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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

**If you have sold or otherwise transferred** all your shares in **COSCO SHIPPING Holdings Co., Ltd.**, you should at once hand this circular and the accompanying form of proxy to the purchaser(s) or transferee(s) or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser(s) or transferee(s).

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中遠海運控股股份有限公司  
**COSCO SHIPPING Holdings Co., Ltd.\***

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1919)**

**(1) MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS;  
AND  
(2) SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



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Capitalized terms used in this cover page have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 7 to 30 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on page 31 of this circular. A letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 32 to 47 of this circular.

The Original Notice of EGM convening the EGM on Friday, 29 October 2021 at 9:30 a.m. at Conference Room, 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong and Ocean Hall, 5th Floor, Shanghai Ocean Hotel, No. 1171, Dong Da Ming Road, Shanghai, the PRC, was despatched to the Shareholders on 5 August 2021. The Supplemental Notice of EGM, which contains additional resolutions to be proposed at the EGM, is set out on pages SEG-M-1 to SEG-M-3 of this circular.

\* For identification purpose only

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## **PRECAUTIONARY MEASURES FOR THE EGM**

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The health of the Shareholders, staff and other stakeholders of the Company is of paramount importance to us. In view of the ongoing COVID-19 pandemic, the Company will implement the following precautionary measures at the EGM in the Hong Kong venue to protect our attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) compulsory body temperature checks will be conducted on every attending Shareholder, proxy or other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.3 degrees Celsius will be denied entry into the EGM venue or be required to leave the EGM venue;
- (ii) each attendee will be required to wear a surgical face mask throughout the EGM and inside the EGM venue;
- (iii) the Company will maintain safe social distancing regarding the seating arrangement. The Company may limit the number of attendees at the EGM according to the requirement imposed by the Hong Kong Government;
- (iv) no refreshments and beverages will be served or provided at the EGM, and no corporate gifts will be provided; and
- (v) each attendee will be required to complete a health declaration form; and be asked whether (a) he/she have travelled to areas outside of Hong Kong within the 14-day period immediately before the EGM; (b) he/she have any of the symptoms of fever or cough within the 14-day period immediately before the EGM; and (c) he/she is subject to quarantine prescribed by the Hong Kong Government. Any person who responds positively to any one of the above questions may be denied entry into the EGM venue or be required to leave the EGM venue.

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## DEFINITIONS

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

“Articles of Association”	the articles of association of the Company as amended, revised or supplemented from time to time
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Board”	the board of Directors
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“Company”	COSCO SHIPPING Holdings Co., Ltd.* (中遠海運控股股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1919) and the A shares of which are listed on the Shanghai Stock Exchange (Stock Code: 601919)
“Computershare”	Computershare Hong Kong Investor Services Limited, the H Share registrar of the Company
“connected person”	has the meaning ascribed to it under the Hong Kong Listing Rules
“COSCO”	China Ocean Shipping Co., Ltd.* (中國遠洋運輸有限公司), a PRC state-owned enterprise, the controlling Shareholder, and a wholly-owned subsidiary of COSCO SHIPPING
“COSCO Finance”	COSCO Finance Co., Ltd.* (中遠財務有限責任公司), which ceased to exist as a legal entity and became a branch of COSCO SHIPPING Finance after merger by absorption of COSCO Finance by CS Finance
“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 the indirect controlling Shareholder

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## DEFINITIONS

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“COSCO SHIPPING Finance”	COSCO SHIPPING Finance Company Limited* (中遠海運集團財務有限責任公司), a company established under the laws of the PRC with limited liability
“COSCO SHIPPING Group”	COSCO SHIPPING and its subsidiaries and associates (as defined under the Hong Kong Listing Rules)
“COSCO SHIPPING Lines”	COSCO SHIPPING Lines Co., Ltd.* (中遠海運集裝箱運輸有限公司), a company incorporated in the PRC and a subsidiary of the Company
“COSCO SHIPPING Master Agreements”	collectively, (i) the Financial Services Agreement, (ii) the Master Shipping Services Agreement, and (iii) the Master Port Services Agreement
“COSCO SHIPPING Ports”	COSCO SHIPPING Ports Limited, a company incorporated in Bermuda with limited liability, whose shares are listed on the Main Board of the Stock Exchange (Stock Code: 1199) and a non-wholly owned subsidiary of the Company
“CS Finance”	China Shipping Finance Company Limited* (中海集團財務有限責任公司), currently known as COSCO SHIPPING Finance
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held on Friday, 29 October 2021 to, among other things, consider and if thought fit, approve the Revision of Annual Caps of the COSCO SHIPPING Master Agreements
“Financial Services Agreement”	the financial services agreement dated 30 October 2019 entered into between COSCO SHIPPING and the Company for the provision of certain financial services by COSCO SHIPPING Finance to the Company and its subsidiaries
“Group”	the Company and its subsidiaries and associates
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China

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## DEFINITIONS

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“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent board committee of the Board consisting of all the independent non-executive Directors
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on (i) the Revision of Annual Caps of the Financial Services Agreement and (ii) the Revision of Annual Caps of the Master Shipping Services Agreement
“Independent Shareholders”	the Shareholders other than the COSCO SHIPPING Group and its associates
“Latest Practicable Date”	17 September 2021, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Master Port Services Agreement”	the master port services agreement dated 30 October 2019 entered into between the Company and COSCO SHIPPING in relation to mutual provision of port services between the COSCO SHIPPING Group and the Group
“Master Shipping Services Agreement”	the master shipping services agreement dated 30 October 2019 entered into between the Company and COSCO SHIPPING in relation to mutual provision of shipping services between the Group and the COSCO SHIPPING Group
“OOIL”	Orient Overseas (International) Limited (東方海外(國際)有限公司*), a company incorporated in Bermuda with members’ limited liability and listed on the Main Board of the Stock Exchange (Stock Code: 316) and a non-wholly owned subsidiary of the Company
“Original Form of Proxy”	the form of proxy of the Company in respect of the resolution set out in the Original Notice of EGM, which was despatched to the Shareholders on 5 August 2021

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## DEFINITIONS

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“Original Notice of EGM”	the notice of the EGM dated 5 August 2021, which was despatched to the Shareholders on 5 August 2021
“PBOC”	the People’s Bank of China, the central bank of the PRC
“PRC” or “China”	the People’s Republic of China
“Previous Financial Services Agreement”	the financial services agreement entered into between the Company and COSCO SHIPPING on 14 September 2016 and expired on 31 December 2019, the details of which are contained in the announcement and the circular of the Company dated 14 September 2016 and 29 October 2016 respectively
“Previous Port Services Agreement”	the port services agreement entered into between the Company and COSCO SHIPPING on 14 September 2016 and expired on 31 December 2019, the details of which are contained in the announcement and the circular of the Company dated 14 September 2016 and 29 October 2016 respectively
“Previous Shipping Services Agreements”	the agreements comprising (i) the master vessel services agreement, (ii) the master container services agreement, (iii) the master seamen leasing agreement, and (iv) the freight forwarding master agreement entered into between the Company and COSCO SHIPPING on 14 September 2016 and expired on 31 December 2019, the details of which are contained in the announcement and the circular of the Company dated 14 September 2016 and 29 October 2016 respectively
“Previous Shipping Services and Terminal Services Master Agreement”	the shipping services and terminal services master agreement entered into between the Company and COSCO SHIPPING on 22 November 2018 in relation to the provision of shipping and terminal services by the Group to the COSCO SHIPPING Group
“Revised Form of Proxy”	the revised form of proxy of the Company in respect of the resolutions set out in the Original Notice of EGM and the Supplemental Notice of EGM

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## DEFINITIONS

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“Revision of Annual Caps”	the proposed revision of relevant annual caps of the continuing connected transactions contemplated under each of (i) the Financial Services Agreement, (ii) the Master Shipping Services Agreement, and (iii) the Master Port Services Agreement for each of the two years ending 31 December 2022
“Revision of Annual Caps of the Financial Services Agreement”	the proposed revision of annual caps of the continuing connected transactions of deposit services contemplated under the Financial Services Agreement for each of the two years ending 31 December 2022
“Revision of Annual Caps of the Master Port Services Agreement”	the proposed revision of annual caps of the continuing connected transactions of the Group’s purchase of services from the COSCO SHIPPING Group contemplated under the Master Port Services Agreement for each of the two years ending 31 December 2022
“Revision of Annual Caps of the Master Shipping Services Agreement”	the proposed revision of annual caps of the continuing connected transactions of the Group’s provision of shipping services to the COSCO SHIPPING Group contemplated under the Master Shipping Services Agreement for each of the two years ending 31 December 2022
“RMB”	Renminbi yuan, the lawful currency of the PRC
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (國務院國有資產監督管理委員會)
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Share(s)”	the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supervisor(s)”	supervisor(s) of the Company



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## DEFINITIONS

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“Supplemental Notice of EGM” the supplemental notice of the EGM dated 24 September 2021, which is set out on pages SEGM-1 to SEGM-3 of this circular

“USD” United States dollars, the lawful currency of the United States of America

“%” per cent

\* *for identification purposes only*

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## LETTER FROM THE BOARD

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中遠海運控股股份有限公司  
**COSCO SHIPPING Holdings Co., Ltd.\***

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 1919)**

***Directors:***

Mr. XU Lirong<sup>1</sup> (*Chairman*)  
Mr. HUANG Xiaowen<sup>1</sup> (*Vice Chairman*)  
Mr. YANG Zhijian<sup>1</sup>  
Mr. FENG Boming<sup>1</sup>  
Mr. WU Dawei<sup>2</sup>  
Mr. ZHOU Zhonghui<sup>2</sup>  
Mr. TEO Siong Seng<sup>2</sup>  
Prof. MA, Si Hang Frederick<sup>2</sup>

***Registered Office:***

2nd Floor, 12 Yuanhang Business Centre  
Central Boulevard and East Seven Road  
Junction  
Tianjin Pilot Free Trade Zone  
(Airport Economic Area)  
Tianjin, the PRC

***Principal Place of Business:***

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

<sup>1</sup> *Executive Director*

<sup>2</sup> *Independent Non-executive Director*

24 September 2021

*To the Shareholders*

Dear Sir or Madam,

**(1) MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS;  
AND  
(2) SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING**

**A. INTRODUCTION**

References are made to (i) the announcement of the Company dated 30 August 2021 in relation to, among others, the Revision of Annual Caps; (ii) the announcement and the circular of the Company dated 15 July 2021 and 5 August 2021 respectively, in relation to, among others, discloseable transaction and connected transaction regarding construction of ten vessels; and (iii) the Original Notice of EGM.

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## LETTER FROM THE BOARD

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The purpose of this circular is to provide you with, among other things, (i) further details of the COSCO SHIPPING Master Agreements and the Revision of Annual Caps; (ii) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders on the Revision of Annual Caps of the Financial Services Agreement and the Revision of Annual Caps of the Master Shipping Services Agreement; (iii) a letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Revision of Annual Caps of the Financial Services Agreement and the Revision of Annual Caps of the Master Shipping Services Agreement; (iv) the Supplemental Notice of EGM; and (v) other information as required under the Hong Kong Listing Rules.

References are also made to the announcement and the circular of the Company dated 30 October 2019 and 5 December 2019 respectively, in relation to, among other things, the continuing connected transactions between the Group and the COSCO SHIPPING Group under the COSCO SHIPPING Master Agreements (i.e. the Financial Services Agreement, the Master Shipping Services Agreement, and the Master Port Services Agreement). Each of the Financial Services Agreement, the Master Shipping Services Agreement, and the Master Port Services Agreement has been entered into between the Company and the COSCO SHIPPING on 30 October 2019 for the three years ending 31 December 2022.

### **B. REVISION OF ANNUAL CAPS OF THE COSCO SHIPPING MASTER AGREEMENTS**

On 30 August 2021, the Company proposed to revise relevant annual caps of the continuing connected transactions contemplated under each of the COSCO SHIPPING Master Agreements (i.e. the Financial Services Agreement, the Master Shipping Services Agreement and the Master Port Services Agreement). Save for the proposed revision of annual caps thereof, all other terms and conditions of each of the COSCO SHIPPING Master Agreements remain unchanged.

### **C. DETAILS OF THE COSCO SHIPPING MASTER AGREEMENTS AND THE REVISION OF ANNUAL CAPS**

The details of the principal terms of each of the COSCO SHIPPING Master Agreements and the Revision of Annual Caps are set out below:

#### **(1) Financial Services Agreement**

**Date:** 30 October 2019

**Parties:** (i) the Company; and  
(ii) COSCO SHIPPING

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## LETTER FROM THE BOARD

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**Nature of transaction:**

Pursuant to the Financial Services Agreement, COSCO SHIPPING shall procure COSCO SHIPPING Finance to provide the Company and its subsidiaries and associates with certain financial services, including the following:

- (i) deposit services;
- (ii) loan services;
- (iii) clearing services;
- (iv) foreign exchange services; and
- (v) any other services that COSCO SHIPPING Finance can engage in as permitted by the CBIRC.

The transaction terms of the services under the Financial Services Agreement shall be normal commercial terms and fair and reasonable, and shall not be less favourable to the Company and its subsidiaries than those offered by COSCO SHIPPING Finance to other members of the COSCO SHIPPING Group for the same type of services and shall not be less favourable than the terms offered by other financial institutions to the Company and its subsidiaries and associates for the same type of services.

**Pricing policies:**

The interest rates for deposits shall be determined with reference to:

- (i) market interest rates, being interest rates determined by independent third party commercial banks providing the same type of deposit services in their ordinary course of business in the same or nearby service area and subject to normal commercial terms, and in accordance with the principle of fairness and reasonableness; and
- (ii) the interest rate offered by COSCO SHIPPING Finance to other parties (i.e. other members of the COSCO SHIPPING Group) for the same type of deposits from other entities.

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## LETTER FROM THE BOARD

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The interest rates for loans shall be determined with reference to:

- (i) market interest rates, being interest rates determined by independent third party onshore commercial banks providing the same type of loan services in their ordinary course of business in the same or nearby service area and subject to normal commercial terms, and shall be in accordance with the principle of fairness and reasonableness; and
- (ii) the interest rates charged by COSCO SHIPPING Finance to other parties (i.e. other members of the COSCO SHIPPING Group) on the same type of loans provided to other entities.

The clearing services provided by COSCO SHIPPING Finance to the Company and its subsidiaries and associates shall be free of charge for the time being.

The pricing policies for other financial services, including but not limited to foreign exchange services, shall be determined with reference to:

- (i) the handling fees charged by independent third party onshore commercial banks to the Company and its subsidiaries and associates for the same type of services; and
- (ii) the handling fees charged by COSCO SHIPPING Finance to other parties (i.e. others members of the COSCO SHIPPING Group) with the same credit rating for the same type of services.

To ensure that the pricing policies under the Financial Services Agreement are complied with, prior to conducting transactions under the Financial Services Agreement, the Company has enquired or will enquire with independent third party commercial banks and other financial institutions about the interest rates for loans and deposits and the fees for provision of similar financial services in the same or nearby area for the same type of services, to compare with the interest rates for loans and deposits and the fees for other financial services offered by COSCO SHIPPING Finance. The Group shall seek to obtain quotations from at least three independent third party commercial banks or other financial institutions in each case where practicable.

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## LETTER FROM THE BOARD

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### *Historical transaction amounts*

The table below sets forth the historical transaction amounts of the financial services provided by COSCO SHIPPING Finance to the Company and its subsidiaries for (i) the two years ended 31 December 2019 under the Previous Financial Services Agreement, (ii) the year ended 31 December 2020 and (iii) the six months ended 30 June 2021 under the Financial Services Agreement:

	For the year ended 31 December 2018 (RMB'000) (audited)	For the year ended 31 December 2019 (RMB'000) (audited)	For the year ended 31 December 2020 (RMB'000) (audited)	For the six months ended 30 June 2021 (RMB'000) (unaudited)
<b>Deposit Services</b>				
Maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Company and its subsidiaries with COSCO SHIPPING Finance <sup>Note</sup>	9,510,504	12,501,879	17,188,294	28,772,748
<b>Loan Services</b>				
Maximum daily outstanding balance of loans (including accrued interest and handling fee) granted by COSCO SHIPPING Finance <sup>Note</sup>	4,310,560	4,620,500	3,256,800	1,544,800
<b>Other Financial Services</b>				
Other financial services (including clearing services, foreign exchange services and any other services that COSCO SHIPPING Finance can engage in as permitted by the CBIRC) to be provided by COSCO SHIPPING Finance to the Company and its subsidiaries	–	–	17,274	15,247

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## LETTER FROM THE BOARD

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*Note:* Completion of the merger by absorption of COSCO Finance by CS Finance (both being the entities providing financial services to the Group under the Existing Financial Services Agreement) took place on 23 October 2018. Upon completion of the merger, (i) CS Finance continued as the surviving company and was renamed as COSCO SHIPPING Finance and (ii) COSCO Finance ceased to exist as a legal entity and became a branch of COSCO SHIPPING Finance, and the assets, liabilities, businesses and employees of which have been succeeded by COSCO SHIPPING Finance.

As far as the Directors are aware, the respective annual caps for the year ending 31 December 2021 under the Financial Services Agreement had not been exceeded as at the Latest Practicable Date.

### ***Revised annual caps and basis of determination***

The original annual caps for the continuing connected transactions contemplated under the Financial Services Agreement for the two years ending 31 December 2022 are set out as follows:

	For the year ending 31 December 2021 (RMB'000)	For the year ending 31 December 2022 (RMB'000)
<b>Deposit Services</b>		
Maximum daily outstanding balance of deposits (including accrued interest and handling fee) to be placed by the Company and its subsidiaries with COSCO SHIPPING Finance	29,000,000	29,000,000
<b>Loan Services</b>		
Maximum daily outstanding balance of loans (including accrued interest and handling fee) to be granted by COSCO SHIPPING Finance to the Company and its subsidiaries	26,000,000	26,000,000
<b>Other Financial Services</b>		
Other financial services (including clearing services, foreign exchange services and any other services that COSCO SHIPPING Finance can engage in as permitted by the CBIRC) to be provided by COSCO SHIPPING Finance to the Company and its subsidiaries	40,000	40,000

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## LETTER FROM THE BOARD

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The following table sets forth the revised annual caps for the deposit services contemplated under the Financial Services Agreement for the two years ending 31 December 2022, while the annual caps for the loan services and the other financial services contemplated thereunder remain unchanged.

	<b>For the year ending 31 December 2021 (RMB'000)</b>	<b>For the year ending 31 December 2022 (RMB'000)</b>
<b>Deposit Services</b>		
Maximum daily outstanding		
balance of deposits (including		
accrued interest and handling		
fee) to be placed by the		
Company and its subsidiaries		
with COSCO SHIPPING		
Finance	75,000,000	75,000,000

The proposed revision of the annual caps for the deposit services contemplated under the Financial Services Agreement was estimated based on the followings:

- (i) the historical transaction amounts;
- (ii) the expected increase in the demand for the deposit services;
- (iii) the expected fluctuation of the RMB exchange rate to USD; and
- (iv) the expansion of the business volume of the Group.

### ***Reasons for and benefits of the Revision of Annual Caps of the Financial Services Agreement***

The operations of COSCO SHIPPING Finance are subject to the guidelines and requirements issued by the PBOC and the supervision of the CBIRC. To the best of the Directors' knowledge and belief, COSCO SHIPPING Finance has been in compliance with all the major financial services rules and regulations and has sound internal control systems. As the intra-group financial services provider, COSCO SHIPPING Finance generally has better and more efficient communication with the Company and its subsidiaries compared with independent banks and financial institutions. COSCO SHIPPING Finance can provide financial services, including the foreign exchange deposits and lending services, based on the approval issued by the CBIRC. The Company and its subsidiaries may negotiate more favourable terms with COSCO SHIPPING Finance compared with other commercial banks.



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## LETTER FROM THE BOARD

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Along with the increasing boost of the container shipping market, the Company has achieved stable growth in its business performance through the measures such as increasing shipping capacity, securing container supplies and enhancing service quality. Therefore, the amount of operating cash flow of the Company increased substantially, and in turn the demand for the deposit services under the Financial Services Agreement is expected to increase in the forthcoming years. As such, the original annual caps for the deposit services under the Financial Services Agreement for each of the two years ending 31 December 2022 shall be increased accordingly.

The terms of the Financial Services Agreement (including the Revision of Annual Caps of the Financial Services Agreement) have been arrived at after arm's length negotiations between the parties. The Directors (including the independent non-executive Directors after taking into account the advice from Gram Capital) have confirmed that the terms of the Financial Services Agreement (including the Revision of Annual Caps of the Financial Services Agreement) and the continuing connected transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

### *Capital risk control measures*

Under the Financial Services Agreement, COSCO SHIPPING shall procure COSCO SHIPPING Finance to:

- (i) in order to ensure the security of the funds of the members of the Group, that its funds management information system (a) operates safely; (b) has passed the security test in respect of the interface with online banking of commercial banks; (c) has attained the security standards for commercial banks in the PRC; and (d) has adopted the certification authority security certificate mode;
- (ii) operate strictly in compliance with the risk monitoring indicators guidelines for finance companies issued by the CBIRC, and ensure that its main regulatory indicators such as gearing ratio and liquidity ratio comply with the requirements of the CBIRC and other relevant PRC laws and regulations;
- (iii) submission of each regulatory report to the CBIRC, submit a copy of the same to the Company's senior management and executive Directors for review;
- (iv) (a) submit monthly financial statements to the Company's senior management and executive Directors for review by the fifth business day of the following month; and (b) provide the Company with sufficient information on its various financial indicators and annual financial statements to enable the Group to monitor and review its financial conditions;
- (v) obtain the Company's prior written consent if COSCO SHIPPING Finance makes any long-term equity investment; and

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## LETTER FROM THE BOARD

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- (vi) notify the Company within two business days upon occurrence of the following events of COSCO SHIPPING Finance and to take measures to prevent the occurrence or aggravation of loss: (a) impending or anticipated bank runs, failure to pay debts when due, funds liquidity problems, large customer loan default or large advance on guarantee; (b) involvement of directors or senior management in criminal cases; (c) material change in its equity or corporate structure or business operations that affects its normal business; (d) material operational risks which affect or may affect its normal operations; (e) loans owing by its shareholders overdue by over 6 months; (f) non-compliance with any gearing ratio requirement under the Measures for the Administration of Finance Companies of Enterprise Groups; (g) administrative penalty and orders for rectification imposed by the CBIRC; (h) judicial, legal or regulatory proceedings or investigations which have a material impact on its financial position; or (i) other matters which may affect or create concerns for the security of the deposits of members of the Group. In such event, COSCO SHIPPING shall procure COSCO SHIPPING Finance to actively adjust its balance sheet to ensure the security of the relevant assets of members of the Group, and members of the Group have the right to adopt appropriate measures (including early withdrawal of deposits or suspension of the making of further deposits) to safeguard their assets. In addition, in the event of emergencies such as payment difficulties of COSCO SHIPPING Finance, pursuant to the Measures for the Administration of Finance Companies of Enterprise Groups and the articles of association of COSCO SHIPPING Finance, COSCO SHIPPING (as the parent company of COSCO SHIPPING Finance) shall increase the capital of COSCO SHIPPING Finance in accordance with its actual needs for resolving its payment difficulties.

In addition, the Group has adopted risk management policy on transactions with COSCO SHIPPING Finance applicable to deposit services, including:

- (i) COSCO SHIPPING Finance is required to comply with risk management protocols and guidelines promulgated by the CBIRC and the relevant laws and regulations;
- (ii) COSCO SHIPPING Finance is required to provide the Company a copy of all relevant licenses;
- (iii) COSCO SHIPPING Finance is required to report to the Company the financial ratios of COSCO SHIPPING Finance as set out in “the Interim Measures for the Assessment of Risk Supervision Indicators of Finance Company of Enterprise Group” (《企業集團財務公司風險監管指標考核暫行辦法》) issued by CBIRC within 15 business days after the end of each quarter;

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## LETTER FROM THE BOARD

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- (iv) COSCO SHIPPING Finance is required to provide the Company a copy of every regulatory report submitted by COSCO SHIPPING Finance to CBIRC; and
- (v) COSCO SHIPPING Finance is required to provide to the Company a copy of the financial statements of COSCO SHIPPING Finance on a regular basis.

The Board is of the view that the above capital risk control measures will allow the management of the Group to be informed and notified of any material risks which may harm the recoverability of the deposits placed by the Group with COSCO SHIPPING Finance.

### **(2) Master Shipping Services Agreement**

As the all services contemplated under the Previous Shipping Services Agreements are services provided in respect of the principal business of COSCO SHIPPING Lines and OOIL, on 30 October 2019, the Company decided to combine the Previous Shipping Services Agreements by entering into the Master Shipping Services Agreement, the scope of which covers the services contemplated under the Previous Shipping Services Agreements.

**Date:** 30 October 2019

**Parties:**

- (i) the Company; and
- (ii) COSCO SHIPPING

**Nature of transaction:** Mutual provision of the following shipping services between the Group and the COSCO SHIPPING Group:

- (i) vessel fuel;
- (ii) vessel materials and related repairing services;
- (iii) vessel safety management, technical consultancy services for vessel and shipbuilding supervision technology services;
- (iv) vessel lubricants, paint for vessel and maintenance of paint and vessel parts;
- (v) vessel repairing and conversion services;
- (vi) radio communication equipment reservation, repairing and installation;

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## LETTER FROM THE BOARD

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- (vii) provision and repairing of vessel equipment services;
- (viii) brokerage services in respect of vessel trade and vessel insurance and brokerage services;
- (ix) container depot, towage, storage, repairing and disposal services;
- (x) leasing of chassis vehicles and electricity generators;
- (xi) seamen leasing, management, training and related services;
- (xii) freight, slot booking, logistics, vessel agency, cargo canvassing, collections and payments of shipping freights and other related and ancillary services; and
- (xiii) other vessels, containers and shipping-related services (relating to the day-to-day shipping services required for the operation of vessels, which does not involve lease of vessels and containers, which are separately covered under the master vessel and container services agreement).

**Pricing policies:**

The services fees charged under the Master Shipping Services Agreement shall be determined with reference to the prevailing market price, being the price charged by independent third party service providers providing similar types of services in their ordinary course of business in the same or nearby service area and subject to normal commercial terms, and in accordance with the principle of fairness and reasonableness.

## LETTER FROM THE BOARD

### *Historical transaction amounts*

The table below sets forth the historical transaction amounts of the shipping services for (i) the two years ended 31 December 2019 under the Previous Shipping Services Agreements, (ii) the year ended 31 December 2020 and (iii) the six months ended 30 June 2021 under the Master Shipping Services Agreement:

	For the year ended 31 December 2018 (RMB'000) (unaudited)	For the year ended 31 December 2019 (RMB'000) (unaudited)	For the year ended 31 December 2020 (RMB'000) (unaudited)	For the six months ended 30 June 2021 (RMB'000) (unaudited)
Purchase of shipping services from the COSCO SHIPPING Group	17,411,910	17,947,169	16,660,103	9,269,955
Provision of shipping services to the COSCO SHIPPING Group	1,049,643	1,482,672	2,184,290	2,174,691

As far as the Directors are aware, the respective annual caps for the year ending 31 December 2021 under the Master Shipping Services Agreement had not been exceeded as at the Latest Practicable Date.

### *Revised annual caps and basis of determination*

The original annual caps for the transactions contemplated under the Master Shipping Services Agreement for the two years ending 31 December 2022 are set out as follows:

	For the year ending 31 December 2021 (RMB'000)	For the year ending 31 December 2022 (RMB'000)
Purchase of shipping services from the COSCO SHIPPING Group	38,000,000	42,000,000
Provision of shipping services to the COSCO SHIPPING Group	3,200,000	3,400,000

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## LETTER FROM THE BOARD

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The following table sets forth the revised annual caps for the Group's provision of shipping services to the COSCO SHIPPING Group contemplated under the Master Shipping Services Agreement for the two years ending 31 December 2022, while the annual caps for the Group's purchase of shipping services from the COSCO SHIPPING Group contemplated thereunder remain unchanged.

	<b>For the year ending 31 December 2021 (RMB'000)</b>	<b>For the year ending 31 December 2022 (RMB'000)</b>
Provision of shipping services to the COSCO SHIPPING Group	7,500,000	7,500,000

The proposed revision of the annual caps for the Group's provision of shipping services to the COSCO SHIPPING Group contemplated under the Master Shipping Services Agreement was estimated based on the followings:

- (i) the historical transaction amounts;
- (ii) the expected growth in the container shipping market;
- (iii) the expected increase in the Group's revenue from the provision of shipping services to the COSCO SHIPPING Group;
- (iv) the expected fluctuation of the RMB exchange rate to USD; and
- (v) the expansion of the business volume of the Group.

### ***Reasons for and benefits of the Revision of Annual Caps of the Master Shipping Services Agreement***

The shipping services provided by the Group to the COSCO SHIPPING Group mainly include (i) vessels management, (ii) freight forwarding and vessel agency services, and (iii) other shipping related services. As certain members of the Group also provide such shipping services to the self-operated vessels of the COSCO SHIPPING Group in certain domestic and overseas regions, the provision of shipping services to the COSCO SHIPPING Group in such areas will enhance the business scope by allowing the Group to diversify its service offerings to different areas, and reduce the operation costs of the Group and improve the operational efficiency through enhanced economies of scale by providing these services to the COSCO SHIPPING Group in addition to the provision of such services within the Group.

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## LETTER FROM THE BOARD

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The average of China Containerized Freight Index for the first half of 2021 was 2,066.64 points, representing an increase of 133.86% as compared to that for the corresponding period of last year and an increase of 92.44% compared to that for the second half of last year. Due to the increasing demand for the turnovers of containers in the global market, the prices for empty container reposition services also increased accordingly and the Group's revenue from the provision of freight forwarding and empty container reposition services to the COSCO SHIPPING Group increased significantly. It is expected that the container shipping market will grow constantly and the container shipping fees will continue to increase accordingly. After taking into account of (i) the aforementioned boosting of the container shipping market, (ii) the expected increase in the transportation capacity and business volume of the Company, and (iii) the trend of increase in the Group's revenue from the provision of freight forwarding and empty container reposition services to the COSCO SHIPPING Group as mentioned above, the annual caps of the Group's provision of shipping services to the COSCO SHIPPING Group under the Master Shipping Services Agreement for each of the two years ending 31 December 2022 shall be increased accordingly.

The terms of the Master Shipping Services Agreement (including the Revision of Annual Caps of the Master Shipping Services Agreement) have been arrived at after arm's length negotiations between the parties. The Directors (including the independent non-executive Directors after taking into account the advice from Gram Capital) have confirmed that the terms of the Master Shipping Services Agreement (including the Revision of Annual Caps of the Master Shipping Services Agreement) and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

### **(3) Master Port Services Agreement**

On 14 September 2016, the Company and COSCO SHIPPING entered into the Previous Port Services Agreement in relation to the provision of port services by the COSCO SHIPPING Group to the Group. On 22 November 2018, the Company and COSCO SHIPPING entered into the Previous Shipping Services and Terminal Services Master Agreement in relation to the provision of shipping and terminal services by the Group to the COSCO SHIPPING Group.

To facilitate the management of provision of port and other related services between the Group and the COSCO SHIPPING Group, on 30 October 2019, the Company decided to combine the above two agreements by entering into the Master Port Services Agreement, the scope of which covers the services contemplated under the Previous Port Services Agreement and the Previous Shipping Services and Terminal Services Master Agreement.

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## LETTER FROM THE BOARD

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<b>Date:</b>	30 October 2019
<b>Parties:</b>	<ul style="list-style-type: none"><li>(i) the Company; and</li><li>(ii) COSCO SHIPPING</li></ul>
<b>Nature of transaction:</b>	<p>The mutual provision of the following port and other related services between the COSCO SHIPPING Group and the Group:</p> <ul style="list-style-type: none"><li>(i) containers and goods loading and unloading at port;</li><li>(ii) container port and shipping services;</li><li>(iii) port concession arrangements;</li><li>(iv) leasing and electricity supply in relation to port coastline and port land; and</li><li>(v) other port-related and ancillary services, including but not limited to handling, storage, stevedoring, transshipment, maintenance of cargoes and provision of container storage space and terminal facilities.</li></ul>
<b>Pricing policy:</b>	<p>The services fees charged under the Master Port Services Agreement shall be determined with reference to the prevailing market price, being the price charged by independent third party service providers providing similar types of services in their ordinary course of business in the same or nearby service area and subject to normal commercial terms, and in accordance with the principle of fairness and reasonableness.</p> <p>To ensure that the pricing policies under the Master Port Services Agreement are complied with:</p> <ul style="list-style-type: none"><li>(i) in respect of the provision of port services by the COSCO SHIPPING Group, the Company shall (a) conduct market research to collect market service fees in the same industry; and (b) solicit at least three service providers to provide quotations if there are other appropriate service providers in the same or nearby area available, and selection shall be made primarily based on price offered, but consideration shall also be given to the efficiency of operation of ports, service levels and effectiveness of communication of the service providers.</li></ul>



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## LETTER FROM THE BOARD

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- (ii) in respect of the provision of other port-related and ancillary services by the COSCO SHIPPING Group, the Group shall centralize purchase to obtain discounts, and pricing will also be based on the reference rates published by the Ministry of Transport of the PRC, which the market commonly relies on.
- (iii) in respect of the provision of port and other related services by the Group, the relevant personnel of the Group shall compare the pricing of transactions with independent third parties for similar services in similar quantities and ensure that the terms offered to or by the COSCO SHIPPING Group are no less favourable to the Group than those available to or from independent third parties.

### *Historical transaction amounts*

The table below sets forth the historical transaction amounts of the services for (i) the two years ended 31 December 2019 under the Previous Port Services Agreement and the Previous Shipping Services and Terminal Services Master Agreement, (ii) the year ended 31 December 2020 and (iii) the six months ended 30 June 2021 under the Master Port Services Agreement:

	For the year ended 31 December 2018 (RMB'000) (unaudited)	For the year ended 31 December 2019 (RMB'000) (unaudited)	For the year ended 31 December 2020 (RMB'000) (unaudited)	For the six months ended 30 June 2021 (RMB'000) (unaudited)
Purchase of services from the COSCO SHIPPING Group	1,982,610	2,249,202	2,908,341	1,504,990
Provision of services to the COSCO SHIPPING Group	–	19,957	132,334	70,705

As far as the Directors are aware, the respective annual caps for the year ending 31 December 2021 under the Master Port Services Agreement had not been exceeded as at the Latest Practicable Date.

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## LETTER FROM THE BOARD

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### *Revised annual caps and basis of determination*

The original annual caps for the transactions contemplated under the Master Port Services Agreement for the two years ending 31 December 2022 are set out as follows:

	<b>For the year ending 31 December 2021 (RMB'000)</b>	<b>For the year ending 31 December 2022 (RMB'000)</b>
Purchase of services from the COSCO SHIPPING Group	3,500,000	3,800,000
Provision of services to the COSCO SHIPPING Group	800,000	800,000

The following table sets forth the revised annual caps for the Group's purchase of services from the COSCO SHIPPING Group contemplated under the Master Port Services Agreement for the two years ending 31 December 2022, while the annual caps for the Group's provision of services to the COSCO SHIPPING Group contemplated thereunder remain unchanged.

	<b>For the year ending 31 December 2021 (RMB'000)</b>	<b>For the year ending 31 December 2022 (RMB'000)</b>
Purchase of services from the COSCO SHIPPING Group	4,500,000	4,500,000

The proposed revision of the annual caps for the Group's purchase of services from the COSCO SHIPPING Group contemplated under the Master Port Services Agreement was estimated based on the followings:

- (i) the historical transaction amounts;
- (ii) the expected increase in the volume of porting services to be purchased by the Group from the COSCO SHIPPING Group;
- (iii) the expected increase in the prices for port-related services;
- (iv) the expected fluctuation of the RMB exchange rate to USD; and
- (v) the expansion of the business volume of the Group.

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## LETTER FROM THE BOARD

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### ***Reasons for and benefits of the Revision of Annual Caps of the Master Port Services Agreement***

The purchase of services from the COSCO SHIPPING Group under the Master Port Services Agreement is consistent with the business and commercial objectives of the Group. In light of the good relationship between COSCO SHIPPING and the Group, the Group had negotiated more favourable terms with COSCO SHIPPING compared with other suppliers historically and is expected to be able to continue to negotiate more favourable terms with COSCO SHIPPING compared with other suppliers. Therefore, the purchase of port services from the COSCO SHIPPING Group can allow the Group to leverage on the expertise and scale of the port services offered by the COSCO SHIPPING Group, and reduce the operation costs of the Group.

Due to the boosting of container shipping market and the increase in the shipping vessels of the Group, the Group's demand for loading and discharging services and other port-related services to be provided by the COSCO SHIPPING Group will increase. In addition, the disruption of supply chains and the congestion of ports resulted in the increase of the prices for port-related services. As such, it is expected that the Group's purchase amount in respect of the services to be provided by the COSCO SHIPPING Group will increase, and the annual caps of the Group's purchase of services from the COSCO SHIPPING Group under the Master Port Services Agreement for each of the two years ending 31 December 2022 shall be increased accordingly.

The terms of the Master Port Services Agreement (including the Revision of Annual Caps of the Master Port Services Agreement) have been arrived at after arm's length negotiations between the parties. The Directors have confirmed that the terms of the Master Port Services Agreement (including the Revision of Annual Caps of the Master Port Services Agreement) and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms or better and in the ordinary and usual course of business of the Company, and are in the interests of the Company and the Shareholders as a whole.

### **D. INFORMATION ON THE PARTIES TO THE MAJOR TRANSACTION AND THE CONTINUING CONNECTED TRANSACTIONS**

The Company was established in the PRC on 3 March 2005. The Group provides a wide range of container shipping and terminal services covering the whole shipping value chain for both international and domestic customers.

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

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## LETTER FROM THE BOARD

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COSCO SHIPPING Finance is a company established in the PRC, and is a non-bank financial institution approved and regulated by the PBOC and the CBIRC. It was established by way of joint capital contribution by COSCO SHIPPING and its subsidiaries as members, with COSCO SHIPPING being the de facto controller. It is principally engaged in providing financial services to the abovementioned members.

### **E. IMPLICATIONS UNDER THE HONG KONG LISTING RULES**

COSCO SHIPPING is the indirect controlling Shareholder, and therefore members of the COSCO SHIPPING Group are connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules. Accordingly, the transactions contemplated under the COSCO SHIPPING Master Agreements constitute connected transactions of the Company.

As one or more of the applicable percentage ratios of the original or revised annual caps in respect of the transactions contemplated under the Master Port Services Agreement exceed 0.1% but are all less than 5%, such transactions and the respective revised annual caps of such transactions for each of the two years ending 31 December 2022 are subject to the reporting, annual review and announcement requirements but are exempt from independent shareholders' approval requirement under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios of the original or revised annual caps in respect of the transactions contemplated under the Master Shipping Services Agreement exceed 5%, such transactions and the respective revised annual caps of such transactions for each of the two years ending 31 December 2022 are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios of the original or revised annual caps in respect of the transactions contemplated under the Financial Services Agreement exceed 5%, such transactions and the respective revised annual caps of such transactions for each of the two years ending 31 December 2022 are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. In addition, as one or more of the applicable percentage ratio of the original or revised annual caps in respect of the transactions contemplated under the Financial Services Agreement exceed 25% but are all less than 100%, such transactions also constitute major transaction of the Company, and such transactions and the respective revised annual caps of such transactions for each of the two years ending 31 December 2022 are also subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Hong Kong Listing Rules.

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## LETTER FROM THE BOARD

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### F. INTERNAL CONTROL PROCEDURES

In addition to the annual review by the auditors and independent non-executive Directors pursuant to the requirements of Chapter 14A of the Hong Kong Listing Rules, as part of the Group's internal controls systems to ensure that the transactions between the Group and its connected persons are conducted in accordance with the pricing policy under the COSCO SHIPPING Master Agreements, the Company will implement the following internal control arrangements:

- (i) The Company will regularly examine the pricing of transactions under the COSCO SHIPPING Master Agreements to ensure that the continuing connected transactions under the COSCO SHIPPING Master Agreements are conducted in accordance with the pricing terms thereof, including reviewing the transaction records of the Company for the purchase or provision of similar goods or services from or to independent third parties, as the case may be. The pricing terms for the purchase or provision of similar goods or services from or to independent third parties would be determined by the Group based on arm's length commercial negotiations between the parties, which are generally determined with reference to market prices and conditions and through price enquiries. The transaction records would include documents obtained through price enquiries from independent third parties.
- (ii) The Company may request for written documents to be provided by the connected persons under the COSCO SHIPPING Master Agreements to demonstrate that their transaction pricing complies with the pricing terms as stipulated in the COSCO SHIPPING Master Agreements and that the prices offered to or received from the Group are not less favorable to the Group than the prices offered to or received from other independent third parties for similar types of services or goods.
- (iii) The legal and risk management department, the financial management department and the supervision and audit department of the Company will regularly convene meetings, generally at least every six months, to discuss issues in the transactions under the COSCO SHIPPING Master Agreements and recommendations for improvement. The issues to be discussed at the meetings would include the usage of annual caps under the relevant COSCO SHIPPING Master Agreements.
- (iv) The legal and risk management department of the Company will summarize the transaction amounts incurred under the COSCO SHIPPING Master Agreements regularly on a monthly basis and submit reports to the management of the Company. The management and the competent departments of the Company can be informed of the status of the continuing connected transactions in a timely manner such that the transactions can be conducted within the annual caps. In the event the actual transaction amount reaches 80% of the relevant annual cap, a re-assessment will be conducted. If it is determined after such re-assessment that the annual cap may be exceeded, the legal and risk management department of the Company would initiate the procedures for a board meeting and/or shareholders meeting (as and when required) to increase the annual cap as soon as practicable.

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## LETTER FROM THE BOARD

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The Board is of the view that the above methods and procedures can ensure that the pricing and other contract terms for the Group's continuing connected transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and its shareholders and that the continuing connected transactions are conducted as agreed in the relevant COSCO SHIPPING Master Agreements (after the Revision of Annual Caps) and in compliance with Chapter 14A of the Hong Kong Listing Rules.

### **G. DIRECTORS' CONFIRMATION**

The executive Directors, namely, Mr. Xu Lirong, Mr. Huang Xiaowen, Mr. Yang Zhijian and Mr. Feng Boming, as Directors nominated by COSCO (a controlling shareholder of the Company and a wholly-owned subsidiary of COSCO SHIPPING), have abstained from voting on the resolutions of the Board approving the Revision of Annual Caps pursuant to the Articles of Association. Other than the above mentioned Directors, the remaining Directors are the independent non-executive Directors.

Save as disclosed above, none of other Directors has a material interest in the transactions under the COSCO SHIPPING Master Agreements or the Revision of Annual Caps and was required to abstain from voting on the relevant resolutions.

### **H. REQUIREMENTS UNDER THE SHANGHAI LISTING RULES**

Pursuant to the Shanghai Listing Rules, (i) transaction amounts of all types of related party transactions entered into between the Company and the same related party within a 12-month period shall be aggregated (save for those which have complied with the relevant approval and/or disclosure procedures); (ii) transaction amounts of related party transactions of related categories entered into between the Company and different related parties within a 12-month period shall be aggregated (save for those which have complied with the relevant approval and/or disclosure procedures); and (iii) if the total aggregated transaction amount is more than RMB30 million and exceeds 5% of the latest audited net asset value of the Company and its subsidiaries, such related party transactions shall be presented to a general meeting for independent shareholders' approval. As the continuing connected transactions under the COSCO SHIPPING Master Agreements constitute related party transactions of the Company under the Shanghai Listing Rules and were all entered into between the Company and COSCO SHIPPING, all the additional amounts under the revised annual caps in respect of the continuing connected transactions under the COSCO SHIPPING Master Agreements shall be aggregated pursuant to the requirements under the Shanghai Listing Rules. It is expected that such aggregated amount for the year ending 31 December 2021 would exceed 5% of the net asset value of the Company and its subsidiaries as at 31 December 2020. Accordingly, despite that only the Revision of Annual Caps of the Financial Services Agreement and the Revision of Annual Caps of the Master Shipping Services Agreement are required to be approved by the Shareholders under the Hong Kong Listing Rules, ordinary resolutions will be proposed at the EGM for the Shareholders to consider and, if thought fit, approve all the Revision of Annual Caps of the COSCO SHIPPING Master Agreements.

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## LETTER FROM THE BOARD

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### I. EGM

The EGM will be held at Conference Room, 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong and Ocean Hall, 5th Floor, Shanghai Ocean Hotel, No. 1171, Dong Da Ming Road, Shanghai, the PRC on Friday, 29 October 2021 at 9:30 a.m. for the Shareholders to consider and, if thought fit, approve the resolutions contained in the Original Notice of EGM and the Supplemental Notice of EGM.

The Original Notice of EGM was despatched to the Shareholders on 5 August 2021. The Supplemental Notice of EGM, which contains additional resolutions to be proposed at the EGM, is set out on pages SEGM-1 to SEGM-3 of this circular. The aforesaid resolutions contained in the Supplemental Notice of EGM will be proposed by way of ordinary resolutions at the EGM to be approved by the Independent Shareholders, and the voting in relation to such resolutions will be conducted by way of poll.

COSCO SHIPPING and its associates, being connected persons of the Company and having a material interest in the transactions contemplated under the COSCO SHIPPING Master Agreements and the Revision of Annual Caps, controlled or were entitled to exercise control over the voting rights in respect of 7,252,988,702 A shares and 113,925,500 H shares of the Company, representing approximately 46.01% total issued share capital of the Company as at the Latest Practicable Date. In accordance with the Hong Kong Listing Rules, they will abstain from voting at the EGM on the resolutions in respect of the Revision of Annual Caps.

Save as disclosed above, to the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, none of other Shareholders has any material interest in the Revision of Annual Caps to be approved at the EGM and accordingly, none of other Shareholders is required to abstain from voting on relevant resolutions to be proposed at the EGM.

A Shareholder who has not yet lodged the Original Form of Proxy in accordance with the instructions printed thereon with Computershare is requested to complete and return the Revised Form of Proxy in accordance with the instructions printed thereon to Computershare not less than 24 hours before the time for holding the EGM or any adjournment thereof, if he or she wishes to appoint proxies to attend the EGM on his or her behalf. In this case, the Original Form of Proxy should not be lodged to Computershare.



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## LETTER FROM THE BOARD

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A Shareholder who has already lodged the Original Form of Proxy in accordance with the instructions printed thereon with Computershare should note the following:

- (i) If no Revised Form of Proxy is lodged with Computershare, the Original Form of Proxy will be treated as a valid form of proxy lodged by the Shareholder if correctly completed. The proxy appointed under the Original Form of Proxy will be entitled to vote in his or her discretion or abstain from voting on any resolutions properly put to the EGM, other than those referred to in the Original Form of Proxy, including the additional resolutions set out in the Supplemental Notice of EGM.
- (ii) If the Revised Form of Proxy is lodged with Computershare in accordance with the instructions printed thereon not less than 24 hours before the time for holding the EGM or any adjournment thereof, the Revised Form of Proxy will revoke and supersede the Original Form of Proxy previously lodged by the Shareholder. The Revised Form of Proxy will be treated as a valid form of proxy lodged by the Shareholder if correctly completed.
- (iii) If the Revised Form of Proxy is lodged after 24 hours before the time for holding the EGM or any adjournment thereof, the Revised Form of Proxy will be deemed invalid. It will not revoke the Original Form of Proxy previously lodged by the Shareholder. The Original Form of Proxy will be treated as a valid form of proxy lodged by the Shareholder if correctly completed. The proxy appointed under the Original Form of Proxy will be entitled to vote in his or her discretion or abstain from voting on any resolutions properly put to the EGM, other than those referred to in the Original Form of Proxy, including the additional resolutions set out in the Supplemental Notice of EGM.

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

Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules, any vote of the Shareholders to be taken at the EGM shall be taken by poll. An announcement of the poll results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Hong Kong Listing Rules.

### **J. RECOMMENDATION**

Your attention is drawn to the letter from the Independent Board Committee set out on page 31 of this circular and the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders set out on pages 32 to 47 of this circular in connection with the Revision of Annual Caps of the Financial Services Agreement and the Revision of Annual Caps of the Master Shipping Services Agreement, and the principal factors and reasons considered by Gram Capital in arriving at such advice.



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## LETTER FROM THE BOARD

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The Independent Board Committee, having considered the terms of the Financial Services Agreement and the Master Shipping Services Agreement, the Revision of Annual Caps of the Financial Services Agreement and the Revision of Annual Caps of the Master Shipping Services Agreement, and the advice of Gram Capital, are of the opinion that: (i) the Revision of Annual Caps of the Financial Services Agreement and the Revision of Annual Caps of the Master Shipping Services Agreement are entered into in the ordinary and usual course of business of the Company on normal commercial terms; and (ii) the Revision of Annual Caps of the Financial Services Agreement and the Revision of Annual Caps of the Master Shipping Services Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve the Revision of Annual Caps of the Financial Services Agreement and the Revision of Annual Caps of the Master Shipping Services Agreement.

Based on the information as set out in this circular, the Board is of the view the terms of the COSCO SHIPPING Master Agreements and the Revision of Annual Caps are fair and reasonable and in the interests of the Shareholders as a whole. Therefore, the Board recommends the Independent Shareholders to vote in favour of all the resolutions in respect of the Revision of Annual Caps to be proposed at the EGM to approve the aforementioned matters.

### **K. ADDITIONAL INFORMATION**

Your attention is also drawn to the additional information set out in the appendices to this circular.

Yours faithfully,  
By Order of the Board  
**COSCO SHIPPING Holdings Co., Ltd.\***  
**Guo Huawei**  
*Company Secretary*

\* *For identification purpose only*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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中遠海運控股股份有限公司  
**COSCO SHIPPING Holdings Co., Ltd.\***

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1919)**

24 September 2021

*To the Independent Shareholders*

Dear Sir or Madam,

**MAJOR TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS**

We refer to the circular issued by the Company dated 24 September 2021 in relation to the revision of annual caps of continuing connected transactions (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board to advise the Independent Shareholders as to whether (i) the Revision of Annual Caps of the Financial Services Agreement and the Revision of Annual Caps of the Master Shipping Services Agreement are entered into in the ordinary and usual course of business of the Company on normal commercial terms; and (ii) the Revision of Annual Caps of the Financial Services Agreement and the Revision of Annual Caps of the Master Shipping Services Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the terms of the Financial Services Agreement and the Master Shipping Services Agreement, the Revision of Annual Caps of the Financial Services Agreement and the Revision of Annual Caps of the Master Shipping Services Agreement, and the advice of Gram Capital, we are of the opinion that (i) the Revision of Annual Caps of the Financial Services Agreement and the Revision of Annual Caps of the Master Shipping Services Agreement are entered into in the ordinary and usual course of business of the Company on normal commercial terms; and (ii) the Revision of Annual Caps of the Financial Services Agreement and the Revision of Annual Caps of the Master Shipping Services Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the relevant resolutions to be proposed at the EGM to approve the Revision of Annual Caps of the Financial Services Agreement and the Revision of Annual Caps of the Master Shipping Services Agreement.

Yours faithfully,  
For and on behalf of the Independent Board Committee

**Mr. WU Dawei**

**Mr. ZHOU Zhonghui**

**Mr. TEO Siong Seng**

**Prof. MA, Si Hang Frederick**

*Independent non-executive Directors*

\* For identification purpose only

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## LETTER FROM GRAM CAPITAL

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*Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Revision of Annual Caps of the Financial Services Agreement and the Revision of Annual Caps of the Master Shipping Services Agreement for the purpose of inclusion in this circular.*



Room 1209, 12/F.  
Nan Fung Tower  
88 Connaught Road Central/  
173 Des Voeux Road Central  
Hong Kong

24 September 2021

*To: The independent board committee and the independent shareholders of  
COSCO SHIPPING Holdings Co., Ltd.\**

Dear Sir/Madam,

### **MAJOR AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE REVISION OF ANNUAL CAPS**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of Revision of Annual Caps of the Financial Services Agreement and the Revision of Annual Caps of the Master Shipping Services Agreement (collectively, the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 24 September 2021 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the Board Letter, on 30 August 2021, the Company and COSCO SHIPPING mutually agreed to revise relevant annual caps of the continuing connected transactions contemplated under, amongst others, the Financial Services Agreement and the Master Shipping Services Agreements. The Transactions are subject to the requirements of reporting, annual review, announcement and Independent Shareholders’ approval under Chapter 14A of the Hong Kong Listing Rules.

The Independent Board Committee comprising Mr. WU Dawei, Mr. ZHOU Zhonghui, Mr. TEO Siong Seng and Prof. MA, Si Hang Frederick (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a

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## LETTER FROM GRAM CAPITAL

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whole and in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### INDEPENDENCE

We were not aware of any relationships or interests between Gram Capital and the Company during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as a hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

### BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Hong Kong Listing Rules.

The 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 the 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 therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

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We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, COSCO SHIPPING or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources while we are not obligated to conduct any independent in-depth investigation into the accuracy and completeness of those information.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

#### Information on the Group

With reference to the Board Letter, the Company was established in the PRC on 3 March 2005 and the Group provides a wide range of container shipping and terminal services covering the whole shipping value chain for both international and domestic customers.

Set out below are the consolidated financial information of the Group for the two years ended 31 December 2020 and the six months ended 30 June 2021 (“1H2021”) as extracted from the Company’s annual report for the year ended 31 December 2020 (“2020 Annual Report”) and the Company’s interim results announcement for 1H2021 (“2021 IR Announcement”):

	For the six months ended 30 June 2021 <i>RMB'000</i> <i>(unaudited)</i>	For the year ended 31 December 2020 <i>RMB'000</i> <i>(audited)</i>	For the year ended 31 December 2019 <i>RMB'000</i> <i>(audited)</i>	Change from 2019 to 2020 %
Revenues	139,264,347	171,258,834	150,540,591	13.76
– Container shipping business	136,433,850	165,998,877	144,799,032	14.64
– Container terminal business	2,830,497	5,259,957	5,741,559	(8.39)
Gross profit	53,127,973	24,141,792	15,328,699	57.49
Profit attributable to equity holders of the Company	37,097,843	9,927,098	6,690,106	48.38

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	As at 30 June 2021 <i>RMB'000</i> <i>(unaudited)</i>	As at 31 December 2020 <i>RMB'000</i> <i>(audited)</i>	As at 31 December 2019 <i>RMB'000</i> <i>(audited)</i>	Change from 2019 to 2020 %
Cash and cash equivalents	101,904,495	52,630,331	49,689,784	5.92
Net assets	119,861,928	78,697,057	69,125,237	13.85

The Group recorded revenues of approximately RMB171.3 billion for the year ended 31 December 2020 (“FY2020”), representing an increase of approximately 13.76% as compared to that for the year ended 31 December 2019 (“FY2019”). The Group generated majority of its revenues from container shipping business. The Group’s revenue from container shipping business amounted to approximately RMB166.0 billion for FY2020 and RMB144.8 billion for FY2019, representing approximately 96.93% and 96.19% of the Group’s revenues for FY2020 and FY2019 respectively. The profit attributable to equity holders of the Company amounted to approximately RMB9.9 billion for FY2020, representing an increase of approximately 48.38% as compared to that for FY2019. With reference to the 2020 Annual Report, such increase was mainly due to (i) increase in revenues and gross profit margin; (ii) increase in share of profit of joint ventures and associated companies; (iii) decrease in finance costs; and (iv) decrease in income tax expenses, partially offset by (i) decrease in finance income; and (ii) decrease in net other income and expenses.

The Group recorded revenues of approximately RMB139.3 billion for 1H2021, representing an increase of approximately 88.06% as compared to the corresponding period in 2020. The Group’s revenue from container shipping business amounted to approximately RMB136.4 billion for 1H2021, representing an increase of approximately 90.60% as compared to the corresponding period in 2020. The Group’s profit attributable to equity holders of the Company amounted to approximately RMB37.1 billion for 1H2021, representing an increase of approximately RMB36.0 billion or 3,162.31% as compared to that for the corresponding period in 2020. With reference to the 2021 IR Announcement, such increase was mainly due to (i) the significant increase in revenues and gross profit margin; and (ii) decrease in finance costs, partially offset by (i) increase in selling, administrative and general expenses; and (ii) increase in income tax expenses.

The Group’s cash and cash equivalents and net assets amounted to approximately RMB101.9 billion and RMB119.9 billion respectively as at 30 June 2021, representing an increase of RMB49.3 billion or 93.62% and RMB41.2 billion or 52.31% respectively, as compared to those as at 31 December 2021.

With reference to the 2021 IR Announcement, with the widespread vaccination to combat COVID-19, the pandemic has been gradually under control, which would in turn help to restore the global economy. The Company will proactively respond to future changes and challenges in the market and will relentlessly focus on its customer needs, continue to deepen the synergy

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and integration of the container shipping business and terminal business segments of the Company, strive to expand the industrial value chain and enhance its overall competitiveness to fit into the dual circulation strategy, build a new ecosystem and develop a first-class enterprise and keep creating value for customers and enhancing return for Shareholders.

### Information on COSCO SHIPPING

With reference to the Board Letter, COSCO SHIPPING is a state-owned enterprise wholly-owned and controlled by SASAC. The scope of business of COSCO SHIPPING includes international shipping, ancillary business in international maritime transportation, import and export of goods and technologies, international freight agency business, leasing of self-owned vessels, sales of vessels, containers and steel, maritime engineering etc.. COSCO SHIPPING is the indirect controlling Shareholder and therefore members of the COSCO SHIPPING Group are connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules.

### Information on COSCO SHIPPING Finance

With reference to the Board Letter, COSCO SHIPPING Finance is a company established in the PRC, and is a non-bank financial institution approved and regulated by the PBOC and the CBIRC. It was established by way of joint capital contribution by COSCO SHIPPING and its subsidiaries as members, with COSCO SHIPPING being the de facto controller. COSCO SHIPPING Finance is principally engaged in providing financial services to the abovementioned members.

As advised by the Directors, COSCO SHIPPING Finance, as a non-bank financial institution approved and regulated by the PBOC and the CBIRC, is required to comply with the Administrative Measures for the Finance Company of Enterprise Group\* (《企業集團財務公司管理辦法》, the “**Administrative Measures**”) and the Interim Measures for the Assessment of Risk Supervision Indicators of Finance Company of Enterprise Group\* (《企業集團財務公司風險監管指標考核暫行辦法》, the “**Assessment Measures**”) issued by CBIRC and other regulations promulgated by the PBOC and CBIRC. We noted that the Administrative Measures and the Assessment Measures set out certain compliance and risk control requirements and measures, including maintaining certain financial ratios at all time.

With reference to the Board Letter, the Company has adopted certain capital risk control measures to ensure the security of the Group’s funds placed with COSCO SHIPPING Finance, including the review of every regulatory report submitted to the CBIRC, details of which are set out in the sub-section headed “Capital Risk Control Measures” under the section headed “(1) Financial Services Agreement” of the Board Letter. To the best of the Directors’ knowledge and belief, COSCO SHIPPING Finance has been in compliance with all the major financial services rules and regulations and has sound internal control systems.



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## LETTER FROM GRAM CAPITAL

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### Reasons for and benefits of the Transactions

As mentioned in the section above, the Group's container shipping business accounted for majority of the Group's revenues. The shipping services to be provided by the Group to COSCO SHIPPING Group (the "**Provision of Shipping Services**") mainly include (i) vessels management, (ii) freight forwarding and vessel agency services, and (iii) other shipping related services, which are conducted in the Group's ordinary and usual course of business.

With reference to the Board Letter, during 1H2021, the revenue from the provision of freight forwarding and empty container reposition services to the COSCO SHIPPING Group increased substantially and, according to the current market situation, the price to be charged for the freight forwarding services increased significantly, as compared to that previously forecasted by the Company. In addition, due to the increasing demand for the turnovers of containers in the global market, the fees for empty container reposition services also increased accordingly. Furthermore, the average of the China Containerized Freight Index for the first half of 2021 amounted to 2,066.64, representing a 133.86% increase as compared to that for the same period of 2020 and a 92.44% increase as compared to that for the second half of 2020. As such, the container shipping market is expected to grow constantly and the shipping fees will continue to increase accordingly. After taking into account of (i) the aforementioned boosting of the container shipping market, (ii) the forthcoming of the peak season of the container shipping market, and (iii) the trend of increase in the revenue from the Group's provision of freight forwarding and empty container reposition services to the COSCO SHIPPING Group as mentioned above, it is expected that the Group's revenue from the Group's provision of shipping services to the COSCO SHIPPING Group under the Master Shipping Services Agreement will increase substantially for the two years ending 31 December 2022 (hence the Revision of Annual Caps of the Master Shipping Services Agreement is required).

As further mentioned in the Board Letter, along with the increasing boost of the container shipping market, the Company has achieved stable growth in its business performance through the measures such as increasing shipping capacity, securing container supplies and enhancing service quality. Therefore, the amount of operating cash flow of the Company increased substantially, and in turn the demand for the deposit services is expected to be increased in the forthcoming years. Therefore, the Revision of Annual Caps of the Financial Services Agreement is required.

As depicted from the section headed "Information on the Group" above, the Group's revenue from container shipping business for FY2020 increased by approximately RMB21.2 billion or 14.64%, as compared to that for FY2019; and the Group's revenue from container shipping business for 1H2021 amounted to approximately RMB136.4 billion, representing an increase of approximately 90.60% as compared to that for the corresponding period in 2020.



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We also noted from the 2020 Annual Report and the 2021 IR Announcement that (i) the Group's net cash generated from operating activities increased from approximately RMB21.2 billion for FY2019 to approximately RMB44.9 billion for FY2020; and (ii) the Group recorded net cash generated from operating activities of approximately RMB63.9 billion for 1H2021, representing an increase of approximately 458.57% as compared to that for the corresponding period in 2020.

### *Industry overview*

Set out below are the volume of freight transported through maritime transportation in the PRC during the five years ended 31 December 2020 published by the National Bureau of Statistics of the PRC:

	2020	2019	2018	2017	2016
Volume of freight transported through maritime transportation in the PRC ( <i>approximate billion tons</i> )	7.6	7.5	7.0	6.7	6.4
Total volume of freight transported ( <i>approximate billion tons</i> )	47.4	47.1	51.5	48.0	43.9

As shown in the table above, the volume of freight transported through maritime transportation in the PRC recorded year-on-year increase during each of the year 2017, 2018, 2019 and 2020. The volume of freight transported through maritime transportation increased from approximately 6.4 billion tons in 2016 to approximately 7.6 billion tons in 2020, representing a compound annual growth rate of approximately 4.52%.

In addition, despite the decrease in total volume of freight transported during 2019, as shown in the table above, the volume of freight transported through maritime in the PRC increased by approximately 0.5 billion tons or approximately 6.34% during 2019.

Set out below are the freight turnover of maritime transport (being the product of the quantity of freight (in tons) multiply by the distance of the transport (in kilometres)) in the PRC during the five years ended 31 December 2020 published by the National Bureau of Statistics of the PRC:

	2020	2019	2018	2017	2016
Freight turnover of maritime transport in the PRC ( <i>billion ton-km</i> )	10,583.4	10,396.3	9,905.3	9,861.1	9,733.9

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As shown in the table above, the freight turnover of maritime transport recorded year-on-year increase during each of the year 2017, 2018, 2019 and 2020. The volume of freight transported through maritime transport increased from approximately 9,733.9 billion ton-km in 2016 to approximately 10,583.4 billion ton-km in 2020, representing a compound annual growth rate of approximately 2.11%.

Set out below are the total goods loaded for world seaborne trade (in tons) during the four years ended 31 December 2019 published by the United Nations Conference on Trade and Development (Note: total goods loaded for world seaborne trade in 2020 was not published by United Nations Conference on Trade and Development as at the Latest Practicable Date):

	2019	2018	2017	2016
Total goods loaded ( <i>approximately billion tons</i> )	11.1	11.0	10.7	10.3

As shown in the table above, total goods loaded for world seaborne trade (in tons) also recorded year-on-year increase during each of the year 2017, 2018 and 2019. Total goods loaded for world seaborne increased from approximately 10.3 tons in 2016 to approximately 11.1 tons for 2019, representing a compound annual growth rate of approximately 2.47%.

The above statistics demonstrate the continuous growth of the container shipping market.

Having considered the above, in particular, the Group's financial performance and the continuous growth of the container shipping market, we consider that the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group.

### **Principal terms of the Transactions**

Details of the terms of the Financial Services Agreement and the Master Shipping Services Agreement are set out in the sections headed "(1) Financial Services Agreement" and "(2) Master Shipping Services Agreement" of the Board Letter respectively.

#### ***(1) Deposit services under the Financial Services Agreement (the "Deposit Services")***

With reference to the Board Letter, pursuant to the Financial Services Agreement, COSCO SHIPPING shall procure COSCO SHIPPING Finance to provide the Company and its subsidiaries and associates with certain financial services, including the Deposit Services contemplated thereunder. The transaction terms of the services to be provided under the Financial Services Agreement shall be normal commercial terms and fair and reasonable, and shall not be less favourable to the Company and its subsidiaries than those offered by COSCO SHIPPING Finance to other members of the COSCO SHIPPING Group for the same type of services and shall not be less favourable than the terms offered by other financial institutions to the Company and its subsidiaries and associates for the same type of services.

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### *Pricing policies*

With reference to the Board Letter, the interest rates for deposits shall be determined with reference to:

- (i) market interest rates, being interest rates determined by independent third party commercial banks providing the same type of deposit services in their ordinary course of business in the same or nearby service area and subject to normal commercial terms, and in accordance with the principle of fairness and reasonableness; and
- (ii) the interest rate offered by COSCO SHIPPING Finance to other parties (i.e. other members of the COSCO SHIPPING Group) for the same type of deposits from other entities.

To ensure that the pricing policies under the Financial Services Agreement are complied with, prior to conducting transactions under the Financial Services Agreement, the Company has enquired or will enquire with independent third party commercial banks and other financial institutions about the interest rates for loans and deposits and the fees for provision of similar financial services in the same or nearby area for the same type of services, to compare with the interest rates for loans and deposits and the fees for other financial services offered by COSCO SHIPPING Finance. The Group shall seek to obtain quotations from at least three independent third party commercial banks or other financial institutions in each case where practicable.

For our due diligence purpose, we obtained from the Company (i) a list of prevailing interest rates offered by COSCO SHIPPING Finance for deposit with various periods; and (ii) a list of prevailing interest rates offered by certain commercial banks who are independent third parties (the “**Independent Banks**”) to the Group for deposit with various periods. After comparing the aforesaid lists of deposit interest rates, we noted that the interest rates offered by COSCO SHIPPING Finance are higher than those offered by the Independent Banks for deposit with various periods.

With reference to the Board Letter, the Company has adopted certain internal control procedures to ensure the transactions with connected persons are conducted in accordance with the pricing policy, details of which are set out in the section headed “F. INTERNAL CONTROL PROCEDURES” of the Board Letter. We are of the view that the effective implementation of the internal control procedures will ensure the fair interest rates determination for the Deposit Services.

With reference to the 2020 Annual Report, the Company’s auditor was engaged to report on the continuing connected transactions (including the Deposit Services) for FY2020. The Company’s auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Hong Kong Listing Rules. The independent

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non-executive Directors also reviewed the continuing connected transactions (including the Deposit Services) for FY2020 and confirmed that these transactions have been entered into (1) in the ordinary and usual course of business of the Group; (2) on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (3) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

### *Revised annual caps*

The table below demonstrates (i) the maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Company and its subsidiaries with COSCO SHIPPING Finance; (ii) the historical/existing annual cap(s) for the Deposit Services (“**Existing Deposit Cap(s)**”); and (iii) the revised annual cap(s) for the Deposit Services (“**Revised Deposit Cap(s)**”):

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2020 RMB'000	For the year ending 31 December 2021 ("FY2021") RMB'000
Maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Company and its subsidiaries with COSCO SHIPPING Finance ( <i>Note 1</i> )	9,510,504	12,501,879	17,118,294	28,772,748 ( <i>Note 2</i> )
Historical/Existing annual caps	31,000,000	33,000,000	29,000,000	29,000,000
Utilization rate	30.68%	37.88%	59.03%	Undetermined
			For the year ending 31 December 2021 RMB'000	For the year ending 31 December 2022 ("FY2022") RMB'000
Revised Deposit Caps			75,000,000	75,000,000

### *Notes:*

- Completion of the merger by absorption of COSCO Finance by CS Finance (both being the entities providing financial services to the Group under the Existing Financial Services Agreement) took place on 23 October 2018. Upon completion of the merger, (i) CS Finance continued as the surviving company

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and was renamed as COSCO SHIPPING Finance; and (ii) COSCO Finance ceased to exist as a legal entity and became a branch of COSCO SHIPPING Finance, and the assets, liabilities, businesses and employees of which have been succeeded by COSCO SHIPPING Finance.

2. Such figure represents the maximum daily outstanding balance of deposits during 1H2021.

With reference to the Board Letter, the Revised Deposit Caps were estimated based on the followings: (i) the historical transaction amounts; (ii) the expected increase in the demand for the deposit service; (iii) the expected fluctuation of the RMB exchange rate to USD; and (iv) the expansion of the business volume of the Group.

Given the revision of annual caps was primarily due to the increasing boost of the container shipping market which resulted in the significant increase in cash flows from operating activities during 1H2021 as mentioned in the section headed “Reasons for and benefits on the Transactions” above, we performed the following analyses:

- (i) We noted from the 2021 IR Announcement that the Group’s net cash inflow from operating activities for 1H2021 amounted to approximately RMB63.9 billion, representing an increase of approximately RMB52.0 billion or 458.57% as compared to that for the corresponding period in 2020. Furthermore, we also noted from the 2021 IR Announcement that the Group’s cash and cash equivalents were approximately RMB101.9 billion, representing an increase of approximately 93.62% as compared to that as at 31 December 2020.
- (ii) We noted that the maximum daily outstanding balance of deposits placed with COSCO SHIPPING Finance during 1H2021 amounted to approximately RMB28.8 billion during 1H2021, representing approximately 99.22% of the Existing Deposit Cap for FY2021.
- (iii) We noted from the 2021 IR Announcement that the Group’s revenue from container shipping business amounted to approximately RMB136.4 billion, representing an increase of approximately RMB64.9 billion or 90.60% as compared to that for the corresponding period in 2020.

Having considered the above, we are of the view that the Revised Deposit Caps for FY2021 and FY2022 are necessary for catering the increase in the Group’s net cash inflow from operating activities, cash and cash equivalents. Accordingly, we consider the Revised Deposit Caps for FY2021 and FY2022 to be fair and reasonable.

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Shareholders should note that as the Revised Deposit Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2022, and they do not represent forecasts of deposit amount under the Deposit Services. Consequently, we express no opinion as to how closely the actual deposit amount under the Deposit Services will correspond with the Revised Deposit Caps.

Having considered the principal terms of the Revision of Annual Caps of the Financial Services Agreement as set out above, we consider the terms of the Revision of Annual Caps of the Financial Services Agreement (including the Revised Deposit Caps) to be fair and reasonable.

### ***(2) Provision of shipping services under the Master Shipping Services Agreement***

With reference to the Board Letter, pursuant to the Master Shipping Services Agreement, both the Group and COSCO SHIPPING Group shall mutually provide the certain shipping services between the Group and COSCO SHIPPING Group.

#### *Pricing policies*

With reference to the Board Letter, the services fees charged under the Master Shipping Services Agreement shall be determined with reference to the prevailing market price, being the price charged by independent third party service providers providing similar types of services in their ordinary course of business in the same or nearby service area and subject to normal commercial terms, and in accordance with the principle of fairness and reasonableness.

For our due diligence purpose, the Company provided us with a summary of Provision of Shipping Services for FY2019 and FY2020. From the aforesaid summary, we randomly selected and the Company provided us (i) three sets of transaction documents between the Group and members of COSCO SHIPPING Group in respect of the Provision of Shipping Services during FY2019 and FY2020; and (ii) three sets of transaction documents between the Group and independent third parties in respect of comparable shipping services provided by the Group to independent third parties during FY2019 and FY2020. After comparing the aforesaid transaction documents, we noted that the service fee rates charged to COSCO SHIPPING Group for the Provision of Shipping Services were higher than those charged to independent third parties.

With reference to the Board Letter, the Company has adopted certain internal control procedures to ensure the transactions with connected persons are conducted in accordance with the pricing policy, details of which are set out in the section headed “F. INTERNAL CONTROL PROCEDURES” of the Board Letter. We are of the view that the effective implementation of the internal control procedures will ensure the fair pricing of the Provision of Shipping Services.

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With reference to the 2020 Annual Report, the Company's auditor was engaged to report on the continuing connected transactions (including the Provision of Shipping Services) for FY2020. The Company's auditor has issued an unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group in accordance with Rule 14A.56 of the Hong Kong Listing Rules. The independent non-executive Directors also reviewed the continuing connected transactions (including the Provision of Shipping Services) for FY2020 and confirmed that these transactions have been entered into (1) in the ordinary and usual course of business of the Group; (2) on normal commercial terms or on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (3) in accordance with the relevant agreements governing such transactions on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

### *Revised annual caps*

The table below demonstrates (i) the historical amount of the Provision of Shipping Services; (ii) the historical/existing annual cap(s) for the Provision of Shipping Services (the “**Existing Service Cap(s)**”); and (iii) the revised annual cap(s) for the Provision of Shipping Services (“**Revised Service Cap(s)**”):

	For the year ended 31 December 2018 RMB'000	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2020 RMB'000	For the year ending 31 December 2021 RMB'000
Historical amount of the Provision of Shipping Services	1,049,643	1,482,672	2,184,290	2,174,691 (Note 2)
Historical/Existing annual caps (Note 1)	2,060,000	2,080,000	3,000,000	3,200,000
Utilization rate	50.95%	71.28%	72.81%	Undetermined
			For the year ending 31 December 2021 RMB'000	For the year ending 31 December 2022 RMB'000
Revised Service Caps			7,500,000	7,500,000

### *Notes:*

- As the services contemplated under the Previous Shipping Services Agreements are services provided in respect of the principal business of COSCO SHIPPING Lines and OOIL, on 30 October 2019, the Company decided to combine the Previous Shipping Services Agreements by

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entering into the Master Shipping Services Agreement, the scope of which covers the services contemplated under the Previous Shipping Services Agreements. The historical annual caps for the year ended 31 December 2018 and 2019 represent the aggregate annual caps of the Previous Shipping Services Agreements.

2. Such figure represents the historical transaction amount for 1H2021.

With reference to the Board Letter, the Revised Service Caps were estimated based on the followings: (i) the historical transaction amounts; (ii) the expected growth in the container shipping market; (iii) the expected increase in the Group's revenue from the provision of shipping services to the COSCO SHIPPING Group; (iv) the expected fluctuation of the RMB exchange rate to USD; and (v) the expansion of the business volume of the Group.

Given the revision of annual caps was primarily due to the significant increase in revenue from the provision of freight forwarding and empty container reposition services to the COSCO SHIPPING Group and that the price to be charged for the freight forwarding services increased significantly during 1H2021, as mentioned in the section headed "Reasons for and benefits on the Transactions" above, we conducted the following analyses:

- (i) We noted from the 2021 IR Announcement that the Group's revenue from container shipping business amounted to approximately RMB136.4 billion, representing an increase of approximately RMB64.9 billion or 90.60% as compared to that for the corresponding period in 2020.
- (ii) We noted that the historical amount of the Provision of Shipping Services increased by (a) approximately 41.25% from the year ended 31 December 2018 to FY2019; and (b) approximately 47.32% from FY2019 to FY2020.
- (iii) We noted that the historical amount of Provision of Shipping Services during 1H2021 accounted for (a) approximately 99.56% of the historical amount of Provision of Shipping Services for FY2020; and (b) approximately 67.96% of the Existing Service Cap for FY2021.

Having considered the above, we are of the view that the Revised Service Caps for FY2021 and FY2022 are necessary for catering the increasing transaction amount of the Provision of Shipping Services. Accordingly, we consider the Revised Service Caps for FY2021 and FY2022 to be fair and reasonable.

Shareholders should note that as the Revised Service Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2022, and they do not represent forecasts of revenue or income to be generated from the Provision of Shipping Services. Consequently, we express no opinion as to how closely the actual revenue or income to be generated from the Provision of Shipping Services will correspond with the Revised Service Caps.



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Having considered the principal terms of the Revision of Annual Caps of the Master Shipping Services Agreement as set out above, we consider the terms of the Revision of Annual Caps of the Master Shipping Services Agreement (including the Revised Service Caps) to be fair and reasonable.

### **Hong Kong Listing Rules implications**

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Hong Kong Listing Rules pursuant to which (i) the Deposit Services and the Provision of Shipping Services must be restricted by the Revised Deposit Caps and the Revised Service Caps respectively; (ii) the terms of the Deposit Services and the Provision of Shipping Services must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Deposit Services and the Provision of Shipping Services must be included in the Company's subsequent published annual reports.

Furthermore, it is also required by the Hong Kong Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Deposit Services and the Provision of Shipping Services (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the Revised Deposit Caps or the Revised Service Caps (where applicable).

In the event that the maximum daily balance in respect of the Deposit Services or the transaction amounts in respect of the Provision of Shipping Services are anticipated to exceed the Revised Deposit Caps or the Revised Service Caps respectively, or that there is any proposed material amendment to the terms of the Deposit Services or the Provision of Shipping Services, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Hong Kong Listing Rules governing continuing connected transactions.

Given the above stipulated requirements for continuing connected transactions pursuant to the Hong Kong Listing Rules, we are of the view that there are adequate measures in place to monitor the Deposit Services and the Provision of Shipping Services and thus the interest of the Independent Shareholders would be safeguarded.

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## LETTER FROM GRAM CAPITAL

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### RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions (including the Revised Deposit Caps and the Revised Service Caps) are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,  
For and on behalf of  
**Gram Capital Limited**  
**Graham Lam**  
*Managing Director*

*Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.*

\* *for identification purposes only*

## 1. CONSOLIDATED FINANCIAL STATEMENTS

The unaudited condensed consolidated financial information of the Group for the six months ended 30 June 2021 (the “**2021 Interim Financial Information**”) are set out from pages 3 to 22 in the 2021 interim results announcement of the Company, which was published on 30 August 2021. The 2021 interim results announcement of the Company is also posted on the Company’s website <http://hold.coscoshipping.com>. Please also see below a quick link to the 2021 interim results announcement of the Company:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0830/2021083002270.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2020 (the “**2020 Financial Statements**”) are set out from pages 146 to 295 in the 2020 annual report of the Company, which was published on 23 April 2021. The 2020 annual report of the Company is also posted on the Company’s website <http://hold.coscoshipping.com>. Please also see below a quick link to the 2020 annual report of the Company:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0423/2021042300695.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2019 (the “**2019 Financial Statements**”) are set out from pages 142 to 283 in the 2019 annual report of the Company, which was published on 24 April 2020. The 2019 annual report of the Company is also posted on the Company’s website <http://hold.coscoshipping.com>. Please also see below a quick link to the 2019 annual report of the Company:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0424/2020042400675.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2018 (the “**2018 Financial Statements**”) are set out from pages 137 to 275 in the 2018 annual report of the Company, which was published on 24 April 2019. The 2018 annual report of the Company is also posted on the Company’s website <http://hold.coscoshipping.com>. Please also see below a quick link to the 2018 annual report of the Company:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0424/ltn20190424870.pdf>

The 2021 Interim Financial Information, the 2020 Financial Statements, the 2019 Financial Statements and the 2018 Financial Statements (but not any other part of the annual reports and interim results announcement of the Company in which they appear) are incorporated by reference into this circular and form part of this circular.

**2. FINANCIAL AND TRADING PROSPECTS OF THE GROUP**

In the first half of 2021, the global economy gradually recovered while showing a significant trend of differentiation and imbalance. The global logistics supply chain was challenged and impacted by multiple factors such as port congestion, container shortage and inland transportation delay. The supply and demand relationship of the container shipping market was tightened, and the freight rates of main routes faced with upward pressure. From January to June 2021, the average of China Containerized Freight Index was 2,066.64 points, representing an increase of 133.86% as compared to that for the corresponding period of last year and an increase of 92.44% as compared to that for the second half of 2020.

During the first half of 2021, the Company continued to uphold the philosophy of providing “customer-centric” business by adhering to the essence of shipping service and practicing corporate responsibility through measures such as increasing shipping capacity, guaranteeing container supply and enhancing services, thereby ensuring the stability of the global container logistics supply chain using its best endeavors. From January to June 2021, the net profit attributable to the Shareholders amounted to approximately RMB37.10 billion, representing an increase of 4,096.43% as compared to the same period of last year. The Group’s revenue from the container shipping business segment reached RMB136.44 billion, representing an increase of 90.59% as compared to the same period of last year and the revenue from the terminal business segment reached RMB3.72 billion, representing an increase of 15.28% as compared to the same period of last year.

Looking forward to the second half of 2021, with the widespread vaccination to combat COVID-19, the pandemic has been gradually under control, which would in turn help to restore the global economy. However, the recovery will be unstable and uneven amid uncertainties and risks brought by the epidemic. Several renowned economic organizations have made better forecasts for global GDP growth in 2021. Meanwhile, the PRC’s economy maintains its steady growth in the year and will be a strong impetus behind the global economy recovery as well as serve as a solid foundation for the healthy development of the global shipping market.

The Company will proactively respond to future changes and challenges in the market. While doing a good job in epidemic prevention and control, the Company will relentlessly focus on its customer needs, continue to deepen the synergy and integration of its container shipping business and terminal business segments, strive to expand the industrial value chain, and enhance our overall competitiveness to fit into the dual circulation strategy, build a new ecosystem and develop a first-class enterprise and keep creating value for customers and enhancing returns for the Shareholders.

### 3. FINANCIAL EFFECTS

The deposits to be placed with COSCO SHIPPING Finance under the Financial Services Agreement (after the Revision of Annual Caps of the Financial Services Agreement) for each of the two years ending 31 December 2022 are expected to not exceed RMB75,000,000,000 per year. The Company expects that the interest income to be earned from the deposits will be affected by the level of interest rates. However, taking into account the prevailing interest rates for deposits in the PRC, the potential interest income to be earned from the deposit services for the two years ending 31 December 2022 is expected to represent an insignificant portion of the Group's earnings and assets. As such, the Company anticipates that such potential interest income to be earned from the deposit services under the Financial Services Agreement (after the Revision of Annual Caps of the Financial Services Agreement) for the two years ending 31 December 2022 will not have any material impact on the Group's earnings, assets and liabilities.

### 4. INDEBTEDNESS OF THE GROUP

As at 31 July 2021, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had total borrowings of approximately RMB86,427 million. Details of the total indebtedness are summarised below:

	<b>The Group</b> <i>RMB million</i>
Bank loans – secured	27,022
Bank loans – unsecured	38,760
Loan from COSCO SHIPPING Finance – secured	33
Notes/bonds – unsecured	13,376
Loans from non-controlling shareholders of subsidiaries – unsecured	776
Loan from COSCO Shipping (HK) Co., Ltd. – unsecured	6,460
	<hr/>
Total	86,427
	<hr/> <hr/>

Apart from notes with carrying amounts of RMB1,936 million and RMB6,443 million which were guaranteed unconditionally and irrevocably by COSCO SHIPPING Ports and by an irrevocable standby letter of credit issued by Bank of China Limited, Beijing Branch respectively, and bank loans of RMB8,704 million, RMB3,468 million, RMB2,880 million, RMB1,292 million, and RMB5,860 million, which were guaranteed by COSCO SHIPPING, the Company, COSCO SHIPPING Ports, COSCO SHIPPING Lines and OOIL respectively, all other borrowings were unguaranteed.

#### **Lease liabilities**

As at 31 July 2021, being the latest practicable date for the purpose of preparing this statement of indebtedness prior to the printing of this circular, the Group had total lease liabilities of approximately RMB46,381 million.

**Pledge of assets**

As at the close of business on 31 July 2021, the Group pledged the following assets for obtaining financing arrangements from banks:

- (i) first legal mortgages over certain assets of the Group with aggregate net book value of approximately RMB34,700 million;
- (ii) assignment of the charter, rental income and earnings, requisition compensation, insurance relating to certain container vessels;
- (iii) shares of certain subsidiaries; and
- (iv) restricted bank deposits with total carrying amounts of approximately RMB216 million.

**Contingent liabilities and financial guarantee**

The Group was also involved in a number of claims and lawsuits, including but not limited to claims and lawsuits arising from damage to vessels during transportation, damage to goods, delay in delivery, collision of vessels, early termination of vessel chartering contracts and dispute in pledge supervision (where the Group was responsible for supervising certain assets pledged by its customers in favour of third party banks). As at 31 July 2021, the Group was unable to ascertain the likelihood and amounts of the above-mentioned claims. However, based on the information available to the Group, the Directors are of the opinion that the related claims amounts should not be material to the Group as a whole.

***Disclaimer***

Save as disclosed above and apart from intra-group liabilities and normal trade payables in the ordinary course of business of the Group, as at 31 July 2021, the Group did not have any debt securities issued and outstanding, and authorised or otherwise created but unissued, term loans, other borrowings or indebtedness in the nature of borrowings including bank overdrafts and liabilities under acceptance (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages, charges or other material contingent liabilities or guarantees.

**5. WORKING CAPITAL**

The Directors are of the opinion that, after due and careful enquiry, taking into account the financial resources available to the Group, including internally generated funds and the available banking facilities, the Group has sufficient working capital to meet its present requirements for at least the next 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 circular misleading.

## 2. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

- (a) As at the Latest Practicable Date, the interests of the Directors, Supervisors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Hong Kong Listing Rules were as follows:

### (i) Long position in the shares, underlying shares and debentures of the Company

Name of Director	Capacity	Number of Shares held as at the Latest Practicable Date	Percentage of total number of the relevant class of Shares	Percentage of total number of issued Shares
Mr. YANG Zhijian <sup>1</sup>	Beneficial owner	130,000 H Shares	0.00388%	0.00081%
		1,216,800 A Shares	0.00961%	0.00760%
Mr. FENG Boming <sup>2, 3</sup>	Beneficial owner	1,216,800 A Shares	0.00961%	0.00760%
	Interest of spouse	611,000 A Shares	0.00483%	0.00382%
Mr. TEO Siong Seng	Beneficial owner	146,250 H Shares	0.00436%	0.00091%

*Notes:*

1. As at the Latest Practicable Date, Mr. Yang Zhijian held 1,216,800 A share options under the A share option incentive scheme of the Company.
2. As at the Latest Practicable Date, Mr. Feng Boming held 1,216,800 A share options under the A share option incentive scheme of the Company.
3. As at the Latest Practicable Date, the spouse of Mr. Feng Boming held 149,370 A Shares and 461,630 A share options under the A share option incentive scheme of the Company. Mr. Feng Boming is therefore deemed to be interested in such A Shares and share options of the Company.

**(ii) Long positions in the shares, underlying shares and debentures of associated corporations of the Company**

<b>Name of associated corporation</b>	<b>Name of Director/ Supervisor</b>	<b>Capacity</b>	<b>Number of shares held</b>	<b>Percentage of total number of issued shares of the relevant class of the relevant associated corporation</b>
COSCO SHIPPING Development Co., Ltd.	Mr. YANG Zhijian	Beneficial owner	400,000 A shares	0.01088%
	Mr. FENG Boming	Beneficial owner	29,100 H shares	0.00037%
COSCO SHIPPING Ports Limited	Mr. FENG Boming	Beneficial owner	32,379 ordinary shares	0.00098%

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

<b>Name of Director</b>	<b>Position held in COSCO SHIPPING</b>
XU Lirong	Chairman of the board of directors and party secretary
HUANG Xiaowen	Deputy general manager and member of the party group
YANG Zhijian	Employee representative director



- (c) Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, (i) none of the Directors, Supervisors or chief executive of the Company had any interest or short positions in any shares or underlying shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange; and (ii) none of the Directors was a director or employee of a company which had an interest or short position in the Shares and underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

### **3. DIRECTORS' INTERESTS IN COMPETING BUSINESS**

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any interest in any 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 of the Company under Rule 8.10 of the Hong Kong Listing Rules.

### **4. DIRECTORS' AND SUPERVISORS' INTERESTS IN ASSETS**

As at the Latest Practicable Date, none of the Directors or Supervisors had any direct or indirect interest in any asset which had been, since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

### **5. DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS**

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

### **6. DIRECTORS' AND SUPERVISORS' INTERESTS IN SERVICE CONTRACTS**

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

**7. EXPERT AND CONSENT**

The following is the qualification of the expert who has given an opinion or advice, which is contained or referred to in this circular:

<b>Name</b>	<b>Qualification</b>
Gram Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO

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

As at the Latest Practicable Date, Gram Capital Limited did not have any direct or indirect interest in any assets which had been, since 31 December 2020, being the date to which the latest published audited accounts of the Group 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.

Gram Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 24 September 2021 in connection with its advice to the Independent Board Committee and the Independent Shareholders, and reference to its name and logo in the form and context in which it appears.

**8. LITIGATION**

There was no litigation or claim of material importance pending or threatened against any member of the Group as at the Latest Practicable Date.

**9. MATERIAL CONTRACTS**

The Group has not entered into any material contract (not being contracts entered into in the ordinary course of business of the Group) within the two years immediately preceding the date of this circular.

**10. MATERIAL ADVERSE CHANGE**

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

**11. MISCELLANEOUS**

- (a) The company secretary of the Company is Dr. GUO Huawei, who is a senior economist.
- (b) The registered office of the Company is located at 2nd Floor, 12 Yuanhang Business Centre, Central Boulevard and East Seven Road Junction, Tianjin Pilot Free Trade Zone (Airport Economic Area), Tianjin, the PRC. The head office and principal place of business of the Company in Hong Kong is located at 48/F, COSCO Tower, 183 Queen's Road Central, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited located at Shops 1712 to 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) This circular in both English and Chinese is available in printed form and published on the respective websites of the Company at "<http://hold.coscoshipping.com>" and Hong Kong Exchanges and Clearing Limited at "<http://www.hkexnews.hk>". To the extent that there are any inconsistencies between the English version and the Chinese version of this circular, the English version shall prevail.

**12. DOCUMENTS AVAILABLE FOR INSPECTION**

A copy of the following documents will be made available for inspection during normal business hours at the Company's principal place of business at 48/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 Articles of Association;
- (b) each of the COSCO SHIPPING Master Agreements;
- (c) the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Revision of Annual Caps of the Financial Services Agreement and the Revision of Annual Caps of the Master Shipping Services Agreement;
- (d) the letter from the Independent Board Committee to Independent Shareholders in respect of the Revision of Annual Caps of the Financial Services Agreement and the Revision of Annual Caps of the Master Shipping Services Agreement;
- (e) the annual reports of the Company for each of the two financial years ended 31 December 2019 and 2020 and the interim results announcement of the Company for the six months ended 30 June 2021;
- (f) the written consent from Gram Capital Limited referred to in the section headed "7. Expert and Consent" in this Appendix;
- (g) the circular of the Company dated 5 December 2019 in relation to, among other things, the COSCO SHIPPING Master Agreements; and
- (h) this circular.

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## SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING

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中遠海運控股股份有限公司  
**COSCO SHIPPING Holdings Co., Ltd.\***

*(a joint stock limited company incorporated in the People's Republic of China with limited liability)*  
**(Stock Code: 1919)**

### SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING

Reference is made to the notice of the extraordinary general meeting dated 5 August 2021 (the “**Original Notice of EGM**”) which sets out the details of the resolution to be proposed at the extraordinary general meeting (the “**EGM**”) of COSCO SHIPPING Holdings Co., Ltd.\* (中遠海運控股股份有限公司) (the “**Company**”) to be held at Conference Room, 47th Floor, COSCO Tower, 183 Queen’s Road Central, Hong Kong and Ocean Hall, 5th Floor, Shanghai Ocean Hotel, No. 1171, Dong Da Ming Road, Shanghai, the People’s Republic of China on Friday, 29 October 2021 at 9:30 a.m. for the Shareholders’ approval. Unless otherwise defined, capitalised terms used in this supplemental notice shall have the same meanings as those defined in the circular of the Company dated 24 September 2021 in relation to the revision of annual caps of continuing connected transactions (the “**Circular**”).

**SUPPLEMENTAL NOTICE IS HEREBY GIVEN** that the EGM will be held, as originally scheduled, to consider and, if thought fit, pass the following resolutions as ordinary resolutions of the Company, in addition to the resolution set out in the Original Notice of EGM.

#### ORDINARY RESOLUTIONS

- 2(a) To consider and approve the Revision of Annual Caps of the Master Shipping Services Agreement.
- 2(b) To consider and approve the Revision of Annual Caps of the Master Port Services Agreement.
- 2(c) To consider and approve the Revision of Annual Caps of the Financial Services Agreement.

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## SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING

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- 3 To consider and approve the ten shipbuilding contracts all dated 2 September 2021 entered into by the subsidiaries of the Company (as buyers) with Dalian COSCO KHI Ship Engineering Co., Ltd.\* (大連中遠海運川崎船舶工程有限公司) and Nantong COSCO KHI Ship Engineering Co., Ltd.\* (南通中遠海運川崎船舶工程有限公司) (both as builders) regarding the construction of ten units of 16,000 TEU container vessels and the transactions contemplated thereunder.

Yours faithfully,

By Order of the Board

**COSCO SHIPPING Holdings Co., Ltd.\***

**Guo Huawei**

*Company Secretary*

Shanghai, the People's Republic of China

24 September 2021

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## SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Notes:*

1. Save for the inclusion of the additional proposed resolutions as set out in this supplemental notice of the EGM, there are no other changes to the resolution set out in the Original Notice of EGM. For details of the other resolution(s) to be considered at the EGM, closure of the register of H Share members of the Company, eligibility for attending the EGM, registration procedures for attending the EGM, appointment of proxy, method of voting and other relevant matters, please refer to the Original Notice of EGM.
2. Since the Original Form of Proxy sent together with the Original Notice of EGM does not contain the additional proposed resolutions as set out in this supplemental notice of the EGM, a revised form of proxy (the “**Revised Form of Proxy**”) has been prepared and is enclosed with this supplemental notice of the EGM.
3. A Shareholder who has not yet lodged the Original Form of Proxy in accordance with the instructions printed thereon with Computershare, the Company’s H Share registrar, is requested to complete and return the enclosed Revised Form of Proxy in accordance with the instructions printed thereon to Computershare not less than 24 hours before the time for holding the EGM or any adjournment thereof, if he or she wishes to appoint proxies to attend the EGM on his or her behalf. In this case, the Original Form of Proxy should not be lodged to Computershare.

The address of Computershare is as follows:

17M Floor  
Hopewell Centre  
183 Queen’s Road East  
Wanchai  
Hong Kong

4. A Shareholder who has already lodged the Original Form of Proxy in accordance with the instructions printed thereon with Computershare should note the following:
  - (i) If no Revised Form of Proxy is lodged with Computershare, the Original Form of Proxy will be treated as a valid form of proxy lodged by the Shareholder if correctly completed. The proxy appointed under the Original Form of Proxy will be entitled to vote in his or her discretion or abstain from voting on any resolutions properly put to the EGM, other than those referred to in the Original Form of Proxy, including the additional resolutions set out in this supplemental notice of the EGM.
  - (ii) If the Revised Form of Proxy is lodged with Computershare in accordance with the instructions printed thereon not less than 24 hours before the time for holding the EGM or any adjournment thereof, the Revised Form of Proxy will revoke and supersede the Original Form of Proxy previously lodged by the Shareholder. The Revised Form of Proxy will be treated as a valid form of proxy lodged by the Shareholder if correctly completed.
  - (iii) If the Revised Form of Proxy is lodged after 24 hours before the time for holding the EGM or any adjournment thereof, the Revised Form of Proxy will be deemed invalid. It will not revoke the Original Form of Proxy previously lodged by the Shareholder. The Original Form of Proxy will be treated as a valid form of proxy lodged by the Shareholder if correctly completed. The proxy appointed under the Original Form of Proxy will be entitled to vote in his or her discretion or abstain from voting on any resolutions properly put to the EGM, other than those referred to in the Original Form of Proxy, including the additional resolutions set out in this supplemental notice of the EGM.
5. Completion and return of the Original Form of Proxy and/or the Revised 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.
6. As at the date of this notice, the Directors are Mr. XU Lirong<sup>1</sup> (Chairman), Mr. HUANG Xiaowen<sup>1</sup> (Vice Chairman), Mr. YANG Zhijian<sup>1</sup>, Mr. FENG Boming<sup>1</sup>, Mr. WU Dawei<sup>2</sup>, Mr. ZHOU Zhonghui<sup>2</sup>, Mr. TEO Siong Seng<sup>2</sup> and Prof. MA, Si Hang Frederick<sup>2</sup>.

1 *Executive director*

2 *Independent non-executive director*

\* *For identification purpose only*