagement Contract and users of the Asset Assessment Report as required by laws and administrative regulations. Save for the above, no other institution or individual shall be the user of this report.

We and the asset appraisers advise that users of the Asset Assessment Report should correctly interpret and use the valuation conclusion, which is not equivalent to the realizable value of the valuation target and should not be considered as a guarantee for the realizable value of the valuation target.

- IV. The list of assets and liabilities and operational estimates of the valuation target involved should be declared by the client and the appraised entity and certified by signature, seal or other means permitted by laws. The client and other relevant parties shall be responsible for the truthfulness, completeness and legality of the materials provided by them in accordance with laws.
- V. The asset appraisers have conducted on-site inspection on the valuation target specified herein and the assets involved in the Asset Assessment Report, and given necessary consideration to the legal ownership status of the valuation target and the assets involved, conducted verification on the relevant information regarding the legal ownership of the relevant assets. The asset appraisers have made proper disclosure in respect of the issues identified, and asked the client and other related parties to consummate the ownership status to fulfill the conditions required for issuance of the Asset Assessment Report.

- VI. We and the asset appraisers have no existing or expected relationship of interests with the valuation target set out in the Asset Assessment Report or with the relevant parties, and have no prejudice against the relevant parties.

Users of the Asset Assessment Report should be aware of the assumptions as the premise of the valuation conclusion, and the special notes and the restrictions on the use of the Asset Assessment Report.

- VII. The analyses, judgments, and conclusions in the Asset Assessment Report issued are subject to the assumptions and restrictions in the Asset Assessment Report. The users of the Asset Assessment Report shall take into full account the assumptions, restrictions and special notes specified in the Asset Assessment Report and their impact on the valuation conclusion.

SUMMARY OF THE ASSET ASSESSMENT REPORT**IMPORTANT**

The content of the summary is extracted from the text of the Asset Assessment Report. You should read the Asset Assessment Report carefully for details of this valuation project and to reasonably understand and use the valuation conclusion.

To: COSCO SHIPPING Development Co., Ltd.

Upon engagement of COSCO SHIPPING Development Co., Ltd., Beijing China Enterprise Appraisals Co., Ltd. has followed the necessary valuation procedures to appraise the market value of the entire shareholders' equity of COSCO SHIPPING Leasing Co., Ltd. involved in the proposed transfer of certain equity interest in COSCO SHIPPING Leasing Co., Ltd. by COSCO SHIPPING Development Co., Ltd. as at the valuation benchmark date in accordance with relevant laws, regulations and asset valuation standards and the principles of independence, objectivity and impartiality. The valuation details are presented as follows:

Purpose of valuation: COSCO SHIPPING Development proposed to transfer its certain equity interests in COSCO SHIPPING Leasing, which requires the determination of the value of the entire shareholders' equity of COSCO SHIPPING Leasing Co., Ltd. on the valuation benchmark date to provide value reference for the above economic behavior.

Valuation target: Value of the entire shareholders' equity of COSCO SHIPPING Leasing Co., Ltd.

Valuation scope: Total assets and liabilities of the appraised entity, including current assets, long-term receivables, long-term equity investments, fixed assets, construction in progress, intangible assets, right-of-use assets, long-term prepaid expenses, deferred income tax assets, current liabilities and non-current liabilities.

Valuation benchmark date: 31 December 2019.

Type of value: Market value.

Valuation methodology: Income approach and asset-based approach.

Valuation conclusion: The results based on the income approach are adopted as the valuation conclusion in this Asset Assessment Report. The specific valuation conclusion is as follows:

As of the valuation benchmark date, the book value of the total assets of COSCO SHIPPING Leasing Co., Ltd. was RMB34,667,491,000.00 (rounded off to two decimal places, same as below), the book value of total liabilities was RMB29,641,564,000 and the book value of net assets was RMB5,025,927,000, the appraised value of the entire shareholders' equity was RMB5,109,545,900, the amount of appreciation was RMB83,618,900, representing an appreciation rate of 1.66%.

This Asset Assessment Report is solely designed to provide the reference value for the economic activity described in the Asset Assessment Report. The conclusion of valuation is valid for one year from the valuation benchmark date.

Users of the Asset Assessment Report shall take into full account the assumptions, limitations, special notes stipulated in the Asset Assessment Report and their impact on the valuation conclusion.

This summary is extracted from the text of the Asset Assessment Report. For the purpose of understanding the details of this valuation and a proper comprehension and use of the valuation conclusion, please read the text of the Asset Assessment Report.

Text of Asset Assessment Report
On
The Value of the Entire Shareholders' Equity of COSCO SHIPPING Leasing Co., Ltd.
Involved in the Proposed Transfer of Certain Equity Interest in COSCO SHIPPING
Leasing Co., Ltd. by COSCO SHIPPING Development Co., Ltd.

To: COSCO SHIPPING Development Co., Ltd.

Upon engagement of the Company, Beijing China Enterprise Appraisals Co., Ltd. has followed the necessary valuation procedures under income approach and asset-based approach to appraise the market value of the entire shareholders' equity of COSCO SHIPPING Leasing Co., Ltd. involved in the proposed transfer of certain equity interests in COSCO SHIPPING Leasing Co., Ltd. by COSCO SHIPPING Development Co., Ltd. as at 31 December 2019 in accordance with relevant laws, regulations and asset valuation standards and the principles of independence, objectivity and impartiality. The details of the valuation are presented as follows:

I. THE CLIENT, APPRAISED ENTITY AND OTHER USERS OF THE ASSET ASSESSMENT REPORT AS AGREED IN THE ASSET VALUATION ENGAGEMENT CONTRACT

The client of this valuation: COSCO SHIPPING Leasing Co., Ltd. was authorized with full power by COSCO SHIPPING Development Co., Ltd. to act on its behalf. COSCO SHIPPING Leasing Co., Ltd. is both the client and the appraised entity.

(I) Profile of the client and the appraised entity

1. Profile of the company

Name of company: COSCO SHIPPING Leasing Co., Ltd. (hereinafter referred to as "COSCO SHIPPING Leasing")

Address: Room 3E, 450 Fushan Road, China (Shanghai) Pilot Free Trade Zone

Legal representative: Chen Yiming (陳易明)

Registered capital: RMB3,500 million

Type of enterprise: Limited liability company (foreign investment company as sole proprietor)

Term of operation: 29 August 2013 to no fixed term

Scope of business: Financial leasing, acquisition of domestic and overseas leased property, treatment and maintenance of residual value of leased property, consultation and guarantee for lease transactions, leasing business, commercial factoring business related to the principal activities, and medical equipment operation. [For projects that are subject to approval in accordance with the law, business activities can only be carried out after approval by relevant departments]

2. *Shareholders of the Company, their shareholding percentages and the changes of shareholding*

COSCO SHIPPING Leasing (formerly known as China Shipping Leasing Co., Ltd.), was established by China Shipping (Group) Company (hereinafter referred to as “China Shipping”) with a capital of RMB500 million in August 2013.

On 6 November 2015, the shareholder China Shipping made a capital contribution in the amount of RMB1,000 million in COSCO SHIPPING Leasing and passed the “Amendment to the Articles of Association of China Shipping Leasing Co., Ltd.” on the same day. After the capital increase, the registered capital of COSCO SHIPPING Leasing was changed to RMB1,500 million. The alteration of industrial and commercial registration of the abovementioned capital increase was completed on 3 December 2015.

On 10 December 2015, China Shipping and China Shipping Container Lines Company Limited (renamed as “COSCO SHIPPING Development Co., Ltd.” (hereinafter referred to as “COSCO SHIPPING Development”) on 6 September 2016) signed the Asset Purchase Agreement between COSCO Container Lines Co., Ltd. and China Shipping (Group) Company in connection with the Asset Purchase Agreement of China Shipping Leasing Co., Ltd. for its 100% acquisition of COSCO SHIPPING Leasing. The agreement stipulates that China Shipping (Group) Company will sell its entire shareholding in China Shipping Leasing Co., Ltd. to COSCO Container Lines Co., Ltd. The alteration of industrial and commercial registration of the above matters was completed on 24 March 2016.

On 14 September 2016, the name of the company was changed to COSCO SHIPPING Leasing Co., Ltd.

On 30 December 2016, the shareholder COSCO SHIPPING Development made a capital contribution in the amount of RMB1,000 million in COSCO SHIPPING Leasing and passed the “Amendment to the Articles of Association of COSCO SHIPPING Leasing Co., Ltd.” on the same day. After the capital increase, the registered capital of COSCO SHIPPING Leasing was changed to RMB2,500 million. The alteration of industrial and commercial registration of the abovementioned capital increase was completed on 22 January 2017.

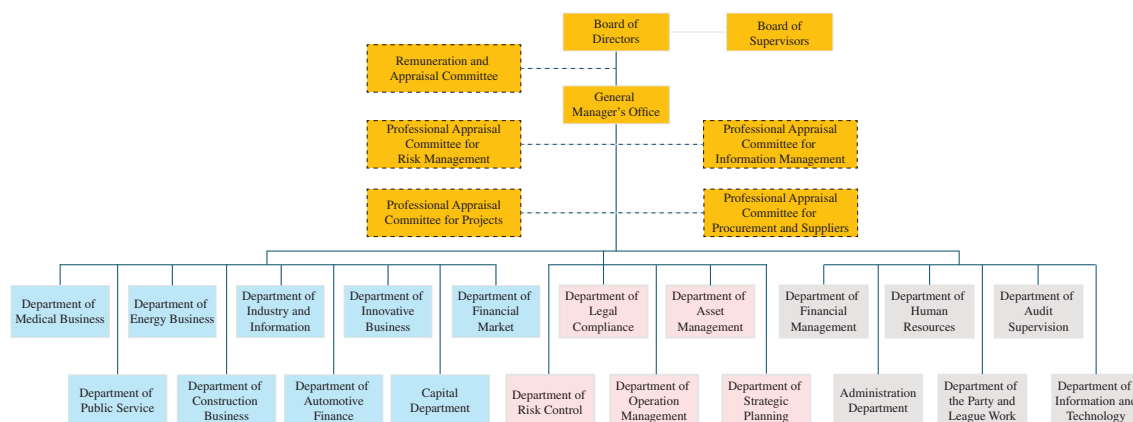
On 20 October 2017, the shareholder COSCO SHIPPING Development made a capital contribution in the amount of RMB1,000 million in COSCO SHIPPING Leasing and passed the “Amendment to the Articles of Association of COSCO SHIPPING Leasing Co., Ltd.” on the same day. After the capital increase, the registered capital of COSCO SHIPPING Leasing was changed to RMB3,500 million. The alteration of industrial and commercial registration of the abovementioned capital increase was completed on 23 October 2017.

As of the valuation benchmark date, the amount of shareholders’ capital contribution and the percentage of contribution is as follows:

Investor	Registered capital (RMB0'000)	Paid-in capital (RMB0'000)	Percentage of contribution (%)
COSCO SHIPPING Development Co., Ltd.	350,000.00	350,000.00	100.00
Total	350,000.00	350,000.00	100.00

3. Property title and the operation and management structure of the Company

COSCO SHIPPING Leasing, a subsidiary of China COSCO SHIPPING Corporation Limited, implements a general manager responsibility system under the leadership of the board of directors, under which the remuneration and performance management committee is set up. The detailed structure is as follows:



4. Assets, financial position and operations for the last three years

Set out below is the financial position of the appraised entity for the last three years:

Unit: RMB0'000

Item	31 December 2017	31 December 2018	31 December 2019
Current assets	906,051.16	1,115,213.14	1,527,529.59
Including: non-current assets due within one year	623,620.11	904,726.07	1,375,046.41
Long-term receivables	1,584,874.34	1,729,758.70	1,807,251.63
Long-term equity investment	5,000.00	0.00	100,000.00
Fixed assets	558.07	467.96	471.70
Construction in progress	407.55	660.09	1,118.95
Intangible assets	585.35	1,103.61	1,689.52
Other assets	7,954.65	20,826.43	28,687.72
Total assets	2,505,431.11	2,868,029.93	3,466,749.11
Current liabilities	1,029,482.57	1,231,886.27	1,541,660.14
Non-current liabilities	1,058,212.27	1,178,347.71	1,422,496.26
Total liabilities	2,087,694.83	2,410,233.98	2,964,156.40
Owner's equity	417,736.28	457,795.95	502,592.71

Set out below are the operating conditions of the appraised entity for the last three years:

Unit: RMB0'000

Item	2017	2018	2019
I. Operation income	139,410.10	190,576.09	248,187.43
Less: operation costs	62,544.59	102,537.42	137,590.52
Tax and surcharges	1,096.68	839.84	677.61
Selling expenses	—	—	—
Administrative expenses	18,433.26	23,911.37	24,938.09
Financial costs	-1,669.65	-2,017.47	-1,773.04
Impairment losses on assets	13,392.78	42,690.27	
Impairment losses on credit			32,898.29
Add: Gains from investment	—	61.56	3,656.00

Item	2017	2018	2019
Other gains	1,720.26	9,478.03	2,917.77
Gains from disposal of assets			4.14
II. Operating profit	47,332.70	32,154.24	60,433.88
Add: Non-operating income	15.28	0.00	0.38
Less: Non-operating expenses	85.05	0.00	400.06
III. Total profit	47,262.93	32,154.24	60,034.19
Less: Income tax expenses	11,958.30	8,156.30	15,090.96
IV. Net profit	35,304.63	23,997.94	44,943.24

Ernst & Young Hua Ming LLP Shanghai Branch has audited the accounting statements of the appraised entity as at the valuation benchmark date, in 2019, 2018 and 2017, and expressed unqualified opinions with highlighted matters.

5. *Relationship between the client and the appraised entity*

The client and the appraised entity are the same entity.

(II) *Other users of the Asset Assessment Report as agreed in the Asset Valuation Engagement Contract*

This Asset Assessment Report shall only be used by the client and users of the Asset Assessment Report as required by laws and administrative regulations, and shall not be used or relied upon by any other third parties.

II. PURPOSE OF VALUATION

COSCO SHIPPING Development proposed to transfer its certain shares of COSCO SHIPPING Leasing Co., Ltd. legally held by it by way of non-disclosure agreement, for which the determination of the value of total equity interests of the shareholders of COSCO SHIPPING Leasing Co., Ltd. as at the valuation benchmark date is required, so as to provide value reference for the above economic activity.

Upon the consideration and approval by the board of directors, China COSCO SHIPPING Co., Ltd. issued the Reply on the Transfer of Equity Interests in COSCO SHIPPING Leasing (Zhong Yuan Hai Zi [2020] No. 392) on 10 December 2020 in this regard.

III. VALUATION TARGET AND SCOPE

(I) Valuation Target

The valuation target is the value of total equity interests of the shareholders of COSCO SHIPPING Leasing Co., Ltd.

(II) Valuation Scope

The valuation scope is the total assets and liabilities reported by the appraised entity. As at the valuation benchmark date, the assets in the valuation scope included current assets, long-term receivables, fixed assets, construction in progress, intangible assets, right-of-use assets, long-term deferred expenses, long-term equity investment and deferred income tax assets, and the carrying amount of total assets amounted to RMB34,667,491,000; the liabilities included current liabilities and non-current liabilities, and the carrying amount of total liabilities amounted to RMB29,641,564,000; the carrying amount of net assets amounted to RMB5,025,927,000.

The appraised valuation target and scope are consistent with the valuation target and scope involved in the economic activity. Ernst & Young Hua Ming LLP Shanghai Branch has audited the carrying amount of assets and liabilities in the valuation scope and expressed unqualified opinions with highlighted matters as at the valuation benchmark date.

Description of assets and liabilities in the valuation scope is as follows:

1. Monetary funds

Monetary funds as at the valuation benchmark date represent bank deposits and other currency funds, of which all bank deposits represent deposits in RMB. Accounting contents represent the deposits in financial institutions including Agricultural Bank of China, Shanghai Xinzhuang Sub-branch (中國農業銀行上海莘莊支行), Bank of Communications, North Bund Sub-branch (交通銀行北外灘支行), Xiamen International Bank, Shanghai Huangpu Sub-branch (廈門國際銀行上海黃浦支行) and COSCO SHIPPING Finance Company Limited. Other monetary funds represent the restricted monetary funds deposited in China Merchants Bank, Huamu Sub-branch (招商銀行花木支行), China Bohai Bank, Shanghai Hongkou Sub-branch (渤海銀行上海虹口支行) and other banks, and other funds deposited in escrow accounts opened by other financial institutions for bond issuance.

2. Notes receivable

The notes receivable as at the valuation benchmark date mainly represent bank acceptance notes received by the appraised entity for provision of financial leasing service.

3. *Prepayments*

The prepayments as at the valuation benchmark date represent the catering expenses, rentals and other payments prepaid by the appraised entity pursuant to the contract.

4. *Other receivables*

Other receivables as at the valuation benchmark date represent all other receivables and temporary payments of the appraised entity other than notes receivable, accounts receivable, prepayments and long-term receivables, which mainly represent deposits and margins, transfer payments, advances to employees and other accounts from transactions with entities.

5. *Non-current assets due within one year*

The non-current assets due within one year as at the valuation benchmark date represent finance lease receivables due within one year.

6. *Other current assets*

Other current assets as at the valuation benchmark date represent the value-added taxes prepaid by the appraised entity.

7. *Long-term receivables*

Long-term receivables (inclusive of receivables due within one year) mainly include finance lease receivables. The industries currently under expansion mainly involve medical care, public service, energy, construction, industrial information, innovation and automobile finance, etc.

8. *Fixed assets*

Fixed assets include vehicles and electronic devices, of which:

Vehicles are mainly used for office. Owner of vehicle licenses is China Shipping (Group) Leasing Co., Ltd., the predecessor of the appraised entity. Registration change procedures have not yet been completed for those licenses which shall be in a normal usage state as at the valuation benchmark date.

Electronic devices mainly include computer, printer, projector, server, exchanger, office furniture and other office devices, which shall be in a normal usage state as at the valuation benchmark date.

9. Construction in progress

The construction in progress included in the valuation scope mainly represents all types of software, including automobile finance system, supply chain financing system, coordinated office system, etc.

10. Intangible assets

The intangible assets included in the valuation scope are mainly business management software which is customized in light of the business development demand and procured from external resources by the appraised entity.

11. Leased assets

The leased assets included in the valuation scope represent the lease charges on operating premises.

12. Long-term deferred expenses

The long-term deferred expenses included in the valuation scope represent the expenses on office renovation and prepaid selling incentives.

13. Deferred income tax assets

The deferred income tax assets as at the valuation benchmark date represent the income tax assets generated from deductible temporary differences recognized by the appraised entity, which is generated from impairment provision for long-term receivables (inclusive of non-current assets due within one year).

14. Long-term equity investment

No.	Name of investee	Date of investment	Shareholding percentage (%)	Carrying amount (RMB)
1	Yuanhai Leasing (Tianjin) Co., Ltd. (遠海租賃(天津)有限公司)	October 2019	100	1,000,000,000.00
	Total long-term equity investment			1,000,000,000.00
	Less: Impairment provision for long-term equity investment			
	Net long-term equity investment			1,000,000,000.00

(1) Company profile

Name of company: Yuanhai Leasing (Tianjin) Co., Ltd. (hereinafter referred to as Yuanhai Leasing)

Address: Room 202, Office Area, Inspection Warehouse, No. 6262, Aozhou Road Tianjin Pilot Free Trade Zone (Dongjiang Free Trade Port Zone) (No. 563 of Free Trade Zone Branch, Tianjin Dongjiang Business Secretarial Services Co., Ltd. (天津東疆商務秘書服務有限公司自貿區分公司))

Legal representative: Chen Yiming (陳易明)

Registered capital: RMB1 billion

Type of enterprise: Limited liability company (corporation as sole proprietor)

Term of operation: 18 October 2019 to perpetual existence

Scope of business: Financial leasing, leasing, acquisition of domestic and overseas leased properties, disposal of residual value of leased properties and repair of leased properties, and leasing consultancy. (For projects which are subject to approval in accordance with the law, business activities can only be carried out after approval by relevant departments.)

(2) Shareholders of the Company, their shareholding percentages and the changes of shareholding

Yuanhai Leasing is a wholly-owned subsidiary of COSCO SHIPPING Leasing.

(3) Assets, financial position and operation as at the valuation benchmark date

Set out below is the financial position of Yuanhai Leasing as at the valuation benchmark date:

Unit: RMB0'000

Item	31 December 2019
Current assets	100,563.43
Non-current assets	0.00
Total assets	100,563.43
Current liabilities	205.19
Non-current liabilities	0.00
Total liabilities	205.19
Owner's equity	100,358.24

Set out below are the operating conditions of Yuanhai Leasing as at the valuation benchmark date:

Unit: RMB0'000

Item	2019
I. Operation income	
Less: Operation costs	
Tax and surcharges	53.82
Selling expenses	—
Administrative expenses	
Financial costs	-531.48
Impairment losses on assets	
Impairment losses on credit	
Add: Gains from investment	
Other gains	
Gains from disposal of assets	
II. Operating profit	477.66
Add: Non-operating income	
Less: Non-operating expenses	
III. Total profit	477.66
Less: Income tax expenses	119.42
IV. Net profit	358.24

15. *Short-term loans*

The short-term loans as at the valuation benchmark date represent the loans for a term of less than one year (inclusive) offered by the appraised entity to Bank of Nanjing, China Minsheng Banking Corp., Ltd., Yuanhai Leasing (Tianjin) Co., Ltd., etc.

16. *Notes payable*

The notes payable as at the valuation benchmark date represent the bank acceptance notes issued by the appraised entity for financial leasing business.

17. *Accounts payable*

The accounts payable as at the valuation benchmark date represent the payments of the appraised entity for finance lease and operating activities, which include final payments of equipment and guarantee fees.

18. *Contract liabilities*

The contract liabilities as at the valuation benchmark date represent the lease charges received in advance by the appraised entity.

19. Employee compensation payable

The employee compensation payable as at the valuation benchmark date represents all compensation payable by the appraised entity to employees pursuant to the relevant requirements, which mainly include labor union fees, employees' education fees, etc.

20. Taxes payable

The taxes payable as at the valuation benchmark date represent all taxes payable calculated by the appraised entity pursuant to tax laws, which include income taxes and personal income taxes.

21. Other payables

Other payables as at the valuation benchmark date represent all other accounts payable and temporarily received by the appraised entity, other than notes payable, accounts payable, receipts in advance, employee compensation payable, dividends payable, tax charges payable and long-term payables.

22. Non-current liabilities due within one year

The non-current liabilities due within one year as at the valuation benchmark date represent the amount of all non-current liabilities due within one year of the appraised entity, which include long-term loans, long-term payables, bonds payable and other liabilities due within one year.

23. Long-term loans

The long-term loans represent all loans for a term of over one year (exclusive) borrowed by the appraised entity from banks and other financial institutions.

24. Bonds payable

The bonds payable represent principals of the bonds issued by the appraised entity for raising (long-term) funds.

25. Long-term payables

The long-term payables represent deposits payable by the appraised entity for the financially-leased fixed assets.

26. Lease liabilities

Lease liabilities represent the outstanding leased housing payments of the appraised entity.

(III) Off-balance-sheet assets declared by the enterprise

Assets declared by the enterprise included in the valuation scope are in-balance-sheet assets.

(IV) Reference to the asset involved in the report conclusion issued by other institutions

This assessment report does not involve references to the reports issued by other institutions.

IV. TYPE OF VALUE

According to the valuation purpose, the type of value of the valuation target is determined to be the market value.

Market value refers to the estimated value of an arm's length transaction made by the appraised entity in the ordinary course of business on the valuation benchmark date between a willing buyer and a willing seller who has each acted rationally and without compulsion.

V. VALUATION BENCHMARK DATE

The valuation benchmark date is 31 December 2019.

The valuation benchmark date has been determined by the client.

VI. BASIS OF VALUATION

(I) Basis of Economic Activity

1. The Reply of China COSCO SHIPPING Co., Ltd. on the Transfer of Equity Interests in COSCO SHIPPING Leasing (Zhong Yuan Hai Zi [2020] No. 392, 10 December 2020).

(II) Legal Basis Provided by Laws and Regulations

1. The Asset Appraisal Law of the People's Republic of China (passed at the 21st session of the 12th Standing Committee of the National People's Congress on 2 July 2016);
2. The Company Law of the People's Republic of China (revised at the 6th Meeting of the Standing Committee of the 13th National People's Congress on 26 October 2018);
3. The Financial Supervision and Administration Measures on the Assets Evaluation Industry (Order No. 86 of the Ministry of Finance of the People's Republic of China);

4. The Law of the People's Republic of China on Enterprise Income Tax (revised at the 26th Meeting of the 12th Standing Committee of the National People's Congress on 24 February 2017);
5. The Law of the People's Republic of China on the State-owned Assets in Enterprises (passed at the 5th session of the 11th Standing Committee of the National People's Congress on 28 October 2008);
6. The Provisional Measures for the Supervision and Administration of Financial Leasing Companies (promulgated by China Banking and Insurance Regulatory Commission on 25 May 2020);
7. The Provisional Regulations on the Supervision and Administration of State-owned Assets of Enterprises (Order No. 378 of the State Council, as revised by Order No. 588 of the State Council);
8. The Measures for the Administration of State-owned Assets Appraisal (Order No. 91 of the State Council);
9. The Notice on the Publication and Distribution of the Detailed Rules for the Implementation of the Administrative Measures of State-owned Assets Assessment (Guo Zi Ban Fa [1992] No. 36);
10. The Interim Measures for the Administration of Assessment of State-owned Assets of Enterprises (Order No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council);
11. The Notice on Strengthening the Administration of State-owned Assets Appraisal of Enterprises (Guo Zi Wei Chan Quan [2006] No. 274);
12. The Notice on Relevant Matters Concerning the Examination of Appraisal Reports on State-owned Assets of Enterprises (Guo Zi Chan Quan [2009] No. 941);
13. The Guidelines on the Filing of State-owned Assets Appraisal Projects for Enterprises (Guo Zi Fa Chan Quan [2013] No. 64);
14. The Measures for the Supervision and Administration of the Trading of State-owned Assets of Enterprises (Order No. 32 of the SASAC of the State Council and the Ministry of Finance);
15. The Accounting Standards for Business Enterprises – Basic Standards (Decree No. 33 of the Ministry of Finance), The Decision of the Ministry of Finance on Amending the Accounting Standards for Business Enterprises – Basic Standards (Decree No. 76 of the Ministry of Finance);

16. The Rules on the Implementation of the Provisional Regulations on Value-added Tax of the People's Republic of China (Order No. 691 of the State Council);
17. The Notice on Carrying out Pilot Operation of Change from Business Tax to Value-added Tax (Cai Shui [2016] No. 36);
18. The Notice of the Ministry of Finance and the SAT on the Adjustment of VAT Tax Rate (Cai Shui [2018] No. 32).

(III) Basis of Valuation Standards

1. Basic Asset Valuation Standards (Cai Zi [2017] No. 43);
2. Professional Code of Ethics for Asset Valuation (Zhong Ping Xie [2017] No. 30);
3. Practice Guidelines for Asset Valuation – Asset Valuation Report (Zhong Ping Xie [2018] No. 35);
4. Practice Guidelines for Asset Valuation – Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);
5. Practice Guidelines for Asset Valuation – Asset Valuation Methodology (Zhong Ping Xie [2019] No. 35);
6. Practice Guidelines for Asset Valuation – Asset Valuation Engagement Contract (Zhong Ping Xie [2017] No. 33);
7. Practice Guidelines for Asset Valuation – Asset Valuation Files (Zhong Ping Xie [2018] No. 37);
8. Practice Guidelines for Asset Valuation – Enterprise Value (Zhong Ping Xie [2018] No. 38);
9. Practice Guidelines for Asset Valuation – Machinery and Equipment (Zhong Ping Xie [2017] No. 39);
10. Guidance on Valuation Report of State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);
11. Quality Control Guidance on the Business of Asset Valuation Agency (Zhong Ping Xie [2017] No. 46);

12. Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie [2017] No. 47);
13. Guiding Opinions on Legal Ownership of the Asset Valuation Target (Zhong Ping Xie [2017] No. 48);

(IV) Ownership Basis

1. State-owned Assets Property Registration Certificate;
2. Motor Vehicle Driving Permit;
3. Other title-related certificates.

(V) Pricing Basis

1. Provisions on Compulsory Scrapping Standards for Motor Vehicles (Ministry of Commerce, Development and Reform Commission, Ministry of Public Security and Ministry of Environmental Protection Order [2012] No. 12, implemented from 1 May 2013);
2. Bank benchmark interest rates for deposits and loans and foreign exchange rate as at the valuation benchmark date;
3. Wind-Financial Terminal;
4. Financial statements and audit reports for previous years provided by the enterprise;
5. Future annual operating plans provided by the relevant departments of the enterprise;
6. Financial leasing contracts signed by the enterprise with the relevant entities;
7. Other relevant information related to valuation recorded and collected by the appraisers during on-site survey;
8. Other information related to this asset valuation.

(VI) Other References

1. The list of assets and the declaration form for valuation provided by the appraised entity;
2. Audit report issued by Ernst & Young Hua Ming LLP Shanghai Branch;
3. Database of Beijing China Enterprise Appraisals Co., Ltd.

VII. VALUATION METHODOLOGY

Income approach refers to the approach in which the expected return of the valuation target shall be capitalized or discounted so as to determine its value.

Market approach refers to the approach in which the valuation target shall be compared with other comparable listed companies or transactions so as to determine the value of the valuation target.

Asset-based approach refers to the approach in which, based on the balance sheet of the valuation target on the valuation benchmark date, the value of identifiable assets and liabilities in and out of the balance sheet shall be reasonably appraised so as to determine the value of the valuation target.

As stated in the Practice Guidelines for Asset Valuation – Enterprise Value, when performing any appraisal of enterprise value, the suitability of the three basic asset valuation methods namely the income approach, the market approach and the asset-based approach shall be analyzed based on the purpose of valuation, the valuation target, the type of value, information gathering, etc. in its selection of valuation methods. If different valuation methods are suitable for any appraisal of enterprise value, asset valuation professionals should adopt two or more valuation methods in their valuation.

Income approach and asset-based approach were applied in the valuation on the following grounds:

Asset-based approach: asset-based approach refers to the valuation concept of determining the value of the valuation object based on reasonable valuation of all assets and liabilities of the valued enterprise. Details of each asset and liability item could be collected in the valuation. Therefore, the asset-based approach is applicable in the valuation.

Income approach: Since COSCO SHIPPING Leasing 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 applicable in the valuation.

Market approach: Comparable listed companies similar or identical to the appraised entity in the current domestic capital market, are significantly different from it in terms of scale and structure of assets, scope of business and other aspects. There is a lack of equity transaction cases of companies that are similar to the appraised entity in corporate scale and profitability, or it is difficult to obtain detailed operating and financial data on the open market. Therefore, the market approach is not applicable in the valuation.

(I) Income approach

Discount cash flow to equity model under the discounted cash flow method was applied in the valuation, in order to produce the value of total equity interests of shareholders, and its formula is as described below:

Value of total equity interests of shareholders = the sum of present value of free cash flow to equity + value of non-operating and surplus assets and liabilities + value of long-term equity investments

(1) Free cash flow to equity

Free cash flow to equity = net profit – increase in equity

Increase in equity = owner's equity at the end of the period – owner's equity at the beginning of the period

The detailed formula is as described below:

$$P = \sum_{i=1}^n \frac{F_i}{(1+r)^i} + \frac{F_n}{r \times (1+r)^n}$$

Where, P: the sum of present value of the free cash flow to equity on the valuation benchmark date;

F_i : estimated free cash flow to equity for the i th year after the valuation benchmark date;

F_n : estimated free cash flow to equity for the last year of the prediction period;

r : discount rate (it refers to Cost of Equity Capital (Ke) herein);

n : prediction period;

i : the i th year in the prediction period;

Where, cost of equity capital is calculated using Capital Asset Pricing Mode (CAPM). Its calculation formula is as described below:

$$K_e = r_f + \text{MRP} \times \beta_L + r_c$$

Where, r_f : risk-free interest rate;

MRP: market risk premium;

β_L : systematic risk factor of equity interest;

r_c : company-specific risk adjustment factor.

(2) *Value of long-term equity investments*

Value of long-term equity investments is determined by multiplying the value of investee by the proportion of shareholding or the carrying value of investments. Please refer to the content of the asset-based approach for the determination of valuation methodology.

(3) *Value of non-operating and surplus assets and liabilities*

Non-operating assets and liabilities refer to assets and liabilities that are irrelevant to the operations of the investee and not involved in the estimate of free cash flow to equity after the valuation benchmark date. Surplus assets represent those exceeding the operating needs of the enterprise as at the valuation benchmark date and not involved in the estimate of free cash flow to equity after the valuation benchmark date. Non-operating and surplus assets and liabilities are separately analyzed and assessed.

(II) Asset-based approach

1. *Current assets*

- (1) Monetary funds include bank deposits and other currency funds, the appraised value of which is determined based on the value after verifying bank reconciliation statements and bank confirmations, etc.
- (2) Notes receivable: The information of notes receivable shall be checked on transaction-to-transaction basis, including the type, sequence number and invoice date, book value, transaction contract number and the name and entity name of the payer, acceptor, endorser, maturity date and other information. The appraised value of notes receivable is the verified book value.

- (3) Account and other receivables: The appraisers investigate and understand the reasons for the occurrence of other receivables, credit information of the entity or person whom the amount is due from, the recovery of other receivables for historical years. The appraised value is the verified book value.
- (4) Prepayments: The appraisers refer to the relevant contract or agreement and confirm that prepayments are able to be converted into rights as agreed in the contract. The appraised value is the verified book value.
- (5) Non-current assets due within one year refer to lease fee due to appraised entity for its current finance lease project under performance due within one year. The appraisers have checked the relevant finance lease contracts and the original accounting vouchers, and have verified the authenticity and accuracy of the long-term account receivables. With respect to those receivables which are, with sufficient reason, believed to be fully recoverable, the appraised value is calculated based on the total amount of receivables; with respect to receivables the parts of which are likely irrecoverable, the partial amount which is likely irrecoverable shall be estimated in accordance with the five-tier classification method (namely normal, causes concern, subordinated, doubtful and loss) as the appraised value calculated after deduction of the loss from risk, and the provision of impairment made as at the valuation benchmark date shall be zero.

2. Long-term receivables

Long-term receivables refer to lease fee due to appraised entity for its current finance lease project under performance due within one year. The appraisers have checked the relevant finance lease contracts and the original accounting vouchers, and have verified the authenticity and accuracy of the long-term account receivables. With respect to those receivables which are, with sufficient reason, believed to be fully recoverable, the appraised value is calculated based on the total amount of receivables; with respect to receivables the parts of which are likely irrecoverable, the partial amount which is likely irrecoverable shall be estimated in accordance with the five-tier classification method (namely normal, causes concern, subordinated, doubtful and loss) as the appraised value calculated after deduction of the loss from risk, and the provision of impairment made as at the valuation benchmark date shall be zero.

3. Machinery and equipment

In accordance with relevant conditions such as the features of various equipment, types of appraised value and information gathering, cost approach and market approach are adopted for the valuation of electronic equipment and vehicles, respectively.

Market approach

The approach is to collect recent market transaction examples of second-hand vehicles that are similar to the valuation target by market research and inquiry, and make correction to the market price of such comparable cases according to the difference in brand models, vehicle condition, purchase time, mileage and other factors in accordance with the substitution principle, so as to determine the price of the estimated vehicle. The specific comparative and corrective price formula is as follows:

Comparative and corrective price = Transaction price of comparable case × Correction coefficient on the transaction time × Correction coefficient of vehicle situation × Correction coefficient of purchasing time × Correction coefficient of mileage

Cost approach

The calculation formula under the cost approach is as follows:

Appraisal value = Replacement cost × Comprehensive newness rate

(1) Determination of full replacement cost

For electronic equipment, the replacement cost is determined with reference to the market purchase price.

For electronic equipment of the assessed unit that meets the VAT deduction conditions, the corresponding value-added tax should be deducted from the replacement cost.

(2) Determination of comprehensive newness rate

For electronic equipment, the comprehensive newness rate is mainly determined with reference to its economic life. The calculation formula is as follows:

Comprehensive newness rate = (Economic life – Used life)/Economic life × 100%

(3) Determination of the appraised value

The appraised value = Replacement cost × Comprehensive newness rate

4. *Construction in progress*

The appraiser confirms the truthfulness and accuracy of its business referring to the contract and related documents, the appraised value was presented at the verified book value.

5. *Other intangible assets*

Other intangible assets within the scope of this value are mainly business management software purchased or customized by the company, and the appraised value was presented at the market value as at the valuation benchmark date.

6. *Leased assets*

The leased assets within the scope of this value are mainly offices leased by the company, the appraised value was presented at the verified carrying amount as at the valuation benchmark date.

7. *Long-term deferred expenses*

After investigating and consulting the reasons for long-term deferred expenses, checking the accounting vouchers of long-term deferred expenses and verifying the surviving status of the long-term deferred expenses related equity on the valuation benchmark date, the assessor determined the appraised value with reference to the verified carrying amount.

8. *Deferred tax assets*

After investigating and consulting the reasons for deferred tax assets, checking the relevant accounting regulations of identified deferred income tax assets and verifying the accounting voucher of identified deferred income tax assets on the valuation benchmark date, the appraised value of deferred tax assets was presented at the verified carrying amount.

9. *Liabilities*

For short-term and medium-term loans of liabilities, bills payable, accounts payable, contract liabilities, other payables, employee compensation payable, taxes payable, non-current liabilities due within one year, long-term loans, bonds payable, long-term payables, the assessment of liabilities, the assessors have verified the relevant documents, contracts and related vouchers referencing to the detailed list of various items provided by the company. The appraised value was presented at the actual debts undertaken by the company.

VIII. PROCESS AND IMPLEMENTATION OF VALUATION PROCEDURES

Appraisers evaluated the assets and liabilities relating to the valuation target from 8 May 2020 to 10 December 2020. The implementation and particulars of the valuation procedures are as follows:

(I) Acceptance of engagement

On 8 May 2020, our company and the clients reached an agreement on the basic matters (including the purpose of valuation, the target of valuation, the scope of valuation and the valuation benchmark date, etc.) related to the valuation service and the rights and obligations of the parties, and we have, upon negotiations with the clients, prepared an appropriate valuation plan.

(II) First-phase preparation

1. Preparation of valuation scheme
2. Building of a valuation team
3. Implementation of project training

(1) Training to the staff of the appraised entity

In order to give the financial and assets management personnel of the appraised entity an all-round understanding of asset valuation to facilitate their completion and submission of asset valuation-related materials so as to ensure the quality of the declaration materials for the purpose of valuation, our company prepared the list of evaluation data and assigned appropriate staff to answer any questions raised in the course of completing asset valuation-related materials.

(2) Training to appraisers

To ensure the quality of the valuation project and to improve efficiency, as well as to thoroughly implement the proposed Implementation Plan for Asset Valuation, our company provided relevant training to the project team members including the background of the relevant economic behavior, the characteristics of the assets of the valuation target, technical ideas and requirements for conducting valuation.

(III) On-site investigation

During the period between 9 June 2020 and 12 June 2020, the appraisers conducted necessary investigations and verification on the assets and liabilities of the valuation target and carried out necessary due diligence on the operation and management of the appraised entity.

1. Asset verification

- (1) Guiding the appraised entity on how to complete the forms and to prepare materials to be provided to the appraisal institution

While the financial and asset management personnel of the appraised entity are required to conduct their own checking of assets, the appraisers guided them on how to correctly and carefully fill out each of the required forms covering the assets which fall under the scope of this valuation according to the Verification Schedule of Asset Valuation and their instructions to complete the Statement and the list of information which were provided by the appraisal institution. They are also required to collect and prepare title certification of the assets and documents and information that can reflect their performance, status and economic and technical indicators.

- (2) Preliminary review and improvement of the Verification Schedule of Asset Valuation filled out by the appraised entity

The appraisers have checked the relevant information to have an understanding of the details of the assets which fall under the scope of this valuation and carefully reviewed the various Verification Schedules of Asset Valuation to check if there is any incomplete information, errors, or unclear statements of asset items. Based on their experience and the information they had obtained, the appraisers reviewed the Verification Schedule of Asset Valuation to check if there is any omission before providing feedback to the appraised entity for it to improve the Verification Schedules of Asset Valuation.

- (3) On-site survey

In accordance with the relevant asset valuation standards, the appraisers conducted, with the cooperation of the relevant personnel of the appraised entity, on-site survey on various assets in terms of the types, quantity and distribution of the assets. Different survey methods were used in light of the nature and characteristics of the different types of assets.

- (4) Supplementation, modification and improvement of the Verification Schedules of Asset Valuation

Based on the on-site survey result, the appraisers further improved the Verification Schedules of Asset Valuation after proper communication with the relevant personnel of the appraised entity in order to ensure the consistency among the accounts, forms and actual circumstances.

- (5) Verification of property title certificates

The appraisers verified the property title certificates of the assets (such as vehicles and land use rights) which fall under the scope of the valuation, in case of incomplete property title documents or ambiguous ownership, and requested the company to verify or present relevant property title evidence.

2. *Due diligence*

The appraisers conducted necessary due diligence in order to fully understand the operation and management of the appraised entity and the risks which the entity is facing. The due diligence mainly covered the following:

- (1) History, substantial shareholders and shareholding proportions of the appraised entity, necessary property title and operation and management structure;
- (2) Assets, financial position, production, operation and management of the appraised entity;
- (3) Business plans, development planning and financial forecast of the appraised entity;
- (4) Previous valuations and transactions of the valuation target and the appraised entity;
- (5) Macro and regional economic factors which affect the production and operation of the appraised entity;
- (6) Development trend and outlook of the industry that the appraised entity is engaged in;
- (7) Other relevant information.

(IV) Information gathering

The appraisers gathered necessary information for the valuation project, including the information acquired directly and independently from the market and other channels, the information obtained from relevant parties and the information obtained from government agencies, professional institutions and other relevant departments. They conducted necessary analysis, induction and collation of the collected information to form the basis for valuation and estimate.

(V) Valuation and estimate

The appraisers adopted, in light of the specific conditions of various assets, the corresponding formulae and parameters to make analysis, calculation and judgment on the assets using the selected valuation methods to reach a preliminary valuation conclusion. The project leader summarized the preliminary valuation conclusion concerning various assets, and prepared and formulated the preliminary asset assessment report.

(VI) Internal audit

According to the Administrative Measures for Valuation Process of our company, the project leader would submit the Asset Assessment Report for our internal audit after the preliminary Asset Valuation Report has been prepared. Upon completion of the internal audit, the project leader would communicate with the client or other related parties agreed by the client on related contents of the Asset Valuation Report. After reasonable modification based on feedback and opinions, the project leader would determine and submit the final version of the Asset Assessment Report to the client.

IX. VALUATION ASSUMPTIONS

The following assumptions were used for the analysis and estimate in this Asset Assessment Report:

(I) General assumptions

1. It is assumed that there are no material changes in current related national laws, regulations and policies, as well as national macroeconomic situation; no material changes in the local political, economic and social environment of such regions where parties to the transaction are based;
2. It is assumed that the enterprise will operate on a going concern basis according to the actual conditions of assets on the valuation benchmark date;
3. It is assumed that there are no material changes in interest rates, exchange rates, tax bases, tax rates and policy-based levies related to the appraised entity after the valuation benchmark date;
4. It is assumed that the management of the appraised entity is accountable, stable and competent to perform their duties after the valuation benchmark date;
5. It is assumed that the appraised entity fully complies with all relevant laws and regulations, unless otherwise stated;
6. It is assumed that there is no force majeure and unforeseeable event which may materially and adversely affect the appraised entity after the valuation benchmark date.

(II) Special assumptions

1. It is assumed that the accounting policies adopted by the appraised entity after the valuation benchmark date are consistent with the accounting policies adopted when preparing this Asset Assessment Report in all material aspects;
2. It is assumed that the scope of business and the mode of operation of the appraised entity after the valuation benchmark date are consistent with the current ones based on the existing management mode and management level;
3. It is assumed that the appraised entity will have balanced cash inflows and cash outflows after the valuation benchmark date;
4. It is assumed that the products or services of the appraised entity will stay competitive on the current market after the valuation benchmark date;
5. It is assumed that the financing channels, financing costs and fund resources of the appraised entity would remain unchanged under the status quo subsequent to the valuation benchmark date;
6. It is assumed that the value-added tax policy to which the appraised entity is entitled and that tax refund is returned as soon as it is imposed would continue to be implemented within a projected period subsequent to the valuation benchmark date;
7. It is assumed that the core management and marketing personnel of the appraised entity will remain relatively stable and no material changes that affect the development and profit realization of the company will happen during the period of forecast.

The valuation conclusion of this Asset Assessment Report is established on the valuation benchmark date based on the above assumptions. In the event of any material changes to the above assumptions, the undersigned appraisers and the appraisal institution shall not be responsible for deducing different valuation conclusions due to any changes of the assumptions.

X. VALUATION CONCLUSION**(I) Valuation result using the asset-based approach**

Book value of total assets and appraised value of COSCO SHIPPING Leasing Co., Ltd. as at the valuation benchmark date were RMB34,667,491,000 and RMB34,676,776,100 respectively. The amount of increase was RMB9,285,100 and appreciation rate was 0.03%. Book value of total liabilities and appraised value were RMB29,641,564,000 and RMB29,641,564,000 respectively. There was no appreciation or depreciation. Book values of net assets and appraised value of net assets were RMB5,025,927,000 and RMB5,035,212,100. The amount of increase was RMB9,285,100 and appreciation rate was 0.18%.

The specific valuation results of asset-based approach were set out in the following table of summary of valuation results:

Table of Summary of Valuation Result Using the Asset-based Approach

Valuation benchmark date: 31 December 2019

Unit: RMB0'000

Item		Book Value A	Appraised Value B	Appreciation/ Depreciation C=B-A	Appreciation Rate % D=C/A×100%
Current assets	1	1,527,529.59	1,527,529.59	0.00	0.00
Non-current assets	2	1,939,219.51	1,940,148.02	928.51	0.05
Including: Long-term equity investment	3	100,000.00	100,358.24	358.24	0.36
Property held for investment	4	0.00	0.00	0.00	30.93
Fixed assets	5	471.70	617.59	145.89	0.00
Construction in progress	6	1,118.95	1,118.95	0.00	25.12
Oil and gas assets	7	0.00	0.00	0.00	0.00
Intangible assets	8	1,689.52	2,113.90	424.38	0.03
Including: Land use rights	9	0.00	0.00	0.00	0.00
Other non-current assets	10	1,835,939.34	1,835,939.34	0.00	0.00
Total assets	11	3,466,749.10	3,467,677.61	928.51	0.00
Current liabilities	12	1,541,660.14	1,541,660.14	0.00	0.18
Non-current liabilities	13	1,422,496.26	1,422,496.26	0.00	0.00
Total liabilities	14	2,964,156.40	2,964,156.40	0.00	0.05
Net assets	15	502,592.70	503,521.21	928.51	0.36

(II) Valuation result using the income approach

Book value of total assets, total liabilities and net assets of COSCO SHIPPING Leasing Co., Ltd. as of the valuation benchmark date were RMB34,667,491,000, RMB29,641,564,000, and RMB5,025,927,000 respectively.

The value of total equity interests of shareholders upon valuation by income approach was RMB5,109,545,900, amount of increase was RMB83,618,900 and appreciation rate was 1.66%.

(III) Valuation conclusion

Based on the valuation using the income approach, the value of total equity interests of shareholders was RMB5,109,545,900, while the value of total equity interests of shareholders was RMB5,035,212,100 when the asset-based approach is used. The difference was RMB74,333,800, representing a difference rate of 1.48%.

The asset-based approach is to appraise and estimate the value of all the factor assets of the enterprise with proper method according to the specific situation of such assets on a going concern basis and with the assumption of replacing all the production factors, adding up all the values and deducting the appraised value of relevant liabilities to derive the appraised value of total shareholders' equity under the asset-based approach, representing the replacement value of the enterprise based on existing assets. As for the income approach, it is a method to calculate the appraised value based on the expected income of the enterprise in the future, which does not only consider the impact of the reasonable and full utilization of each asset in the enterprise and of the combination thereof for the enterprise on the value of total shareholders' equity of the enterprise, but also considers the impact of all the preferential policies, industry competitiveness, the management level, human resources etc, which cannot be considered in the asset-based approach, on the value of total shareholders' equity. Having fully considered the valuation purpose, the valuation results derived by using the income approach were adopted as the valuation conclusion.

As analyzed above, this Asset Assessment Report adopts the valuation results derived by using the income approach as the valuation conclusion. That is to say, the appraised value of total shareholders' equity of COSCO SHIPPING Leasing Co., Ltd. was RMB5,109,545,900.

Since the valuation target in this report is the total shareholders' equity of the appraised entity, neither the control premium that may arise from the controlling shareholding nor the effect of lack of liquidity has been taken into account for the valuation results.

XI. EXPLANATIONS ON SPECIAL MATTERS

It was discovered in the course of valuation that the following matters may affect the valuation conclusion; however, they are beyond the evaluation and estimation of the appraisers by virtue of the standard of valuation practice and professional competence:

- (I) In this Asset Assessment Report, all tables or textual expressions are denominated in RMB ten thousands, and any difference between the total amount and the sum of the individual sub-values is due to rounding off.
- (II) The audit report (Ernst & Young Hua Ming (2020) Zhuan Zi No.61358822_B05) and the Supplementary Explanation Letter on the Restrictions on the Use of the Audit Report (Ernst & Young Hua Ming (2020) Zhuan Zi No.61358822_B05) issued by Ernst & Young Hua Ming Certified Public Accountants (LLP) Shanghai Branch on 25 June 2020 were used in this valuation. The audit report is a special audit report with highlighted matters on the basis of preparation and restrictions on using such report; the supplementary explanation letter made further explanations on the restrictions on the use of the audit report, specifying that the financial statements after this special audit are for the purpose of transfer of equity interests by way of non-disclosure agreement and solicitation of investors through public listing on the Shanghai United Assets and Equity Exchange to introduce strategic investors and the matters on the asset valuation involved in such process, which do not affect the issued audit opinions. The professional asset appraisers of the audit report analyzed and made judgment on requirements of use of the financial statements in accordance with the valuation approach adopted. It is not the responsibility of the asset appraisers to express their opinion on whether the relevant financial statements give a fair view of the financial position, current operating results and cash flow as at the valuation benchmark date.
- (III) On the valuation benchmark date, the carrying amount of restricted monetary funds of the appraised entity amounted to RMB353,560,000, which are classified as other monetary funds. The above-mentioned funds are generally deposited into three types of accounts, including bonds escrow account, rent escrow account and other special account, according to the nature and purpose of bank accounts. The funds in such account are restricted monetary funds. Among which, the bonds escrow account is the account through which COSCO SHIPPING Leasing shall repay the investors of the issued bonds; the rent escrow account is the designated account to which some customers need to pay rent in accordance with the bank's regulatory requirements; other special account is the special account set up for the withdrawal and use of funds by COSCO SHIPPING Leasing during its operation, and the use of funds in the special account is restricted due to its nature. The funds in the above three types of accounts generally have specific purposes, which shall be used according to the agreement with the bank. The use or transfer of funds shall meet certain conditions, therefore are not entirely flexible and are classified as restricted funds. The carrying amount on the valuation benchmark date is the balance still retained in the bank account, and the subsequent capital inflow and outflow will continue. There is no fixed term for restriction on the funds.

- (IV) The owner indicated on the appraised vehicle registration certificates is China Shipping Leasing Co., Ltd., the predecessor of the appraised entity. The registration of change in ownership has not yet been completed.
- (V) The pledged borrowings included in the long-term borrowings of the appraised entity were secured by part of financing lease receivables as at the valuation benchmark date.
- (VI) According to the Guiding Opinions on Legal Ownership of the Asset Valuation Target, the client and other relevant parties shall provide the information of legal ownership of the valuation target in accordance with laws and be responsible for the truthfulness, completeness and legality of the materials provided by them. The asset appraisers shall conduct necessary verification and disclosure to the relevant information and its sources, not representing any assurance provided by them to the ownership of asset valuation target. To identify or express an opinion on the legal ownership of the asset valuation target is beyond the scope of practice of the asset appraisers about a special note on the circumstances in which the appraisal process is restricted and how this may affect the appraisal conclusion.
- (VII) As at the valuation benchmark date, the entity to be appraised was mainly involved in an aggregate of 21 litigation matters due to financing lease contract disputes. The amount involved in the litigation matters was approximately RMB742,256,000. The plaintiffs were all appraised entities. This valuation has considered the possible effects to the valuation conclusion caused by the above matters.

The users of the Asset Assessment Report shall notify the effect to the valuation conclusion caused by the above special matters.

XII. RESTRICTIONS ON THE USE OF THE ASSET ASSESSMENT REPORT

(I) The scope of the use of the Assets Assessment Report

1. The users of the Asset Assessment Report shall be the client and the users of the Asset Assessment Report stipulated by national laws and administrative regulations.
2. The valuation conclusion disclosed by Asset Assessment Report is only valid for the corresponding economic behavior of the project.
3. The effective term for the use of the appraisal result shall be one year from the valuation benchmark date. The client or other users of the Asset Assessment Report shall use the report within the effective term as stated.

4. The valuation agency and its asset appraisers shall not provide the contents of the Asset Assessment Report to a third party or make it available to public without the written permission of the client, except as otherwise provided for by laws and administrative regulations.
 5. The contents of the Asset Assessment Report shall not be extracted, quoted or disclosed in the media, except as otherwise agreed by laws, administrative regulations and other relevant parties.
- (II) The valuation agency and its asset appraisers take no responsibility if the client or other users of the Asset Assessment Report fail to use this Asset Assessment Report in accordance with the provisions of laws and administrative regulations and the scope of use set out in this Asset Assessment Report.
- (III) Except for the client, the other users of the Asset Assessment Report as agreed in the Asset Valuation Engagement Contract and the users of the Asset Assessment Report as stipulated in the laws and administrative regulations, no other institution or individual shall be the user of this report.
- (IV) Users of the Asset Assessment Report should correctly interpret and use the valuation conclusion, which is not equivalent to the realizable value of the valuation target and should not be considered as a guarantee for the realizable value of the valuation target.
- (V) The Asset Assessment Report is a professional report issued by the valuation agency and its asset appraisers in compliance with laws, administrative regulations and asset appraisal standards and in accordance with the necessary asset appraisal procedures entrusted to them. This Asset Assessment Report may be used officially only after it is filed with state-owned assets supervision and administration, and signed by asset appraisers conducting the valuations and stamped by the relevant valuation institution.

XIII. DATE OF THE ASSET ASSESSMENT REPORT

The date of the Asset Assessment Report is 10 December 2020.

Legal representative: Quan Zhongguang

Asset appraiser: Yao Yongqiang

Asset appraiser: Liu Shu

Beijing China Enterprise Appraisals Co., Ltd.
10 December 2020

Annexes of the Asset Assessment Report

Annex I. The Corresponding Economic Activity Document on the Valuation Purpose;

Annex II. The Special Audit Report of the Appraised Entity;

Annex III. Corporate Business Licenses of the Client and the Appraised Entity;

Annex IV. Major Ownership Proof Materials of the Valuation Target Involved;

Annex V. Letters of Undertaking of the Client and the Appraised Entity;

Annex VI. Letters of Undertaking of the Signatory Asset Appraisers;

Annex VII. Copy of Qualification Certificates of China Enterprise Appraisals Co., Ltd. in asset assessment;

Annex VIII. Surrender of Qualification Certificates of Asset Assessment;

Annex IX. Copy of Qualification certificate of Beijing China Enterprise Appraisals Co., Ltd. in business related to securities and futures;

Annex X. Copy of business license of Beijing China Enterprise Appraisals Co., Ltd.;

Annex XI. Copy of qualification certificates of asset appraisers;

Annex XII. The Asset Valuation Engagement Contract.

The following is the full text of the Valuation Report in relation to the Potential Capital Increase for the purpose of inclusion in this circular.

THIS REPORT IS PREPARED IN ACCORDANCE WITH PRC ASSET VALUATION STANDARDS.

Asset Assessment Report

on

The Value of the Entire Shareholders' Equity of COSCO SHIPPING Leasing Co., Ltd.

Involved in the Proposed Introduction of Strategic Investors by

COSCO SHIPPING Leasing Co., Ltd.

Zhong Qi Hua Ping Bao Zi [2020] No. 1722

1 of 1

Beijing China Enterprise Appraisals Co., Ltd.

10 December 2020

CONTENTS

Disclaimer	.....
Summary of the Asset Assessment Report	.....
Text of the Asset Assessment Report	.....
I. The Client, Appraised Entity and Other Users of the Asset Assessment Report as Agreed in the Asset Valuation Engagement Contract	.....
II. Purpose of Valuation	.....
III. Valuation Target and Scope	.....
IV. Type of Value	.....
V. Valuation Benchmark Date	.....
VI. Basis of Valuation	.....
VII. Valuation Methodology	.....
VIII. Process and Implementation of Valuation Procedures	.....
IX. Valuation Assumptions	.....
X. Valuation Conclusion	.....
XI. Explanations on Special Matters	.....
XII. Restrictions on the Use of the Asset Assessment Report	.....
XIII. Date of the Asset Assessment Report	.....
Annexes of the Asset Assessment Report	.....

Disclaimer

- I. This Asset Assessment Report is prepared in accordance with the Basic Asset Valuation Standards issued by the Ministry of Finance and the Practice Guidelines for Asset Appraisal and the Professional Code of Ethics for the Appraisal of Assets issued by the China Appraisal Society.
- II. The valuation agency and its asset appraisers have abided by the principles of independence, objectivity and impartiality, have complied with the laws, administrative regulations and asset valuation standards, and have assumed responsibilities for the Asset Assessment Report in accordance with laws.
- III. The client or other users of the Asset Assessment Report shall use the Asset Assessment Report in accordance with the laws and administrative rules and regulations and within the scope of use set out in this Asset Assessment Report. The asset valuation agency and its asset appraisers take no responsibility for any non-compliance with the above-mentioned requirements for the use of the Asset Assessment Report by the client or other users of the Asset Assessment Report.

This Asset Assessment Report shall only be used by the client, other users of the Asset Assessment Report as agreed in the Asset Valuation Engagement Contract and users of the Asset Assessment Report as required by laws and administrative regulations. Save for the above, no other institution or individual shall be the user of this report.

We and the asset appraisers advise that users of the Asset Assessment Report should correctly interpret and use the valuation conclusion, which is not equivalent to the realizable value of the valuation target and should not be considered as a guarantee for the realizable value of the valuation target.

- IV. The list of assets and liabilities and operational estimates of the valuation target involved should be declared by the client and the appraised entity and certified by signature, seal or other means permitted by laws. The client and other relevant parties shall be responsible for the truthfulness, completeness and legality of the materials provided by them in accordance with laws.
- V. The asset appraisers have conducted on-site inspection on the valuation target specified herein and the assets involved in the Asset Assessment Report, and given necessary consideration to the legal ownership status of the valuation target and the assets involved, conducted verification on the relevant information regarding the legal ownership of the relevant assets. The asset appraisers have made proper disclosure in respect of the issues identified, and asked the client and other related parties to consummate the ownership status to fulfill the conditions required for issuance of the Asset Assessment Report.

- VI. We and the asset appraisers have no existing or expected relationship of interests with the valuation target set out in the Asset Assessment Report or with the relevant parties, and have no prejudice against the relevant parties.

Users of the Asset Assessment Report should be aware of the assumptions as the premise of the valuation conclusion, and the special notes and the restrictions on the use of the Asset Assessment Report.

- VII. The analyses, judgments, and conclusions in the Asset Assessment Report issued are subject to the assumptions and restrictions in the Asset Assessment Report. The users of the Asset Assessment Report shall take into full account the assumptions, restrictions and special notes specified in the Asset Assessment Report and their impact on the valuation conclusion.

SUMMARY OF THE ASSET ASSESSMENT REPORT**IMPORTANT**

The content of the summary is extracted from the text of the Asset Assessment Report. You should read the Asset Assessment Report carefully for details of this valuation project and reasonable understanding and using of valuation conclusion.

To: COSCO SHIPPING Development Co., Ltd.

Upon engagement of COSCO SHIPPING Development Co., Ltd., Beijing China Enterprise Appraisals Co., Ltd. has followed the necessary valuation procedures to appraise the market value of the entire shareholders' equity of COSCO SHIPPING Leasing Co., Ltd. as at the valuation benchmark date in accordance with relevant laws, regulations and asset valuation standards and the principles of independence, objectivity and impartiality. The valuation details are presented as follows:

Purpose of valuation: COSCO SHIPPING Leasing Co., Ltd. proposed to solicit investors through public listing on the Shanghai United Assets and Equity Exchange to introduce strategic investors, which requires the determination of the value of the entire shareholders' equity of COSCO SHIPPING Leasing Co., Ltd. on the valuation benchmark date to provide value reference for the above economic behavior.

Valuation target: Value of the entire shareholders' equity of COSCO SHIPPING Leasing Co., Ltd.

Valuation scope: Total assets and liabilities of the appraised entity, including current assets, long-term receivables, long-term equity investments, fixed assets, construction in progress, intangible assets, right-of-use assets, long-term prepaid expenses, deferred income tax assets, current liabilities and non-current liabilities.

Valuation benchmark date: 31 December 2019.

Type of value: Market value.

Valuation methodology: Income approach and asset-based approach.

Valuation conclusion: The results based on the income approach are adopted as the valuation conclusion in this Asset Assessment Report. The specific valuation conclusion is as follows:

As of the valuation benchmark date, the book value of the total assets of COSCO SHIPPING Leasing Co., Ltd. was RMB34,667,491,000.00 (rounded off to two decimal places, same as below), the book value of total liabilities was RMB29,641,564,000 and the book value of net assets was RMB5,025,927,000, the appraised value of the entire shareholders' equity was RMB5,109,545,900, the amount of appreciation was RMB83,618,900, representing an appreciation rate of 1.66%.

This Asset Assessment Report is solely designed to provide the reference value for the economic activity described in the Asset Assessment Report. The valuation conclusion is valid for one year from the valuation benchmark date.

Users of the Asset Assessment Report shall take into full account the assumptions, limitations, special notes stipulated in the Asset Assessment Report and their impact on the valuation conclusion.

This summary is extracted from the text of the Asset Assessment Report. For the purpose of understanding the details of this valuation and a proper comprehension and use of the valuation conclusion, please read the text of the Asset Assessment Report.

Text of Asset Assessment Report
On
The Value of the Entire Shareholders' Equity of COSCO SHIPPING Leasing Co., Ltd.
Involved in the Proposed Introduction of Strategic Investors by COSCO SHIPPING
Leasing Co., Ltd.

To: COSCO SHIPPING Development Co., Ltd.

Upon engagement of the Company, Beijing China Enterprise Appraisals Co., Ltd. has followed the necessary valuation procedures under income approach and asset-based approach to appraise the market value of the entire shareholders' equity of COSCO SHIPPING Leasing Co., Ltd. in connection with proposed introduction of strategic investors by COSCO SHIPPING Leasing Co., Ltd. as at 31 December 2019 in accordance with relevant laws, regulations and asset valuation standards and the principles of independence, objectivity and impartiality. The details of the valuation are presented as follows:

I. THE CLIENT, APPRAISED ENTITY AND OTHER USERS OF THE ASSET ASSESSMENT REPORT AS AGREED IN THE ASSET VALUATION ENGAGEMENT CONTRACT

The client of this valuation: COSCO SHIPPING Leasing Co., Ltd. was authorized with full power by COSCO SHIPPING Development Co., Ltd. to act on its behalf. COSCO SHIPPING Leasing Co., Ltd. is both the client and the appraised entity.

(I) Profile of the client and the appraised entity

1. Profile of the company

Name of company: COSCO SHIPPING Leasing Co., Ltd. (hereinafter referred to as "COSCO SHIPPING Leasing")

Address: Room 3E, 450 Fushan Road, China (Shanghai) Pilot Free Trade Zone

Legal representative: Chen Yiming (陳易明)

Registered capital: RMB3,500 million

Type of enterprise: Limited liability company (foreign investment company as sole proprietor)

Term of operation: 29 August 2013 to no fixed term

Scope of business: Financial leasing, acquisition of domestic and overseas leased property, treatment and maintenance of residual value of leased property, consultation and guarantee for lease transactions, leasing business, commercial factoring business related to the principal activities, and medical equipment operation. [For projects that are subject to approval in accordance with the law, business activities can only be carried out after approval by relevant departments]

2. *Shareholders of the Company, their shareholding percentages and the changes of equity*

COSCO SHIPPING Leasing (formerly known as China Shipping Leasing Co., Ltd.), was established by China Shipping (Group) Company (hereinafter referred to as “China Shipping”) with a capital of RMB500 million in August 2013.

On 6 November 2015, the shareholder China Shipping made a capital contribution in the amount of RMB1,000 million in COSCO SHIPPING Leasing and passed the “Amendment to the Articles of Association of China Shipping Leasing Co., Ltd.” on the same day. After the capital increase, the registered capital of COSCO SHIPPING Leasing was changed to RMB1,500 million. The alteration of industrial and commercial registration of the abovementioned capital increase was completed on 3 December 2015.

On 10 December 2015, China Shipping and China Shipping Container Lines Company Limited (renamed as “COSCO SHIPPING Development Co., Ltd. (hereinafter referred to as “COSCO SHIPPING Development”) on 6 September 2016) signed the Asset Purchase Agreement between COSCO Container Lines Co., Ltd. and China Shipping (Group) Company in connection with the Asset Purchase Agreement of China Shipping Leasing Co., Ltd. for its 100% acquisition of COSCO SHIPPING Leasing. The agreement stipulates that China Shipping (Group) Company will sell its entire shareholding in China Shipping Leasing Co., Ltd. to COSCO Container Lines Co., Ltd. The alteration of industrial and commercial registration of the above matters was completed on 24 March 2016.

On 14 September 2016, the name of the company was changed to COSCO SHIPPING Leasing Co., Ltd.

On 30 December 2016, the shareholder COSCO SHIPPING Development made a capital contribution in the amount of RMB1,000 million to COSCO SHIPPING Leasing and passed the “Amendment to the Articles of Association of COSCO SHIPPING Leasing Co., Ltd.” on the same day. After the capital increase, the registered capital of COSCO SHIPPING Leasing was changed to RMB2,500 million. The alteration of industrial and commercial registration of the abovementioned capital increase was completed on 22 January 2017.

On 20 October 2017, the shareholder COSCO SHIPPING Development made a capital contribution in the amount of RMB1,000 million to COSCO SHIPPING Leasing and passed the “Amendment to the Articles of Association of COSCO SHIPPING Leasing Co., Ltd.” on the same day. After the capital increase, the registered capital of COSCO SHIPPING Leasing was changed to RMB3,500 million. The alteration of industrial and commercial registration of the abovementioned capital increase was completed on 23 October 2017.

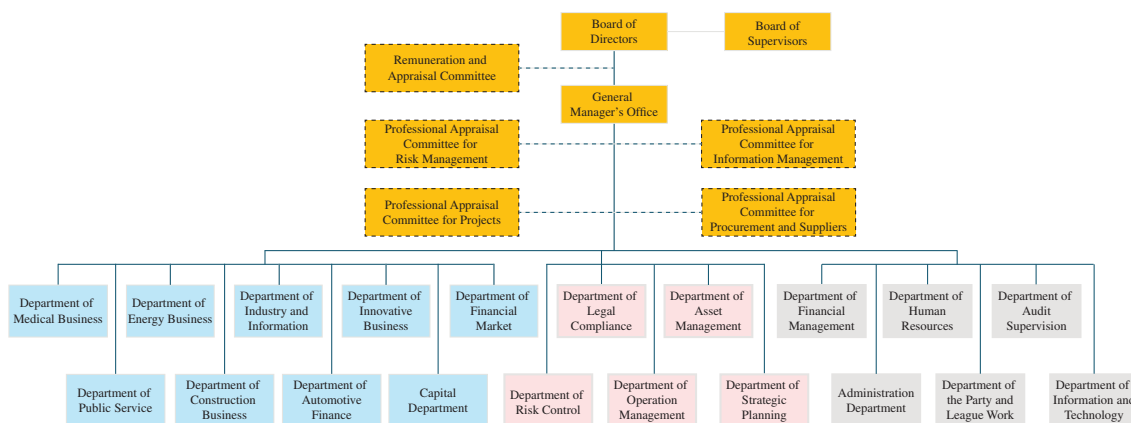
On 10 December 2020, China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd. (中國國有企業混合所有制改革基金有限公司) entered into the Equity Transfer Agreement with COSCO SHIPPING Development Co., Ltd., which agreed that COSCO SHIPPING Development Co., Ltd. shall transfer its 35% equity interests in COSCO SHIPPING Leasing Co., Ltd. to China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd. As of the date of this Asset Assessment Report, the change procedure of commerce administration registration for the equity transfer has not been completed.

As of the valuation benchmark date, the amount of shareholders’ capital contribution and the percentage of contribution is as follows:

Investor	Registered capital (RMB0'000)	Paid-in capital (RMB0'000)	Percentage of contribution (%)
COSCO SHIPPING Development Co., Ltd.	350,000.00	350,000.00	100.00
Total	350,000.00	350,000.00	100.00

3. Property title and the operation and management structure of the Company

COSCO SHIPPING Leasing, a subsidiary of China COSCO SHIPPING Corporation Limited implements a general manager responsibility system under the leadership of the board of directors, under which the remuneration and performance management committee is set up. The detailed structure is as follows:



4. Assets, financial position and operations for the last three years

Set out below is the financial position of the appraised entity for the last three years:

Unit: RMB0'000

Item	31 December 2017	31 December 2018	31 December 2019
Current assets	906,051.16	1,115,213.14	1,527,529.59
Including: non-current assets due within one year	623,620.11	904,726.07	1,375,046.41
Long-term receivables	1,584,874.34	1,729,758.70	1,807,251.63
Long-term equity investment	5,000.00	0.00	100,000.00
Fixed assets	558.07	467.96	471.70
Constructions in progress	407.55	660.09	1,118.95
Intangible Assets	585.35	1,103.61	1,689.52
Other assets	7,954.65	20,826.43	28,687.72
Total assets	2,505,431.11	2,868,029.93	3,466,749.11
Current liabilities	1,029,482.57	1,231,886.27	1,541,660.14
Non-current liabilities	1,058,212.27	1,178,347.71	1,422,496.26
Total liabilities	2,087,694.83	2,410,233.98	2,964,156.40
Owner's equity	417,736.28	457,795.95	502,592.71

Set out below is the operating conditions of the appraised entity for the last three years:

Unit: RMB0'000

Item	2017	2018	2019
I. Operation income	139,410.10	190,576.09	248,187.43
Less: Operation costs	62,544.59	102,537.42	137,590.52
Tax and surcharges	1,096.68	839.84	677.61
Selling expenses	—	—	—
Administrative expenses	18,433.26	23,911.37	24,938.09
Financial costs	-1,669.65	-2,017.47	-1,773.04
Impairment losses on assets	13,392.78	42,690.27	
Impairment losses on credit	32,898.29		
Add: Gains from investment	—	61.56	3,656.00

Item	2017	2018	2019
Other gains	1,720.26	9,478.03	2,917.77
Gains from disposal of assets			4.14
II. Operating profit	47,332.70	32,154.24	60,433.88
Add: Non-operating income	15.28	0.00	0.38
Less: Non-operating expenses	85.05	0.00	400.06
III. Total profit	47,262.93	32,154.24	60,034.19
Less: Income tax expenses	11,958.30	8,156.30	15,090.96
IV. Net profit	35,304.63	23,997.94	44,943.24

Ernst & Young Hua Ming LLP Shanghai Branch has audited the accounting statements of the appraised entity as at the valuation benchmark date, in 2019, 2018 and 2017, and expressed unqualified opinions with highlighted matters.

5. *Relationship between the client and the appraised entity*

The client and the appraised entity are the same entity.

(II) Other users of the Asset Assessment Report as agreed in the Asset Valuation Engagement Contract

This Asset Assessment Report shall only be used by the client and users of the Asset Assessment Report as required by laws and administrative regulations, and shall not be used or relied upon by any other third parties.

II. PURPOSE OF VALUATION

COSCO SHIPPING Leasing Co., Ltd. proposed to introduce strategic investors through public listing of solicited investors on the Shanghai United Assets and Equity Exchange (上海聯合產權交易所), for which it is required to determine the value of total equity interests of the shareholders of COSCO SHIPPING Leasing Co., Ltd. as at the valuation benchmark date, so as to provide value reference for the above economic activity.

China COSCO SHIPPING Co., Ltd. issued the Reply on the Capital Increase of COSCO SHIPPING Leasing (Zhong Yuan Hai Zi [2020] No. 392) on 10 December 2020 for this regard.

III. VALUATION TARGET AND SCOPE

(I) Valuation Target

The valuation target is the value of total equity interests of the shareholders of COSCO SHIPPING Leasing Co., Ltd.

(II) Valuation Scope

The valuation scope is the total assets and liabilities reported by the appraised entity. As at the valuation benchmark date, the assets in the valuation scope included current assets, long-term receivables, fixed assets, construction in progress, intangible assets, right-of-use assets, long-term deferred expenses, long-term equity investment and deferred income tax assets, and the carrying amount of total assets amounted to RMB34,667,491,000; the liabilities included current liabilities and non-current liabilities, and the carrying amount of total liabilities amounted to RMB29,641,564,000; the carrying amount of net assets amounted to RMB5,025,927,000.

The appraised valuation target and scope are consistent with the valuation target and scope involved in the economic activity. Ernst & Young Hua Ming LLP Shanghai Branch has audited the carrying amount of assets and liabilities in the valuation scope and expressed unqualified opinions with highlighted matters as at the valuation benchmark date.

Description of assets and liabilities in the valuation scope is as follows:

1. Monetary funds

Monetary funds as at the valuation benchmark date represent bank deposits and other currency funds, of which all bank deposits represent deposits in RMB. Accounting contents represent the deposits in financial institutions including Agricultural Bank of China, Shanghai Xinzhuang Sub-branch (中國農業銀行上海莘莊支行), Bank of Communications, North Bund Sub-branch (交通銀行北外灘支行), Xiamen International Bank, Shanghai Huangpu Sub-branch (廈門國際銀行上海黃浦支行) and COSCO SHIPPING Finance Company Limited. Other monetary funds represent the restricted monetary funds deposited in China Merchants Bank, Huamu Sub-branch (招商銀行花木支行), China Bohai Bank, Shanghai Hongkou Sub-branch (渤海銀行上海虹口支行) and other banks, and other funds deposited in escrow accounts opened by other financial institutions for bond issuance.

2. Notes receivable

The notes receivable as at the valuation benchmark date mainly represent bank acceptance notes received by the appraised entity for provision of financial leasing service.

3. *Prepayments*

The prepayments as at the valuation benchmark date represent the catering expenses, rentals and other payments prepaid by the appraised entity pursuant to the contract.

4. *Other receivables*

Other receivables as at the valuation benchmark date represent all other receivables and temporary payments of the appraised entity other than notes receivable, accounts receivable, prepayments and long-term receivables, which mainly represent deposits and margins, transfer payments, advances to employees and other accounts from transactions with entities.

5. *Non-current assets due within one year*

The non-current assets due within one year as at the valuation benchmark date represent finance lease receivables due within one year.

6. *Other current assets*

Other current assets as at the valuation benchmark date represent the value-added taxes prepaid by the appraised entity.

7. *Long-term receivables*

Long-term receivables (inclusive of receivables due within one year) mainly include finance lease receivables. The industries currently under expansion mainly involve medical care, public service, energy, construction, industrial information, innovation and automobile finance, etc.

8. *Fixed assets*

Fixed assets include vehicles and electronic devices, of which:

Vehicles are mainly used for office. Owner of vehicle licenses is China Shipping (Group) Leasing Co., Ltd., the predecessor of the appraised entity. Registration change procedures have not yet been completed for those licenses which shall be in a normal usage state as at the valuation benchmark date.

Electronic devices mainly include computer, printer, projector, server, exchanger, office furniture and other office devices, which shall be in a normal usage state as at the valuation benchmark date.

9. Construction in progress

The construction in progress included in the valuation scope mainly represents all types of software, including automobile finance system, supply chain financing system, coordinated office system, etc.

10. Intangible assets

The intangible assets included in the valuation scope are mainly business management software which is customized in light of the business development demand and procured from external resources by the appraised entity.

11. Leased assets

The leased assets included in the valuation scope represent the lease charges on operating premises.

12. Long-term deferred expenses

The long-term deferred expenses included in the valuation scope represent the expenses on office renovation and prepaid selling incentives.

13. Deferred income tax assets

The deferred income tax assets as at the valuation benchmark date represent the income tax assets generated from deductible temporary differences recognized by the appraised entity, which is generated from impairment provision for long-term receivables (inclusive of non-current assets due within one year).

14. Long-term equity investment

No.	Name of investee	Date of investment	Shareholding percentage (%)	Carrying amount (RMB)
1	Yuanhai Leasing (Tianjin) Co., Ltd. (遠海租賃(天津)有限公司)	October 2019	100	1,000,000,000.00
	Total long-term equity investment			1,000,000,000.00
	Less: Impairment provision for long-term equity investment			
	Net long-term equity investment			1,000,000,000.00

(1) Company profile

Name: Yuanhai Leasing (Tianjin) Co., Ltd. (hereinafter referred to as Yuanhai Leasing)

Address: Room 202, Office Area, Inspection Warehouse, No. 6262, Aozhou Road Tianjin Pilot Free Trade Zone (Dongjiang Free Trade Port Zone) (No. 563 of Free Trade Zone Branch, Tianjin Dongjiang Business Secretarial Services Co., Ltd. (天津東疆商務秘書服務有限公司自貿區分公司))

Legal representative: Chen Yiming (陳易明)

Registered capital: RMB1 billion

Type of enterprise: Limited liability company (corporation as sole proprietor)

Term of operation: 18 October 2019 to perpetual existence

Scope of business: Financial leasing, leasing, acquisition of domestic and overseas leased properties, disposal of residual value of leased properties and repair of leased properties, and leasing consultancy. (For projects which are subject to approval under the law, business activities can only be carried out after approval from the relevant departments.)

(2) Shareholders of the Company, their shareholding percentages and the changes of shareholding

Yuanhai Leasing is a wholly-owned subsidiary of COSCO SHIPPING Leasing.

(3) Assets, financial position and operation as at the valuation benchmark date

Set out below is the financial position of Yuanhai Leasing as at the valuation benchmark date:

Unit: RMB0'000

Item	31 December 2019
Current assets	100,563.43
Non-current assets	0.00
Total assets	100,563.43
Current liabilities	205.19
Non-current liabilities	0.00
Total liabilities	205.19
Owner's equity	100,358.24

Set out below are the operating conditions of Yuanhai Leasing as at the valuation benchmark date:

Unit: RMB0'000

Item	2019
I. Operation income	
Less: Operation costs	
Tax and surcharges	53.82
Selling expenses	—
Administrative expenses	
Financial costs	-531.48
Impairment losses on assets	
Impairment losses on credit	
Add: Gains from investment	
Other gains	
Gains from disposal of assets	
II. Operating profit	477.66
Add: Non-operating income	
Less: Non-operating expenses	
III. Total profit	477.66
Less: Income tax expenses	119.42
IV. Net profit	358.24

15. Short-term loans

The short-term loans as at the valuation benchmark date represent the loans for a term of less than one year (inclusive) offered by the appraised entity to Bank of Nanjing, China Minsheng Banking Corp., Ltd., Yuanhai Leasing (Tianjin) Co., Ltd., etc.

16. Notes payable

The notes payable as at the valuation benchmark date represent the bank acceptance notes issued by the appraised entity for financial leasing business.

17. Accounts payable

The accounts payable as at the valuation benchmark date represent the payments of the appraised entity for finance lease and operating activities, which include final payments of equipment and guarantee fees.

18. Contract liabilities

The contract liabilities as at the valuation benchmark date represent the lease charges received in advance by the appraised entity.

19. Employee compensation payable

The employee compensation payable as at the valuation benchmark date represents all compensation payable by the appraised entity to employees pursuant to the relevant requirements, which mainly include labor union fees, employees' education fees, etc.

20. Taxes payable

The taxes payable as at the valuation benchmark date represent all taxes payable calculated by the appraised entity pursuant to tax laws, which include income taxes and personal income taxes.

21. Other payables

Other payables as at the valuation benchmark date represent all other accounts payable and temporarily received by the appraised entity, other than notes payable, accounts payable, receipts in advance, employee compensation payable, dividends payable, tax charges payable and long-term payables.

22. Non-current liabilities due within one year

The non-current liabilities due within one year as at the valuation benchmark date represent the amount of all non-current liabilities due within one year of the appraised entity, which include long-term loans, long-term payables, bonds payable and other liabilities due within one year.

23. Long-term loans

The long-term loans represent all loans for a term of over one year (exclusive) borrowed by the appraised entity from banks and other financial institutions.

24. Bonds payable

The bonds payable represent principals of the bonds issued by the appraised entity for raising (long-term) funds.

25. Long-term payables

The long-term payables represent deposits payable by the appraised entity for the financially-leased fixed assets.

26. Lease liabilities

Lease liabilities represent the outstanding leased housing payments of the appraised entity.

(III) Off-balance-sheet assets declared by the enterprise

Assets declared by the enterprise included in the valuation scope are in-balance-sheet assets.

(IV) Reference to the asset involved in the report conclusion issued by other institutions

This assessment report does not involve references to the reports issued by other institutions.

IV. TYPE OF VALUE

According to the valuation purpose, the type of value of the valuation target is determined to be the market value.

Market value refers to the estimated value of an arm's-length transaction made by the appraised entity in the ordinary course of business on the valuation benchmark date between a willing buyer and a willing seller who has each acted rationally and without compulsion.

V. VALUATION BENCHMARK DATE

The valuation benchmark date is 31 December 2019.

The valuation benchmark date has been determined by the client.

VI. BASIS OF VALUATION

(I) Basis of Economic Activity

1. The Reply of China COSCO SHIPPING Co., Ltd. on the Capital Increase of COSCO SHIPPING Leasing (Zhong Yuan Hai Zi [2020] No. 392, 10 December 2020).

(II) Legal Basis Provided by Laws and Regulations

1. The Asset Appraisal Law of the People's Republic of China (passed at the 21st session of the 12th Standing Committee of the National People's Congress on 2 July 2016);
2. The Company Law of the People's Republic of China (revised at the 6th Meeting of the Standing Committee of the 13th National People's Congress on 26 October 2018);
3. The Financial Supervision and Administration Measures on the Assets Evaluation Industry (Order No. 86 of the Ministry of Finance of the People's Republic of China);

4. The Law of the People's Republic of China on Enterprise Income Tax (revised at the 26th Meeting of the 12th Standing Committee of the National People's Congress on 24 February 2017);
5. The Law of the People's Republic of China on the State-owned Assets in Enterprises (passed at the 5th session of the 11th Standing Committee of the National People's Congress on 28 October 2008);
6. The Provisional Measures for the Supervision and Administration of Financial Leasing Companies (promulgated by China Banking and Insurance Regulatory Commission on 25 May 2020);
7. The Provisional Regulations on the Supervision and Administration of State-owned Assets of Enterprises (Order No. 378 of the State Council, as revised by Order No. 588 of the State Council);
8. The Measures for the Administration of State-owned Assets Appraisal (Order No. 91 of the State Council);
9. The Notice on the Publication and Distribution of the Detailed Rules for the Implementation of the Administrative Measures of State-owned Assets Assessment (Guo Zi Ban Fa [1992] No. 36);
10. The Interim Measures for the Administration of Assessment of State-owned Assets of Enterprises (Order No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council);
11. The Notice on Strengthening the Administration of State-owned Assets Appraisal of Enterprises (Guo Zi Wei Chan Quan [2006] No. 274);
12. The Notice on Relevant Matters Concerning the Examination of Appraisal Reports on State-owned Assets of Enterprises (Guo Zi Chan Quan [2009] No. 941);
13. The Guidelines on the Filing of State-owned Assets Appraisal Projects for Enterprises (Guo Zi Fa Chan Quan [2013] No. 64);
14. The Measures for the Supervision and Administration of the Trading of State-owned Assets of Enterprises (Order No. 32 of the SASAC of the State Council and the Ministry of Finance);
15. The Accounting Standards for Business Enterprises – Basic Standards (Decree No. 33 of the Ministry of Finance), The Decision of the Ministry of Finance on Amending the Accounting Standards for Business Enterprises – Basic Standards (Decree No. 76 of the Ministry of Finance);

16. The Rules on the Implementation of the Provisional Regulations on Value-added Tax of the People's Republic of China (Order No. 691 of the State Council);
17. The Notice on Carrying out Pilot Operation of Change from Business Tax to Value-added Tax (Cai Shui [2016] No. 36);
18. The Notice of the Ministry of Finance and the SAT on the Adjustment of VAT Tax Rate (Cai Shui [2018] No. 32).

(III) Basis of Valuation Standards

1. Basic Asset Valuation Standards (Cai Zi [2017] No. 43);
2. Professional Code of Ethics for Asset Valuation (Zhong Ping Xie [2017] No. 30);
3. Practice Guidelines for Asset Valuation-Asset Valuation Report (Zhong Ping Xie [2018] No. 35);
4. Practice Guidelines for Asset Valuation-Asset Valuation Procedures (Zhong Ping Xie [2018] No. 36);
5. Practice Guidelines for Asset Valuation-Asset Valuation Methodology (Zhong Ping Xie [2019] No. 35);
6. Practice Guidelines for Asset Valuation-Asset Valuation Engagement Contract (Zhong Ping Xie [2017] No. 33);
7. Practice Guidelines for Asset Valuation-Asset Valuation Files (Zhong Ping Xie [2018] No. 37);
8. Practice Guidelines for Asset Valuation-Enterprise Value (Zhong Ping Xie [2018] No. 38);
9. Practice Guidelines for Asset Valuation-Machinery and Equipment (Zhong Ping Xie [2017] No. 39);
10. Guidance on Valuation Report of State-owned Assets of Enterprises (Zhong Ping Xie [2017] No. 42);
11. Quality Control Guidance on the Business of Asset Valuation Agency (Zhong Ping Xie [2017] No. 46);

12. Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie [2017] No. 47);
13. Guiding Opinions on Legal Ownership of the Asset Valuation Target (Zhong Ping Xie [2017] No. 48);

(IV) Ownership Basis

1. State-owned Assets Property Registration Certificate;
2. Motor Vehicle Driving Permit;
3. Other title-related certificates.

(V) Pricing Basis

1. Provisions on Compulsory Scrapping Standards for Motor Vehicles (Ministry of Commerce, Development and Reform Commission, Ministry of Public Security and Ministry of Environmental Protection Order [2012] No. 12, implemented from 1 May 2013);
2. Bank benchmark interest rates for deposits and loans and foreign exchange rate as at the valuation benchmark date;
3. Wind-Financial Terminal;
4. Financial statements and audit reports for previous years provided by the enterprise;
5. Future annual operating plans provided by the relevant departments of the enterprise;
6. Financial leasing contracts signed by the enterprise with the relevant entities;
7. Other relevant information related to valuation recorded and collected by the appraisers during on-site survey;
8. Other information related to this asset valuation.

(VI) Other References

1. The list of assets and the declaration form for valuation provided by the appraised entity;
2. Audit report issued by Ernst & Young Hua Ming LLP Shanghai Branch;
3. Database of Beijing China Enterprise Appraisals Co., Ltd.

VII. VALUATION METHODOLOGY

Income approach refers to the approach in which the expected return of the valuation target shall be capitalized or discounted so as to determine its value.

Market approach refers to the approach in which the valuation target shall be compared with other comparable listed companies or transactions so as to determine the value of the valuation target.

Asset-based approach refers to the approach in which, based on the balance sheet of the valuation target on the valuation benchmark date, the value of identifiable assets and liabilities in and out of the balance sheet shall be reasonably appraised so as to determine the value of the valuation target.

As stated in the Practice Guidelines for Asset Valuation – Enterprise Value, when performing any appraisal of enterprise value, the suitability of the three basic asset valuation methods namely the income approach, the market approach and the asset-based approach shall be analyzed based on the purpose of valuation, the valuation target, the type of value, information gathering, etc. in its selection of valuation methods. If different valuation methods are suitable for any appraisal of enterprise value, asset valuation professionals should adopt two or more valuation methods in their valuation.

Income approach and asset-based approach were applied in the valuation on the following grounds:

Asset-based approach: asset-based approach refers to the valuation concept of determining the value of the valuation object based on reasonable valuation of all assets and liabilities of the valued enterprise. Details of each asset and liability item could be collected in the valuation. Therefore, the asset-based approach is applicable in the valuation.

Income approach: Since COSCO SHIPPING Leasing 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 applicable in the valuation.

Market approach: Comparable listed companies similar or identical to the appraised entity in the current domestic capital market, are significantly different from it in terms of scale and structure of assets, scope of business and other aspects. There is a lack of equity transaction cases of companies that are similar to the appraised entity in corporate scale and profitability, or it is difficult to obtain detailed operating and financial data on the open market. Therefore, the market approach is not applicable in the valuation.

(I) Income approach

Discount cash flow to equity model under the discounted cash flow method was applied in the valuation, in order to produce the value of total equity interests of shareholders, and its formula is as described below:

Value of total equity interests of shareholders = the sum of present value of free cash flow to equity + value of non-operating and surplus assets and liabilities + value of long-term equity investments

(1) Free cash flow to equity

Free cash flow to equity = net profit – increase in equity

Increase in equity = owner's equity at the end of the period – owner's equity at the beginning of the period

The detailed formula is as described below:

$$P = \sum_{i=1}^n \frac{F_i}{(1+r)^i} + \frac{F_n}{r \times (1+r)^n}$$

Where, P: the sum of present value of the free cash flow to equity on the valuation benchmark date;

F_i : estimated free cash flow to equity for the i th year after the valuation benchmark date;

F_n : estimated free cash flow to equity for the last year of the prediction period;

r : discount rate (it refers to Cost of Equity Capital (Ke) herein);

n : prediction period;

i : the i th year in the prediction period;

Where, cost of equity capital is calculated using Capital Asset Pricing Mode (CAPM). Its calculation formula is as described below:

$$K_e = r_f + \text{MRP} \times \beta_L + r_c$$

Where, r_f : risk-free interest rate;

MRP: market risk premium;

β_L : systematic risk factor of equity interest;

r_c : company-specific risk adjustment factor.

(2) *Value of long-term equity investments*

Value of long-term equity investments is determined by multiplying the value of investee by the proportion of shareholding or the carrying value of investments. Please refer to the content of the asset-based approach for the determination of valuation methodology.

(3) *Value of non-operating and surplus assets and liabilities*

Non-operating assets and liabilities refer to assets and liabilities that are irrelevant to the operations of the investee and not involved in the estimate of free cash flow to equity after the valuation benchmark date. Surplus assets represent those exceeding the operating needs of the enterprise as at the valuation benchmark date and not involved in the estimate of free cash flow to equity after the valuation benchmark date. Non-operating and surplus assets and liabilities are separately analyzed and assessed.

(II) Asset-based approach

1. *Current assets*

- (1) Monetary funds include bank deposits and other currency funds, the appraised value of which is determined based on the value after verifying bank reconciliation statements and bank confirmations, etc.
- (2) Notes receivable: The information of notes receivable shall be checked on transaction-to-transaction basis, including the type, sequence number and invoice date, book value, transaction contract number and the name and entity name of the payer, acceptor, endorser, maturity date and other information. The appraised value of notes receivable is the verified book value.

- (3) Account and other receivables: The appraisers investigate and understand the reasons for the occurrence of other receivables, credit information of the entity or person whom the amount is due from, the recovery of other receivables for historical years. The appraised value is the verified book value.
- (4) Prepayments: The appraisers refer to the relevant contract or agreement and confirm that prepayments are able to be converted into rights as agreed in the contract. The appraised value is the verified book value.
- (5) Non-current assets due within one year refer to lease fee due to appraised entity for its current finance lease project under performance due within one year. The appraisers have checked the relevant finance lease contracts and the original accounting vouchers, and have verified the authenticity and accuracy of the long-term account receivables. With respect to those receivables which are, with sufficient reason, believed to be fully recoverable, the appraised value is calculated based on the total amount of receivables; with respect to receivables the parts of which are likely irrecoverable, the partial amount which is likely irrecoverable shall be estimated in accordance with the five-tier classification method (namely normal, causes concern, subordinated, doubtful and loss) as the appraised value calculated after deduction of the loss from risk, and the provision of impairment made as at the valuation benchmark date shall be zero.

2. Long-term receivables

Long-term receivables refer to lease fee due to appraised entity for its current finance lease project under performance due within one year. The appraisers have checked the relevant finance lease contracts and the original accounting vouchers, and have verified the authenticity and accuracy of the long-term account receivables. With respect to those receivables which are, with sufficient reason, believed to be fully recoverable, the appraised value is calculated based on the total amount of receivables; with respect to receivables the parts of which are likely irrecoverable, the partial amount which is likely irrecoverable shall be estimated in accordance with the five-tier classification method (namely normal, causes concern, subordinated, doubtful and loss) as the appraised value calculated after deduction of the loss from risk, and the provision of impairment made as at the valuation benchmark date shall be zero.

3. Machinery and equipment

In accordance with relevant conditions such as the features of various equipment, types of appraised value and the conditions of information gathering, cost approach and market approach are adopted for the valuation of electronic equipment and vehicles, respectively.

Market approach

The approach is to collect recent market transaction examples of second-hand vehicles that are similar to the valuation target by market research and inquiry, and make correction to the market price of such comparable cases according to the difference in brand models, vehicle condition, purchase time, mileage and other factors in accordance with the substitution principle, so as to determine the price of the estimated vehicle. The specific comparative and corrective price formula is as follows:

Comparative and corrective price = Transaction price of comparable case × Correction coefficient on the transaction time × Correction coefficient of vehicle situation × Correction coefficient of purchasing time × Correction coefficient of mileage

Cost approach

The calculation formula under the cost approach is as follows:

Appraisal value = Replacement cost × Comprehensive newness rate

(1) Determination of full replacement cost

For electronic equipment, the replacement cost is determined with reference to the market purchase price.

For electronic equipment of the assessed unit that meets the VAT deduction conditions, the corresponding value-added tax should be deducted from the replacement cost.

(2) Determination of comprehensive newness rate

For electronic equipment, the comprehensive newness rate is mainly determined with reference to its economic life. The calculation formula is as follows:

Comprehensive newness rate = (Economic life – Used life)/Economic life × 100%

(3) Determination of the appraised value

The appraised value = Replacement cost × Comprehensive newness rate

4. *Construction in progress*

The appraiser confirms the truthfulness and accuracy of its business referring to the contract and related documents, the appraised value was presented at the verified book value.

5. *Other intangible assets*

Other intangible assets within the scope of this value are mainly business management software purchased or customized by the company, and the appraised value was presented at the market value as at the valuation benchmark date.

6. *Leased assets*

The leased assets within the scope of this value are mainly offices leased by the company, the appraised value was presented at the verified carrying amount as at the valuation benchmark date.

7. *Long-term deferred expenses*

After investigating and consulting the reasons for long-term deferred expenses, checking the accounting vouchers of long-term deferred expenses and verifying the surviving status of the long-term deferred expenses related equity on the valuation benchmark date, the assessor determined the appraised value with reference to the verified carrying amount.

8. *Deferred tax assets*

After investigating and consulting the reasons for deferred tax assets, checking the relevant accounting regulations of identified deferred income tax assets and verifying the accounting voucher of identified deferred income tax assets on the valuation benchmark date, the appraised value of deferred tax assets was presented at the verified carrying amount.

9. *Liabilities*

For short-term and medium-term loans of liabilities, bills payable, accounts payable, contract liabilities, other payables, employee compensation payable, taxes payable, non-current liabilities due within one year, long-term loans, bonds payable, long-term payables, the assessment of liabilities, the assessors have verified the relevant documents, contracts and related vouchers referencing to the detailed list of various items provided by the company. The appraised value was presented at the actual debts undertaken by the company.

VIII. IMPLEMENTATION AND PARTICULARS OF VALUATION PROCEDURES

Appraisers evaluated the assets and liabilities relating to the valuation target from 8 May 2020 to 10 December 2020. The implementation and particulars of the valuation procedures are as follows:

(I) Acceptance of engagement

On 8 May 2020, our company and the clients reached an agreement on the basic matters (including the purpose of valuation, the target of valuation, the scope of valuation and the valuation benchmark date, etc.) related to the valuation service and the rights and obligations of the parties, and we have, upon negotiations with the clients, prepared an appropriate valuation plan.

(II) First-phase preparation

1. Preparation of valuation scheme
2. Building of a valuation team
3. Implementation of project training

(1) Training to the staff of the appraised entity

In order to give the financial and assets management personnel of the appraised entity an all-round understanding of asset valuation to facilitate their completion and submission of asset valuation-related materials so as to ensure the quality of the declaration materials for the purpose of valuation, our company prepared the list of evaluation data and assigned appropriate staff to answer any questions raised in the course of completing asset valuation-related materials.

(2) Training to appraisers

To ensure the quality of the valuation project and to improve efficiency, as well as to thoroughly implement the proposed Implementation Plan for Asset Valuation, our company provided relevant training to the project team members including the background of the relevant economic behavior, the characteristics of the assets of the valuation target, technical ideas and requirements for conducting valuation.

(III) On-site investigation

During the period between 9 June 2020 and 12 June 2020, the appraisers conducted necessary investigations and verification on the assets and liabilities of the valuation target and carried out necessary due diligence on the operation and management of the appraised entity.

1. Asset verification

- (1) *Guiding the appraised entity on how to complete the forms and to prepare materials to be provided to the appraisal institution*

While the financial and asset management personnel of the appraised entity are required to conduct their own checking of assets, the appraisers guided them on how to correctly and carefully fill out each of the required forms covering the assets which fall under the scope of this valuation according to the Verification Schedule of Asset Valuation and their instructions to complete the Statement and the list of information which were provided by the appraisal institution. They are also required to collect and prepare title certification of the assets and documents and information that can reflect their performance, status and economic and technical indicators.

- (2) *Preliminary review and improvement of the Verification Schedule of Asset Valuation filled out by the appraised entity*

The appraisers have checked the relevant information to have an understanding of the details of the assets which fall under the scope of this valuation and carefully reviewed the various Verification Schedules of Asset Valuation to check if there is any incomplete information, errors, or unclear statements of asset items. Based on their experience and the information they had obtained, the appraisers reviewed the Verification Schedule of Asset Valuation to check if there is any omission before providing feedback to the appraised entity for it to improve the Verification Schedules of Asset Valuation.

- (3) *On-site survey*

In accordance with the relevant asset valuation standards, the appraisers conducted, with the cooperation of the relevant personnel of the appraised entity, on-site survey on various assets in terms of the types, quantity and distribution of the assets. Different survey methods were used in light of the nature and characteristics of the different types of assets.

- (4) *Supplementation, modification and improvement of the Verification Schedules of Asset Valuation*

Based on the on-site survey result, the appraisers further improved the Verification Schedules of Asset Valuation after proper communication with the relevant personnel of the appraised entity in order to ensure the consistency among the accounts, forms and actual circumstances.

(5) *Verification of property title certificates*

The appraisers verified the property title certificates of the assets (such as vehicles and land use rights) which fall under the scope of this valuation, in case of incomplete property title documents or ambiguous ownership, and requested the company to verify or present relevant property title evidence.

2. *Due diligence*

The appraisers conducted necessary due diligence in order to fully understand the operation and management of the appraised entity and the risks which the entity is facing. The due diligence mainly covered the following:

- (1) History, substantial shareholders and shareholding proportions of the appraised entity, necessary property title and operation and management structure;
- (2) Assets, financial position, production, operation and management of the appraised entity;
- (3) Business plans, development planning and financial forecast of the appraised entity;
- (4) Previous valuations and transactions of the valuation target and the appraised entity;
- (5) Macro and regional economic factors which affect the production and operation of the appraised entity;
- (6) Development trend and outlook of the industry that the appraised entity is engaged in;
- (7) Other relevant information.

(IV) Information gathering

The appraisers gathered necessary information for the valuation project, including the information acquired directly and independently from the market and other channels, the information obtained from relevant parties and the information obtained from government agencies, professional institutions and other relevant departments. They conducted necessary analysis, induction and collation of the collected information to form the basis for valuation and estimate.

(V) Valuation and estimate

The appraisers adopted, in light of the specific conditions of various assets, the corresponding formulae and parameters to make analysis, calculation and judgment on the assets using the selected valuation methods to reach a preliminary valuation conclusion. The project leader summarized the preliminary valuation conclusion concerning various assets, and prepared and formulated the preliminary asset assessment report.

(VI) Internal audit

According to the Administrative Measures for Valuation Process of our company, the project leader would submit the Asset Assessment Report for our internal audit after the preliminary asset assessment report has been prepared. Upon completion of the internal audit, the project leader would communicate with the client or other related parties agreed by the client on related contents of the asset assessment report. After reasonable modification based on feedback and opinions, the project leader would determine and submit the final version of the Asset Assessment Report to the client.

IX. VALUATION ASSUMPTIONS

The following assumptions were used for the analysis and estimate in this Asset Assessment Report:

(I) General assumptions

1. It is assumed that there are no material changes in current related national laws, regulations and policies, as well as national macroeconomic situation; no material changes in the local political, economic and social environment of such regions where parties to the transaction are based;
2. It is assumed that the enterprise will operate on a going concern basis according to the actual conditions of assets on the valuation benchmark date;
3. It is assumed that there are no material changes in interest rates, exchange rates, tax bases, tax rates and policy-based levies related to the appraised entity after the valuation benchmark date;
4. It is assumed that the management of the appraised entity is accountable, stable and competent to perform their duties after the valuation benchmark date;
5. It is assumed that the appraised entity fully complies with all relevant laws and regulations, unless otherwise stated;
6. It is assumed that there is no force majeure and unforeseeable event which may materially and adversely affect the appraised entity after the valuation benchmark date.

(II) Special assumptions

1. It is assumed that the accounting policies adopted by the appraised entity after the valuation benchmark date are consistent with the accounting policies adopted when preparing this Asset Assessment Report in all material aspects;
2. It is assumed that the scope of business and the mode of operation of the appraised entity after the valuation benchmark date are consistent with the current ones based on the existing management mode and management level;
3. It is assumed that the appraised entity will have balance cash inflows and cash outflows after the valuation benchmark date;
4. It is assumed that the products or services of the appraised entity will stay competitive on current market after the valuation benchmark date;
5. It is assumed that the financing channels, financing costs and fund resources of the appraised entity would remain unchanged under the status quo subsequent to the valuation benchmark date;
6. It is assumed that the value-added tax policy to which the appraised entity is entitled and that tax refund is returned as soon as it is imposed would continue to be implemented within a projected period subsequent to the valuation benchmark date;
7. It is assumed that the core management and marketing personnel of the appraised entity will remain relatively stable and no material changes that affect the development and profit realization of the company will happen during the period of forecast.

The valuation conclusion of this Asset Assessment Report is established on the valuation benchmark date based on the above assumptions. In the event of any material changes to the above assumptions, the undersigned appraisers and the appraisal institution shall not be responsible for deducing different valuation conclusions due to any changes of the assumptions.

X. VALUATION CONCLUSION**(I) Valuation result using the asset-based approach**

Book value of total assets and appraised value of COSCO SHIPPING Leasing Co., Ltd. as at the valuation benchmark date were RMB34,667,491,000 and RMB34,676,776,100 respectively. The amount of increase was RMB9,285,100 and appreciation rate was 0.03%. Book value of total liabilities and appraised value were RMB29,641,564,000 and RMB29,641,564,000 respectively. There was no appreciation or depreciation. Book values of net assets and appraised value of net assets were RMB5,025,927,000 and RMB5,035,212,100. The amount of increase was RMB9,285,100 and appreciation rate was 0.18%.

The specific valuation results of asset-based approach were set out in the following table of summary of valuation results:

Table of Summary of Valuation Result Using the Asset-based Approach

Valuation benchmark date: 31 December 2019

Unit: RMB0'000

Item		Book Value A	Appraised Value B	Appreciation/ Depreciation C=B-A	Appreciation Rate% D=C/A× 100%
Current assets	1	1,527,529.59	1,527,529.59	0.00	0.00
Non-current assets	2	1,939,219.51	1,940,148.02	928.51	0.05
Including: Long-term equity investment	3	100,000.00	100,358.24	358.24	0.36
Property held for investment	4	0.00	0.00	0.00	30.93
Fixed assets	5	471.70	617.59	145.89	0.00
Construction in progress	6	1,118.95	1,118.95	0.00	25.12
Oil and gas assets	7	0.00	0.00	0.00	0.00
Intangible assets	8	1,689.52	2,113.90	424.38	0.03
Including: Land use rights	9	0.00	0.00	0.00	0.00
Other non-current assets	10	1,835,939.34	1,835,939.34	0.00	0.00
Total assets	11	3,466,749.10	3,467,677.61	928.51	0.00
Current liabilities	12	1,541,660.14	1,541,660.14	0.00	0.18
Non-current liabilities	13	1,422,496.26	1,422,496.26	0.00	0.00
Total liabilities	14	2,964,156.40	2,964,156.40	0.00	0.05
Net assets	15	502,592.70	503,521.21	928.51	0.36

(II) Valuation result using the income approach

Book value of total assets, total liabilities and net assets of COSCO SHIPPING Leasing Co., Ltd. as of the valuation benchmark date were RMB34,667,491,000, RMB29,641,564,000, and RMB5,025,927,000 respectively.

The value of total equity interests of shareholders upon valuation by income approach was RMB5,109,545,900, amount of increase was RMB83,618,900 and appreciation rate was 1.66%.

(III) Valuation conclusion

Based on the valuation using the income approach, the value of total equity interests of shareholders was RMB5,109,545,900, while the value of total equity interests of shareholders was RMB5,035,212,100 when the asset-based approach is used. The difference was RMB74,333,800, representing a difference rate of 1.48%.

The asset-based approach is to appraise and estimate the value of all the factor assets of the enterprise with proper method according to the specific situation of such assets on a going concern basis and with the assumption of replacing all the production factors, adding up all the values and deducting the appraised value of relevant liabilities to derive the appraised value of total shareholders' equity under the asset-based approach, representing the replacement value of the enterprise based on existing assets. As for the income approach, it is a method to calculate the appraised value based on the expected income of the enterprise in the future, which does not only consider the impact of the reasonable and full utilization of each asset in the enterprise and of the combination thereof for the enterprise on the value of total shareholders' equity of the enterprise, but also considers the impact of all the preferential policies, industry competitiveness, the management level, human resources etc. which cannot be considered in the asset-based approach, on the value of total shareholders' equity. Having fully considered the valuation purpose, the valuation results derived by using the income approach were adopted as the valuation conclusion.

As analyzed above, this Asset Assessment Report adopts the valuation results derived by using the income approach as the valuation conclusion. That is to say, the appraised value of total shareholders' equity of COSCO SHIPPING Leasing Co., Ltd. was RMB5,109,545,900.

XI. EXPLANATIONS ON SPECIAL MATTERS

It was discovered in the course of valuation that the following matters may affect the valuation conclusion; however, they are beyond the evaluation and estimation of the appraisers by virtue of the standard of valuation practice and professional competence:

- (I) In this Asset Assessment Report, all tables or textual expressions are denominated in RMB ten thousands, and any difference between the total amount and the sum of the individual sub-values is due to rounding off.
- (II) The audit report (Ernst & Young Hua Ming (2020) Zhuan Zi No.61358822_B05) issued by Ernst & Young Hua Ming Certified Public Accountants (LLP) Shanghai Branch on 25 June 2020 was used in this valuation. The audit report is a special audit report with highlighted matters on the basis of preparation and restrictions on using such report, which specified that the financial statements after this special audit are for the purposes of soliciting investing entities and introducing strategic investors through public tender conducted by the Shanghai United Assets and Equity Exchange and asset appraisal involved in such process, which do not affect the issued audit opinions. The professional asset appraisers of the audit report analyzed and made judgment on requirements of use of the financial statements in accordance with the valuation approach adopted. It is not the responsibility of the asset appraisers to express their opinion on whether the relevant financial statements gives a fair view of the financial position, current operating results and cash flow as at the valuation benchmark date.
- (III) On the valuation benchmark date, the carrying amount of restricted monetary funds of the appraised entity amounted to RMB353,560,000, which are classified as other monetary funds. The above-mentioned funds are generally deposited into three types of accounts, including bonds escrow account, rent escrow account and other special account, according to the nature and purpose of bank accounts. The funds in such account are restricted monetary funds. Among which, the bonds escrow account is the account through which COSCO SHIPPING Leasing shall repay the investors of the issued bonds; the rent escrow account is the designated account to which some customers need to pay rent in accordance with the bank's regulatory requirements; other special account is the special account set up for the withdrawal and use of funds by COSCO SHIPPING Leasing during its operation, and the use of funds in the special account is restricted due to its nature. The funds in the above three types of accounts generally have specific purposes, which shall be used according to the agreement with the bank. The use or transfer of funds shall meet certain conditions, therefore are not entirely flexible and are classified as restricted funds. The carrying amount on the valuation benchmark date is the balance still retained in the bank account, and the subsequent capital inflow and outflow will continue. There is no fixed term for restriction on the funds.

- (IV) The owner indicated on the appraised vehicle registration certificates is China Shipping Leasing Co., Ltd., the predecessor of the appraised entity. The registration of change in ownership has not yet been completed.
- (V) The pledged borrowings included in the long-term borrowings of the appraised entity were secured by part of financing lease receivables as at the valuation benchmark date.
- (VI) According to the Guiding Opinions on Legal Ownership of the Asset Valuation Target, the client and other relevant parties shall provide the information of legal ownership of the valuation target in accordance with laws and be responsible for the truthfulness, completeness and legality of the materials provided by them. The asset appraisers shall conduct necessary verification and disclosure to the relevant information and its sources, not representing any assurance provided by them to the ownership of asset valuation target. To identify or express an opinion on the legal ownership of the asset valuation target is beyond the scope of practice of the asset appraisers about a special note on the circumstances in which the appraisal process is restricted and how this may affect the appraisal conclusion.
- (VII) As at the valuation benchmark date, the entity to be appraised was mainly involved in an aggregate of 21 litigation matters due to financing lease contract disputes. The amount involved in the litigation matters was approximately RMB742,256,000. The plaintiffs were all appraised entities. This valuation has considered the possible effects to the valuation conclusion caused by the above matters.
- (VIII) On 10 December 2020, China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd. entered into the Equity Transfer Agreement with COSCO SHIPPING Development Co., Ltd., which agreed that COSCO SHIPPING Development Co., Ltd. shall transfer its 35% equity interests in COSCO SHIPPING Leasing Co., Ltd. to China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd. As of the date of Assessment Report, the change procedure of commerce administration registration for the equity transfer has not been completed.

China State-owned Enterprise Mixed Ownership Reform Fund Co., Ltd., whose fund manager is China Chengtong Mixed Ownership Reform Fund Co., Ltd. (中國誠通混改基金管理有限公司), is a private equity investments industry fund company registered in New Lingang Area of the China (Shanghai) Pilot Free Trade Zone with a total size of RMB200 billion and fund-raising size of RMB80 billion for the first phase. China Chengtong, budget funds appropriated for state-owned capital operation and other central enterprises contributed 50% of its capital, local state-owned enterprises, financial institutions and social capital contributed 40%, and platform enterprises in its place of registration or operation contributed 10%, all being its co-founding parties, and the proportion of capital contribution shall be appropriately adjusted according to the fund raising circumstances. The fund aims at promoting the optimization and adjustment of the layout of China's economy, giving full play to the advantages of various sectors of the mixed ownership economy, and enhancing the

competitiveness, creativity, control, influence and risk resistance capacity of the Chinese economy. The fund was also set up to actively and steadily propel the mixed ownership reform of state-owned enterprises in accordance with the rules of market-oriented operation, further improve the corporate governance of the target and highlight its main business, so as to improve efficiency.

Given that the nature and background of the mixed ownership reform fund is basically consistent with the management and support provided to COSCO SHIPPING Leasing by COSCO SHIPPING Development Co., Ltd. as a shareholder, this appraisal does not consider the impact of the above equity transfer may have on the future business development of the appraised entity.

The users of the Asset Assessment Report shall notify the effect to the valuation conclusion caused by the above special matters.

XII. RESTRICTIONS ON THE USE OF THE ASSET ASSESSMENT REPORT

(I) The scope of the use of the Assets Assessment Report

1. The users of the Asset Assessment Report shall be the client and the users of the Asset Assessment Report stipulated by national laws and administrative regulations.
2. The valuation conclusion disclosed by Asset Assessment Report is only valid for the corresponding economic behavior of the project.
3. The effective term for the use of the appraisal results shall be one year from the valuation benchmark date. The client or other users of the Asset Assessment Report shall use the report within the effective term as stated.
4. The valuation agency and its asset appraisers shall not provide the contents of the Asset Assessment Report to the third party or make it available to public without the written permission of the client, except as otherwise provided for by laws and administrative regulations.
5. The contents of the Asset Assessment Report shall not be extracted, quoted or disclosed in the media, except as otherwise agreed by laws, administrative regulations and other relevant parties.

- (II) The valuation agency and its asset appraisers take no responsibility if the client or other users of the Asset Assessment Report fail to use this Asset Assessment Report in accordance with the provisions of laws and administrative regulations and the scope of use set out in this Asset Assessment Report.

- (III) Except for the client, the other users of the Asset Assessment Report as agreed in the Asset Valuation Engagement Contract and the users of the Asset Assessment Report as stipulated in the laws and administrative regulations, no other institution or individual shall be the user of this report.
- (IV) Users of the Asset Assessment Report should correctly interpret and use the valuation conclusion, which is not equivalent to the realizable value of the valuation target and should not be considered as a guarantee for the realizable value of the valuation target.
- (V) The Asset Assessment Report is a professional report issued by the valuation agency and its asset appraisers in compliance with laws, administrative regulations and asset appraisal standards and in accordance with the necessary asset appraisal procedures entrusted to them. This Asset Assessment Report may be used officially only after it is filed with state-owned assets supervision and administration, and signed by asset appraisers conducting the valuations and stamped by the relevant valuation institution.

XIII. DATE OF THE ASSET ASSESSMENT REPORT

The date of the Asset Assessment Report is 10 December 2020.

Legal representative: Quan Zhongguang

Asset appraiser: Yao Yongqiang

Asset appraiser: Liu Shu

Beijing China Enterprise Appraisals Co., Ltd.
10 December 2020

Annexes of the Asset Assessment Report

Annex I. The Corresponding Economic Activity Document on the Valuation Purpose;

Annex II. The Special Audit Report of the Appraised Entity;

Annex III. Corporate Business Licenses of the Client and the Appraised Entity;

Annex IV. Major Ownership Proof Materials of the Valuation Target Involved;

Annex V. Letters of Undertaking of the Client and the Appraised Entity;

Annex VI. Letters of Undertaking of the Signatory Asset Appraisers;

Annex VII. Copy of Qualification Certificates of China Enterprise Appraisals Co., Ltd. in asset assessment;

Annex VIII. Surrender of Qualification Certificates of Asset Assessment;

Annex IX. Copy of Qualification certificate of Beijing China Enterprise Appraisals Co., Ltd. in business related to securities and futures;

Annex X. Copy of business license of Beijing China Enterprise Appraisals Co., Ltd.;

Annex XI. Copy of qualification certificates of asset appraisers;

Annex XII. The Asset Valuation Engagement Contract.

The letter below is reproduction of a letter dated 10 December 2020 previously issued by the Board confirming that the profit forecasts in the Valuation Reports have been made after due and careful inquiry, for the purpose of inclusion in the Announcement.

10 December 2020

Listing Division
The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square
8 Connaught Place, Central, Hong Kong

Dear Sirs,

**MAJOR TRANSACTIONS – EQUITY TRANSFER AGREEMENT AND PROPOSED
MANDATE IN RELATION TO POTENTIAL CAPITAL INCREASE**

We refer to the announcement (the “Announcement”) of COSCO SHIPPING Development Co. Ltd.* (中遠海運發展股份有限公司) (the “**Company**”) dated 10 December 2020 in relation to, among other things, the Equity Transfer Agreement and the Proposed Mandate in relation to Potential Capital Increase. Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the Announcement.

As the income approach, which involved the calculation of discounted cash flows method, was adopted by Beijing CEA in preparing the Valuation Reports, the valuations in the Valuation Reports constitute profit forecasts under Rule 14.61 of the Listing Rules.

The Board has reviewed the bases and assumptions of the valuations and has discussed the same with Beijing CEA and Ernst & Young, the auditor of the Company (the “**Auditor**”). The Board has also considered the reports dated 10 December 2020 from the Auditor in relation to the calculations of the profit forecasts on which the Valuation Reports were based, as set out in Appendix I to the Announcement.

Based on the foregoing, the Board confirmed that the profit forecasts in the Valuation Reports have been made after due and careful enquiry.

Yours faithfully,
For and on behalf of the Board
中遠海運發展股份有限公司
COSCO SHIPPING Development Co., Ltd.*
LIU Chong
Director

* *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.”.*

1. FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out in this circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheet together with the notes on the annual accounts for the last financial year of the Group.

The audited consolidated financial statements of the Company for the financial years ended 31 December 2017, 2018 and 2019, and the unaudited condensed consolidated financial statements of the Company for the six months ended 30 June 2020, together with the relevant notes thereof are disclosed in the following documents:

- (i) the annual report of the Company for the year ended 31 December 2017 (pages 93 to 212) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0427/ltn20180427562.pdf>);
- (ii) the annual report of the Company for the year ended 31 December 2018 (pages 86 to 212) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0426/ltn20190426653.pdf>);
- (iii) the annual report of the Company for the year ended 31 December 2019 (pages 91 to 220) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0427/2020042700731.pdf>); and
- (iv) the interim report of the Company for the six months ended 30 June 2020 (pages 22 to 48) (<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0924/2020092400594.pdf>).

2. STATEMENT OF INDEBTEDNESS**Debt securities and term loans**

As at 31 October 2020, save as disclosed in respect of the borrowings and indebtedness of the Group below, the Group has no debt securities issued or outstanding, or authorized or otherwise created but unissued, and no term loans, distinguishing between guaranteed, unguaranteed, secured (whether the security is provided by the Company or by independent third parties) or unsecured.

Borrowings and indebtedness

As at 31 October 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group has outstanding borrowings and indebtedness of approximately RMB107,297 million, comprising secured bank and other loans of approximately RMB60,383 million, unsecured bank and other loans of approximately RMB22,429 million, RMB bonds of approximately RMB24,302 million and lease liabilities of approximately RMB183 million.

Contingent liabilities

As at 31 October 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group has no material contingent liabilities or guarantees.

Mortgages and charges

As at 31 October 2020, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this circular, the Group's general banking facilities and the above outstanding secured borrowings were secured by the Group's property, plant and equipment, certain equity investments and certain bank deposits.

Save as aforesaid or as otherwise mentioned herein and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debentures, loan capital, debt securities, bank loans and overdrafts or other similar borrowings or indebtedness, liabilities under acceptance (other than normal trade bills) or acceptance credits or hire purchase commitments, guarantees or other material contingent liabilities as at 31 October 2020.

The Directors confirm that there was no material change in the indebtedness status of the Group since 31 October 2020 up to the Latest Practicable Date.

3. FINANCIAL AND TRADING PROSPECTS OF THE GROUP

In the first half of 2020, the economic growth of major economies across the world dropped significantly as the COVID-19 pandemic upended global economy and financial system. In the World Economic Outlook Update, June 2020, the International Monetary Fund forecasted a -4.9% growth for the global economy, substantially more pessimistic than its April forecast. The sluggish market, resulting in the disruptions to shipping industrial chain and supply chain amid the decline in global trade and investment, has imposed pressure on the business operations of the Company. In the second half of 2020, as the international environment becomes increasingly complicated, and the impact of the global COVID-19 pandemic remains severe, instability and uncertainty intensify.

The Company will strengthen macro analysis and market research, promote reform and transformation, develop new competitive strengths focusing on industry-finance integration, continuously improve high-quality development, and seek breakthroughs in distinctive shipping financial services. The Equity Transfer Agreement and the Potential Capital Increase are in line with the strategic development needs of the Group and can optimise the asset structure of the Group, thereby facilitating the development of the Group's shipping and industry-related leasing business, container manufacturing business and investment and related service business.

In terms of shipping and industry-related leasing segments, the Company will continue to strengthen the combination of industry and finance, reinforce the collaboration among internal industry chains, and steadily expand external business. In terms of business model, the Company will step up efforts to develop leasing business for special containers and reefer containers, and study and explore smart container leasing, in a bid to build a shipping leasing company with unique competitive strengths. Meanwhile, the Company will uphold the strategy of organic, sustainable, high-quality development to promote the development of other industry-related leasing business, expand financing channels, and develop value-added leasing services, in an effort to become a leader in the leasing industry.

In terms of container manufacturing segment, the Company will steadily advance the multi-dimensional integration of its entrusted container manufacturing assets into the Company's existing business, and enhance its overall competitiveness through technological upgrading, management improvement, process promotion and cultural integration; strengthen communication with industry peers to maintain a healthy business environment of the industry; enhance customer service awareness and seize opportunities to develop the market, so as to enable the industrial chain to grow stronger and better; reinforce the concept of green environmental protection, deepen fine management, continuously improve research and innovation capabilities, in an effort to build a world-class container manufacturing company.

In terms of investment and services segment, the Company will focus on upstream and downstream customers in the industrial chain, constantly optimize its investment portfolio, and seek a balance between strategic value and financial returns; gather external capital, talents and technology through industry funds and other models to boost the development of shipping business and new business lines; improve professional service capabilities and vigorously explore the market to build up a shipping insurance expert platform; combine industry with finance and provide one-stop supply chain financial services covering logistics, financing and risk management, in a great effort to build a supply chain financial ecosystem featuring shipping logistics.

4. WORKING CAPITAL

After due and careful enquiry, taking into account the financial resources available to the Group, including internally generated funds and available banking facilities, the Directors are of the opinion that the Group has sufficient working capital for its present requirements for at least 12 months from the date of this circular.

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 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 (%)
Wang Daxiong	Director	A Shares	Beneficial owner	1,500,000 (L) (Note 2)	0.02	0.01
		H Shares	Other	834,677 (L) (Notes 3 and 4)	0.02	0.01
Liu Chong	Director	A Shares	Beneficial owner	1,490,100 (L) (Note 2)	0.02	0.01
		H Shares	Other	1,112,903 (L) (Notes 3 and 5)	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)	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.

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	4,410,624,386 (L) (Note 2)	55.60	38.00
	H Shares	Interest of controlled corporation	100,944,000 (L) (Note 3)	2.75	0.87

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 (%)
COSCO SHIPPING	A Shares	Beneficial owner	47,570,789 (L)	0.60	0.41
		Interest of controlled corporation	4,410,624,386 (L) (Note 2)	55.60	38.00
	H Shares	Interest of controlled corporation	100,944,000 (L) (Note 3)	2.75	0.87

Notes:

1. “L” means long position in the shares.
2. Such 4,410,624,386 A Shares represent the same block of Shares.
3. 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. 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).

4. LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

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 2019 (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 CONSENT

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

Name	Qualification
Beijing CEA	PRC qualified valuer
Ernst & Young	Certified Public Accountants

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 2019 (being the date to which the latest published audited statements of the Group were made up).

8. MATERIAL CONTRACTS

Set out below are the material contracts (not being contracts entered into in the ordinary course of business) entered into by any member of the Group within the two years immediately preceding the Latest Practicable Date:

- (a) the share transfer agreement dated 12 October 2020 entered into between COSCO Container Industries Limited, Long Honour Investments Limited, Shenzhen Capital (Hong Kong) Container Investments Co., Ltd., Shenzhen Capital Operation Group Co. Ltd. and the Company in relation to the disposal of shares in China International Marine Containers (Group) Co., Ltd. (please refer to the announcement of the Company dated 12 October 2020 and the circular of the Company dated 13 October 2020 for further details);
- (b) the capital increase agreement dated 24 April 2020 entered into among the Company, COSCO SHIPPING, COSCO SHIPPING Energy Transportation Co., Ltd., COSCO Shipping Tanker (Dalian) Co., Ltd., COSCO SHIPPING Lines Co., Ltd., COSCO International Freight Co., Ltd., COSCO SHIPPING Specialized Carriers Co., Ltd., Guangzhou Ocean Shipping Co., Ltd., COSCO (Tianjin) Co., Ltd., China Ocean Shipping Agency Co., Ltd., COSCO (Qingdao) Co., Ltd., COSCO Shipbuilding Industry Company Limited, COSCO Shipyard Group Co., Ltd., China Marine Bunker (Petro China) Co., Ltd., COSCO (Xiamen) Co., Ltd. and China Ocean Shipping Tally Co., Ltd., pursuant to which the parties (as existing shareholders of COSCO SHIPPING Finance Company Limited) have agreed to increase the registered capital of COSCO SHIPPING Finance Company Limited by RMB3,200,000,000 in proportion to their respective shareholding (please refer to the announcement of the Company dated 24 April 2020 for further details);
- (c) the equity transfer agreement dated 25 March 2019 entered into between the Company and COSCO SHIPPING Logistics Co., Ltd., pursuant to which the Company has agreed to dispose of, and COSCO SHIPPING Logistics Co. Ltd. has agreed to acquire, 25% of the equity interests in E-Shipping Global Supply Chain Management (Shenzhen) Co., Ltd. (please refer to the announcement of the Company dated 25 March 2019 for further details);
- (d) the four memoranda of agreement dated 10 January 2019 entered into between (i) CSCL Spring Shipping Co., Ltd., CSCL Summer Shipping Co., Ltd., CSCL Winter Shipping Co., Ltd. and CSCL Bohai Sea Shipping Co., Ltd. (collectively, the “**Vessel Sellers**”) and (ii) FPG Shipholding Panama 48 S.A., FPG Shipholding Panama 49 S.A., FPG Shipholding Panama 50 S.A. and FPG Shipholding Panama 51 S.A. (collectively, the “**Vessel Purchasers**”), pursuant to which the Vessel Sellers have agreed to sell, and the Vessel Purchasers have agreed to purchase, the Vessels, for the aggregate consideration of US\$267 million (please refer to the announcement of the Company dated 10 January 2019 for further details);

- (e) the four instalment sale agreements dated 10 January 2019 entered into between (i) the Vessel Purchasers as sellers and (ii) Ship No. 140 Co., Ltd., Ship No. 141 Co., Ltd., Ship No. 142 Co., Ltd. and Ship No. 143 Co., Ltd., as buyers in respect of the instalment sale of the Vessels (please refer to the announcement of the Company dated 10 January 2019 for further details); and
- (f) the four bareboat charters dated 10 January 2019 entered into between the Vessel Owners and COSCO SHIPPING Development (Hong Kong) Co., Ltd., pursuant to which the Vessel Owners have agreed to charter, and COSCO SHIPPING Development (Hong Kong) Co., Ltd. agreed to take on charter, the Vessels, with the maximum aggregate amount of the instalments of charter hire payable by COSCO SHIPPING Development (Hong Kong) Co., Ltd. to the Vessel Owners estimated to be approximately US\$248 million (please refer to the announcement of the Company dated 10 January 2019 for further details).

Save as disclosed above, there is no material contract (not being entered into in the ordinary course of business) entered into by any member of the Group within the two years immediately preceding the issue of this circular.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 50/F, COSCO Tower, 183 Queen's Road Central, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the Equity Transfer Agreement;
- (b) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;
- (c) the report on profit forecast issued by Ernst & Young, the text of which is set out in Appendix I to this circular;
- (d) the letter from the Board relating to the valuations, the text of which is set out in Appendix IV to this circular;
- (e) the Valuation Reports, the text of which is set out in Appendices II and III to this circular;
- (f) the material contracts referred to in the paragraph headed "Material Contracts" in this Appendix;
- (g) the articles of association of the Company;

- (h) the annual reports of the Company for the years ended 31 December 2017, 2018 and 2019;
- (i) the interim report of the Company for the six months ended 30 June 2020;
- (j) the written consent referred to in the paragraph headed “Experts’ Qualifications and Consent” in this Appendix;
- (k) a copy of the circular of the Company dated 30 October 2020;
- (l) a copy of the circular of the Company dated 20 November 2020;
- (m) a copy of the circular of the Company dated 2 December 2020; and
- (n) this circular.

10. 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 an associate member of both 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 EGM

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 EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of COSCO SHIPPING Development Co., Ltd. (the “**Company**”) will be held at 1:30 p.m. on Monday, 28 December 2020 (or at any adjournment thereof) at Level 3, Ocean Hotel Shanghai, 1171 Dong Da Ming Road, Hong Kou District, Shanghai, the People's Republic of China to consider and, if thought fit, pass the following resolutions.

Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated 11 December 2020 (the “**Circular**”).

ORDINARY RESOLUTIONS

1. To consider and approve the resolution in relation to the Equity Transfer Agreement, further details of which are set out in the Circular:

“THAT:

- (a) the Equity Transfer Agreement and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one Director be and is hereby authorized to do all such acts and things and execute and deliver all such documents, deeds or instruments (including affixing the common seal of the Company thereon) and take all such steps as the Director in his or her sole opinion and absolute discretion may consider necessary, appropriate or desirable to implement or give effect to the Equity

NOTICE OF EGM

Transfer Agreement and the transactions contemplated thereunder and all matters incidental or ancillary thereto or in connection therewith, including agreeing and making any modifications, amendments, waivers, variations or extensions thereof.”

2. To consider and approve the resolution in relation to the Proposed Mandate and the Potential Capital Increase, further details of which are set out in the Circular:

“**THAT:**

- (a) the Proposed Mandate in relation to the Potential Capital Increase of COSCO SHIPPING Leasing by way of public tender, the Potential Capital Increase and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one Director be and is hereby authorized to do all such acts and things (including confirmation of the successful bidder) and execute and deliver all such documents, deeds or instruments (including affixing the common seal of the Company thereon) and take all such steps as the Director in his or her sole opinion and absolute discretion may consider necessary, appropriate or desirable to implement or give effect to the Proposed Mandate, the Potential Capital Increase, the Capital Increase Agreement and the transactions contemplated thereunder and all matters incidental or ancillary thereto or in connection therewith, including agreeing and making any modifications, amendments, waivers, variations or extensions thereof.”

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

Shanghai, the People’s Republic of China

11 December 2020

NOTICE OF EGM

Notes:

1. For the purpose of holding the EGM, the register of H Shares members of the Company (the “**Register of Members**”) will be closed from 22 December 2020 to 28 December 2020 (both days inclusive), during which period no transfer of H Shares of the Company will be registered. Holders of the Company’s H Shares (the “**H Shareholders**”) whose names appear on the Register of Members at the close of business on 21 December 2020 are entitled to attend and vote at the EGM.
2. In order to attend and vote at the EGM, the H Shareholders shall lodge all transfer documents together with the relevant share certificates to Computershare Hong Kong Investor Services Limited (“**Computershare**”), the Company’s H Share registrar, not later than 4:30 p.m. on 21 December 2020.

The address of Computershare is as follows:
Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen’s Road East
Wanchai, Hong Kong

3. Each H Shareholder who has the right to attend and vote at the EGM 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 EGM.
4. The form of proxy must be signed by the Shareholder or his/her attorney duly authorized 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 authorized to sign the same. If the Form of Proxy is signed by an attorney of the appointer, the power of attorney authorizing that attorney to sign, or other document of authorization, must be notarially certified.
5. 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 EGM or any adjournment thereof in order for such documents to be valid.
6. If a proxy attends the EGM 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 authorized attorney, and specify the date of its issuance. If a legal person Shareholder appoints its corporate representative to attend the EGM, such representative should produce his/her identity card and the notarized copy of the resolution passed by the board of directors or other authorities, or other notarized 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 EGM. Completion and return of the form of proxy will not preclude a Shareholder from attending in person and voting at the EGM or any adjournment thereof should he/she so wish.
7. Pursuant to the 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 EGM 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 EGM.
8. 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 EGM, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto.
9. The EGM is estimated to last for half a day. Shareholders who attend the EGM 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, Ms. Hai Chi Yuet, Mr. Graeme Jack, Mr. Lu Jianzhong and Ms. Zhang Weihua, 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.”.*