
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in COSCO SHIPPING Holdings Co., Ltd., you should at once hand this circular and the proxy form 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)

DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION CONSTRUCTION OF TEN NEW VESSELS

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



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 6 to 13 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on page 14 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 15 to 28 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, was despatched to the Shareholders on 24 September 2021.

Whether or not you intend to attend the EGM, you are requested to complete and return the Revised Form of Proxy in accordance with the instructions printed thereon. The Revised Form of Proxy should be returned to the H share registrar of the Company, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 24 hours before the time appointed for the EGM or any adjournment thereof. Completion and return of the Revised Form of Proxy will not preclude you from attending and voting in person at the EGM or at any adjournment thereof should you so wish.

* For identification purpose only

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PRECAUTIONARY MEASURES FOR THE EGM

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.

DEFINITIONS

In this circular, unless the context requires otherwise, the following terms have the meanings set out below, and words in plural shall include the singular and vice versa, as applicable:

“Articles of Association”	the articles of association of the Company
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Builders”	Dalian and Nantong
“Buyers”	Newcontainer No. 128 (Marshall Islands) Shipping Inc. (“NC128”), Newcontainer No. 129 (Marshall Islands) Shipping Inc. (“NC129”), Newcontainer No. 130 (Marshall Islands) Shipping Inc. (“NC130”), Newcontainer No. 131 (Marshall Islands) Shipping Inc. (“NC131”), Newcontainer No. 132 (Marshall Islands) Shipping Inc. (“NC132”), Newcontainer No. 133 (Marshall Islands) Shipping Inc. (“NC133”), Newcontainer No. 134 (Marshall Islands) Shipping Inc. (“NC134”), Newcontainer No. 135 (Marshall Islands) Shipping Inc. (“NC135”), Newcontainer No. 136 (Marshall Islands) Shipping Inc. (“NC136”), and Newcontainer No. 137 (Marshall Islands) Shipping Inc. (“NC137”), each an indirect wholly-owned subsidiary of OOIL
“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 and a member of COSCO SHIPPING Group, 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 Listing Rules

DEFINITIONS

“COSCO”	China Ocean Shipping Company Limited* (中國遠洋運輸有限公司), a PRC state-owned enterprise, the direct controlling shareholder of the Company and a wholly-owned subsidiary of COSCO SHIPPING
“COSCO SHIPPING”	China COSCO SHIPPING Corporation Limited* (中國遠洋海運集團有限公司), a PRC state-owned enterprise and an indirect controlling Shareholder
“COSCO SHIPPING Group”	COSCO SHIPPING and its subsidiaries and associates (as defined under the Listing Rules)
“Dalian”	Dalian COSCO KHI Ship Engineering Co., Ltd.* (大連中遠海運川崎船舶工程有限公司), a company established in the PRC and an indirect subsidiary of COSCO SHIPPING. Nantong directly holds 30% equity interest in Dalian
“Directors”	the directors 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 Transaction
“Faulkner”	Faulkner Global Holdings Limited, a company incorporated in the British Virgin Islands and a member of the COSCO SHIPPING Group, directly holds 71.07% of the issued share capital of OOIL
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors, who have no material interests in the Transaction

DEFINITIONS

“Independent Financial Adviser”	First Shanghai Capital Limited (第一上海融資有限公司), a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Transaction
“Independent Shareholders”	Shareholders other than those who are members of the COSCO SHIPPING Group
“Latest Practicable Date”	17 September 2021, being the latest practicable date before the printing of this circular for ascertaining certain information for the purpose of inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“Nantong”	Nantong COSCO KHI Ship Engineering Co., Ltd.* (南通中遠海運川崎船舶工程有限公司), a company established in the PRC and an associate of COSCO SHIPPING which indirectly holds 50% equity interest in Nantong
“New Shipbuilding Contracts”	the following ten shipbuilding contracts all dated 2 September 2021, each of which relates to one New Vessel and contains substantially the same terms: (i) five shipbuilding contracts entered into by Nantong with each of NC128, NC129, NC130, NC131 and NC132 respectively in respect of the five related New Vessels; and (ii) five shipbuilding contracts entered into by Dalian with each of NC133, NC134, NC135, NC136 and NC137 respectively in respect of the five related New Vessels
“New Vessels”	ten units of 16,000 TEU container vessels, five of which will be constructed by Nantong and five of which will be constructed by Dalian according to the respective New Shipbuilding Contracts, and “New Vessel” means any of them
“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 subsidiary of the Company

DEFINITIONS

“OOIL Group”	OOIL and its subsidiaries
“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
“Original Notice of EGM”	the notice of the EGM dated 5 August 2021, which was despatched to the Shareholders on 5 August 2021
“PRC” or “China”	the People’s Republic of China
“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, which was despatched to the Shareholders on 24 September 2021
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	the share(s) of the Company
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules, and “subsidiary” means any one of them
“Supplemental Notice of the EGM”	the supplemental notice of the EGM dated 24 September 2021 containing additional resolutions to be proposed at the EGM, which was despatched to the Shareholders on 24 September 2021
“TEU”	twenty-foot equivalent container unit
“Transaction”	the transactions contemplated under the New Shipbuilding Contracts
“US\$” or “US Dollars”	United States Dollars, the lawful currency of the United States

DEFINITIONS

“2020 Transaction”	the transactions comprising (1) the transactions under the shipbuilding contracts with the members of the COSCO SHIPPING Group on 10 March 2020 for the construction of vessels, which constituted discloseable transaction and connected transaction of the Company, and the details of which are contained in the announcement and the circular of the Company dated 11 March 2020 and 27 April 2020 respectively, and (2) the transactions under the shipbuilding contracts with the members of the COSCO SHIPPING Group on 30 October 2020 for the construction of vessels, which also constituted discloseable transaction and connected transactions of the Company, and the details of which are contained in the announcement and the circular of the Company dated 30 October 2020 and 16 November 2020 respectively
“2021 July Transaction”	the transactions under the shipbuilding contracts with the member of the COSCO SHIPPING Group on 15 July 2021 for the construction of ten vessels, which constituted discloseable transaction and connected transactions of the Company, and the details of which are contained in the announcement and the circular of the Company dated 15 July 2021 and 5 August 2021 respectively
“%”	per cent.

Note: The exchange rate used for reference purpose in this circular is US\$1.00 to HK\$7.80.

* *For identification purposes only*

LETTER FROM THE BOARD



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 Lirong¹ (Chairman)
Mr. HUANG Xiaowen¹ (Vice Chairman)
Mr. YANG Zhijian¹
Mr. FENG Boming¹
Mr. WU Dawei²
Mr. ZHOU Zhonghui²
Mr. TEO Siong Seng²
Prof. MA, Si Hang Frederick²

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

¹ Executive Director

² Independent Non-executive Director

24 September 2021

To the Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION
CONSTRUCTION OF TEN NEW VESSELS**

A. INTRODUCTION

References are made to (i) announcement of the Company dated 2 September 2021 in respect of the Transaction contemplated under the New Shipbuilding Contracts; (ii) the announcement and the circular of the Company dated 30 August 2021 and 24 September 2021 respectively, in relation to, among others, major transaction and continuing connected transactions regarding the revision of annual caps of continuing connected transactions; (iii) the announcement and the circular of the Company dated 15 July 2021 and dated 5 August 2021 respectively, in relation to, among others, discloseable transaction and connected transaction regarding the 2021 July Transaction; (iv) the Original Notice of EGM; and (v) the Supplemental Notice of EGM.

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The purpose of this circular is to provide you with, among other things, (i) further details of the Transaction; (ii) a letter from the Independent Board Committee; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) other information as required under the Listing Rules.

B. THE TRANSACTION

On 2 September 2021, the Buyers (ten indirect wholly-owned subsidiaries of OOIL and therefore indirect non-wholly owned subsidiaries of the Company) respectively entered into the New Shipbuilding Contracts on substantially the same terms with the respective Builders for the construction of the respective New Vessels for a consideration of US\$157.58 million (equivalent to approximately HK\$1,229.12 million) for each New Vessel and for an aggregate consideration of US\$1,575.80 million (equivalent to approximately HK\$12,291.24 million) for all the New Vessels. Among the New Shipbuilding Contracts, (i) five of which were entered into with Nantong for the construction of the related five New Vessels and (ii) five of which were entered into with Dalian for the construction of the related five New Vessels.

Finance Terms

OOIL, a non-wholly owned subsidiary of the Company, currently envisages that not more than 60% of the contract price of each New Vessel will be financed by bank financing with the financing guaranteed by OOIL which will be finalised before the delivery of the New Vessels, whilst the balance of the contract price will be funded from internal resources of the OOIL Group. If the bank financing arrangement could not be arranged, the full contract price of each New Vessel would come from the internal resources of the OOIL Group, which is expected to be sufficient for this purpose.

Contract Terms

The terms of the New Shipbuilding Contracts (including the consideration for each New Vessel) were determined on an arm's length basis and on normal commercial terms (based on price comparable to market price agreed between a willing buyer and a willing seller, payment terms, technical terms and delivery dates that meet OOIL's requirements), pursuant to the negotiation process referred to in the sub-section headed "Reasons for and Benefits of the Transaction" below.

Under each of the New Shipbuilding Contracts, the relevant Buyer shall pay the respective consideration of US\$157.58 million (equivalent to approximately HK\$1,229.12 million) in cash in five instalments based on progress intervals on the construction of each New Vessel (including the steel cutting of the New Vessel, keel-laying of the New Vessel, and launching of the New Vessel), with smaller proportion of contract price payable in the first four instalments and the majority of the payment payable upon delivery of the New Vessel. OOCL (Assets) Holdings Inc., an indirect wholly-owned subsidiary of OOIL and therefore an indirect non-wholly owned subsidiary of the Company, as guarantor, has provided a letter of guarantee for each of the New Vessels in favour of the respective Builders, guaranteeing the respective

LETTER FROM THE BOARD

Buyers' payment obligation under the respective New Shipbuilding Contracts as provided in the respective letters of guarantee. The consideration shall be subject to adjustments by deducting liquidated damages in cases of (i) delay in delivery of the New Vessel, (ii) insufficient speed of the New Vessel, (iii) excessive fuel consumption by the New Vessel, (iv) deadweight of the New Vessel, or (v) deficiency in container's capacity.

The New Vessels are expected to be delivered between the fourth quarter of 2024 and the fourth quarter of 2025 subject to any early delivery or delay in delivery (subject to a maximum liquidated damages of approximately US\$9.63 million per New Vessel for delay in delivery) as provided in each of the New Shipbuilding Contracts. In case of delay in delivery, the liquidated damages payable by the relevant Builder to the relevant Buyer shall be deducted from the fifth instalment of consideration, of which the amount shall be assessed on the length of delayed period after the expiration of the original delivery date. If the length of the delayed period exceeds a certain number of days, the relevant Buyer may, at its option, terminate the relevant New Shipbuilding Contract without any incurrence of penalty payable by the Buyer.

In the event that any of the New Shipbuilding Contracts is terminated by the relevant Buyer in accordance with the specific terms thereof, the relevant Builder shall refund to the relevant Buyer in US Dollars the full amount already paid by the Buyer to the Builder, together with interest incurred thereof.

Reasons for and Benefits of the Transaction

The Transaction is in line with the 14th Five Year Plan of the OOIL Group, which would, among other things, increase the fleet capacity of the OOIL Group and consolidate its position in the first echelon of the industry. The increase of self-owned vessels as a result of the Transaction would complement the OOIL Group's long term strategic development and growth plan to meet market demand in the future. The OOIL Group would also benefit from the optimization of its fleet structure and the reduction of its reliance on the vessel charter market. In addition, the New Vessels under the Transaction would increase the average container space per vessel of the OOIL Group, driving economies of scale, whereby a higher container space per vessel would result in a lower cost per container, enhancing the operating cost competitiveness of the OOIL Group. The New Vessels will be equipped with energy saving and emission reduction technologies, which will generate cost advantages as well as help in environmental protection. The construction of the New Vessels is intended for business expansion of the OOIL Group. The New Vessels will improve the flexibility of the fleet deployment plan and chartering arrangement of the OOIL Group. With the phasing in of the New Vessels, the OOIL Group will be able to re-deploy its existing vessels strategically to meet the evolving market situation.

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Based on the OOIL Group's evaluation on price, technical competency and delivery schedule, each of Nantong's and Dalian's offers is optimal during the negotiation process amongst the major shipbuilders in that they meet the above factors, as (i) both Nantong and Dalian have been well-recognised in the shipbuilding industry for their manufacturing process and quality control, which is crucial to the performance of the vessels, (ii) their vessel delivery schedule best fits with the strategic plan of the OOIL Group and (iii) their price quotation is comparable with that obtained during the negotiation process of the OOIL Group with the other shipbuilders.

It is in the commercial interests of and to the corporate benefit for the OOIL Group to enter into the New Shipbuilding Contracts with the Builders, being builders for the twelve mega-sized 23,000 TEU vessels ordered by the OOIL Group in 2020 (the “**2020 Vessels**”) and engaging the same Builders will provide synergy in construction. After being engaged to construct the 2020 Vessels, the Builders have gained an improved understanding of the OOIL Group's operational and technical specifications, requirements and standard for its newbuildings. OOIL understood that the Builders have open docks and capacity for new orders of NeoPanamax vessels such as the New Vessels.

Following delivery of the New Vessels, the OOIL Group's fixed assets will increase whilst current assets will decrease and long term liabilities will increase depending on the proportion of the contract price funded from internal resources and external finance. There is no immediate material impact on earnings of the OOIL Group by reason only of the Transaction.

The Board (including the independent non-executive Directors after taking into account the advice from the Independent Financial Adviser) considers that the terms of the New Shipbuilding Contracts are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Listing Rules Implications

As at the Latest Practicable Date, COSCO SHIPPING and its associates control or are entitled to exercise control over approximately 46.01% total issued share capital of the Company. Therefore, COSCO SHIPPING is a controlling shareholder of the Company and a connected person of the Company. Nantong is an associate of COSCO SHIPPING which indirectly holds 50% equity interest in Nantong. Dalian is an indirect subsidiary of COSCO SHIPPING. COSCO SHIPPING (through its wholly-owned subsidiaries) holds 36% equity interest, and Nantong directly holds 30% equity interest, respectively, in Dalian. Accordingly, both Nantong and Dalian are connected persons of the Company under Chapter 14A of the Listing Rules, and the Transaction constitutes a connected transaction of the Company.

The Transaction, the 2021 July Transaction and the 2020 Transaction constitute a series of transactions made within a 12-month period and shall be aggregated pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Transaction (when aggregated with the 2021 July Transaction and the 2020

LETTER FROM THE BOARD

Transaction) exceeds 5% but are all less than 25%, the Transaction constitutes a discloseable transaction and a connected transaction of the Company subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders on, among other things, the terms of the Transaction and on how to vote on the resolution in respect of the Transaction at the EGM. The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

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 resolution for the approval of the Transaction by the Board according to the Articles of Association.

Save as disclosed above, none of the Directors has a material interest in the Transaction and was required to abstain from voting on the relevant resolution.

C. INFORMATION ON THE GROUP AND THE BUILDERS

The OOIL Group is principally engaged in the provision of container transport and logistics services.

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.

To the best of the Directors' knowledge, information and belief, Nantong is a company established in the PRC and is an associate of COSCO SHIPPING, and in which each of COSCO SHIPPING and Kawasaki Heavy Industries Ltd. ("**Kawasaki**", a heavy industrial manufacturer whose shares are listed on the Tokyo Stock Exchange) indirectly or directly holds 50% equity interest respectively. Nantong is principally engaged in the business of manufacturing, sales and repairing of ships (including trial-run for self-built ships).

To the best of the Directors' knowledge, information and belief, Dalian is a company established in the PRC and is owned by COSCO SHIPPING (through its wholly-owned subsidiaries), Kawasaki and Nantong as to 36%, 34% and 30% respectively. Dalian is principally engaged in the business of design, manufacturing, sales and repairing of ships (excluding military ships).

LETTER FROM THE BOARD

To the best of the Directors' knowledge, information and belief, 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, sale of vessels, containers and steel, and maritime engineering.

D. 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, and the Supplemental Notice of EGM was despatched to the Shareholders on 24 September 2021. The resolution regarding the Transaction as contained in the Supplemental Notice of EGM will be proposed by way of ordinary resolution at the EGM to be approved by the Independent Shareholders, and the voting in relation to such resolution 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 Transaction contemplated under the New Shipbuilding Contracts, 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 Listing Rules, they will abstain from voting at the EGM on the resolution in respect of the Transaction.

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 Transaction to be approved at the EGM and accordingly, none of other Shareholders is required to abstain from voting on the relevant resolution 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.

LETTER FROM THE BOARD

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.

E. VOTING BY POLL

Pursuant to Rule 13.39(4) of the 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 Listing Rules.

F. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 14 of this circular and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 15 to 28 of this circular in connection with the Transaction, and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice.

LETTER FROM THE BOARD

The Independent Board Committee, having taken into account the terms of the Transaction and the advice of the Independent Financial Adviser, is of the opinion that the Transaction is on normal commercial terms or better and in the ordinary and usual course of business of the Group, and that the terms of the Transaction 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 resolution to approve the Transaction.

The Board recommends the Independent Shareholders to vote in favour of the resolution to approve the Transaction at the EGM.

G. ADDITIONAL INFORMATION

Your attention is drawn to the information set out in Appendix I to this circular.

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

* *For identification purpose only*



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,

**DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION
CONSTRUCTION OF TEN NEW VESSELS**

We refer to the circular issued by the Company dated 24 September 2021 in relation to shipbuilding transactions (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings in this letter.

We have been appointed by the Board to advise the Independent Shareholders as to whether (i) the Transaction is on normal commercial terms or better and in the ordinary and usual course of business of the Group; and (ii) the terms of Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

First Shanghai Capital Limited has been appointed to act as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transaction. The text of the letter of advice from the Independent Financial Adviser containing their recommendations and the principal factors they have taken into account in arriving at their recommendations are set out from pages 15 to 28 of the Circular.

Having taken into account the terms of the Transaction and the advice of the Independent Financial Adviser, we are of the opinion that (i) the Transaction is on normal commercial terms or better and in the ordinary and usual course of business of the Group; and that (ii) the terms of the Transaction 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 Transaction.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. WU Dawei
Mr. TEO Siong Seng

Mr. ZHOU Zhonghui
Prof. MA, Si Hang Frederick

Independent non-executive Directors

* *For identification purpose only*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the text of a letter received from the Independent Financial Adviser setting out its advice to the Independent Board Committee and the Independent Shareholders in respect of the Transaction for inclusion in this circular.



FIRST SHANGHAI CAPITAL LIMITED

19th Floor, Wing On House
71 Des Voeux Road Central
Hong Kong

24 September 2021

*To the Independent Board Committee and
the Independent Shareholders*

COSCO SHIPPING Holdings Co., Ltd.
8/F., No. 658 Dong Da Ming Road
Shanghai
People's Republic of China

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION CONSTRUCTION OF TEN NEW VESSELS

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Transaction, details of which are set out in the circular of the Company to the Shareholders dated 24 September 2021 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular. The exchange rate of US\$1.0 to RMB6.4594 (being the central parity rate as of the date of the New Shipbuilding Contracts with reference to the website of the People's Bank of China) has been adopted in this letter solely for illustration purpose.

On 2 September 2021, the Buyers (ten indirect wholly-owned subsidiaries of OOIL and therefore indirect wholly-owned subsidiaries of the Company, given OOIL is a subsidiary of the Company) respectively entered into the New Shipbuilding Contracts on substantially the same terms with the respective Builders (being Nantong and Dalian) for the construction of the respective New Vessels at a consideration of US\$157.58 million for each New Vessel, i.e. at an aggregate consideration of US\$1,575.80 million (equivalent to approximately RMB10,179 million) for the ten New Vessels. Among the New Shipbuilding Contracts, (i) five of which were entered into with Nantong for the construction of the related five New Vessels; and (ii) five of which were entered into with Dalian for the construction of the related five New Vessels.

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Nantong is an associate of COSCO SHIPPING (a controlling shareholder of the Company), which indirectly holds 50% equity interest in Nantong. Dalian is an indirect subsidiary of COSCO SHIPPING, where COSCO SHIPPING (through its wholly-owned subsidiaries) holds 36% equity interest, and Nantong directly holds 30% equity interest, respectively, in Dalian. Accordingly, both Nantong and Dalian are connected persons of the Company under Chapter 14A of the Listing Rules and therefore the Transaction constitutes a connected transaction of the Company. As mentioned in the letter from the Board in the Circular (the “**Board Letter**”), the Transaction is subject to the reporting, announcement, circular and independent shareholders’ approval requirements under the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive directors of the Company, namely Mr. WU Dawei, Mr. ZHOU Zhonghui, Mr. TEO Siong Seng and Prof. MA, Si Hang Frederick, has been established to advise the Independent Shareholders in respect of the Transaction. We, First Shanghai Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

OUR INDEPENDENCE

The Independent Shareholders should note that, within the past two years prior to the Latest Practicable Date:–

- we were engaged as independent financial adviser by the Company for four occasions, including (i) the discloseable and connected transaction regarding the construction of five vessels as detailed in the circular of the Company dated 27 April 2020; (ii) the discloseable and connected transaction regarding the construction of seven vessels as detailed in the circular of the Company dated 16 November 2020; (iii) the major and connected transaction regarding the leasing of vessels as detailed in the circular of the Company dated 16 November 2020; and (iv) the discloseable and connected transaction regarding the construction of ten vessels as detailed in the circular of the Company dated 5 August 2021; and
- we were also engaged as independent financial adviser by OOIL, which is a subsidiary of the Company, for four occasions including (i) the continuing connected transactions conducted with the COSCO SHIPPING Group as detailed in the circular of OOIL dated 28 November 2019; (ii) the major and connected transaction regarding the construction of five vessels as detailed in the circular of OOIL dated 9 April 2020; (iii) the major and connected transaction regarding the construction of seven vessels and the revision of certain annual caps as detailed in the circular of OOIL dated 11 November 2020; and (iv) the Transaction.

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Apart from normal professional fees paid or payable to us in connection with the aforesaid engagements (the “**Previous Engagements**”), we did not have any other relationships or interests with the COSCO SHIPPING Group (including the Group). Given (i) our independent roles in the Previous Engagements; (ii) none of the members of our parent group is a direct party to the New Shipbuilding Contracts; and (iii) our fee for this present engagement with the Company, in addition to those for the Previous Engagements, represented an insignificant percentage of revenue of our parent group, we consider that the Previous Engagements would not affect our independence, and we consider ourselves independent, to provide our advice and form our opinion in respect of the Transaction.

BASIS OF OUR OPINION

In putting forth our opinion and recommendation, we have relied on the accuracy of the information and representations included in the Circular and provided to us by the management of the Group (the “**Management**”), and have assumed that all such information and representations made or referred to in the Circular and provided to us by the Management were true at the time they were made and continued to be true up to the Latest Practicable Date. We have reviewed, among other documents, the New Shipbuilding Contracts, the financial reports of the Company and relevant industry information as further elaborated in our letter. We have also assumed that all statements of belief, opinion and intention made in the Circular were reasonably made after due enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Management and have been advised that no material facts have been withheld or omitted from the information provided and referred to in the Circular. We consider that we have reviewed sufficient information to reach an informed view and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our advice. We have not, however, conducted any independent verification of the information included in the Circular and provided to us by the Management nor have we conducted any form of investigation into the business, affairs or future prospects of the Group. 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 note 1 to Rule 13.80 of the Listing Rules.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion on the Transaction, we have taken into account the following principal factors and reasons:–

1. Background information on the parties to the Transaction

The Group provides a wide range of container shipping and terminal services covering the whole shipping value chain for both international and domestic customers. According to the annual report of the Company for the year ended 31 December 2020 (the “**2020 Annual Report**”), approximately 96% and 97% of the revenues was derived from the container shipping business segment for each of the years ended 31 December 2019 and 2020, respectively, while the remaining revenue was primarily from the container terminal business segment.

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OOIL (316 HK) is a non-wholly owned subsidiary of the Company. The OOIL Group is principally engaged in the provision of container transport and logistics services. We have reviewed the annual report of OOIL for the year ended 31 December 2020 and we understand that over 99% of the revenue of the OOIL Group was generated from the container transport and logistics business for each of the years ended 31 December 2019 and 2020.

COSCO SHIPPING, which is a PRC state-owned enterprise, is a controlling shareholder of the Company.

In respect of the Builders (being Nantong and Dalian), as stated in the Board Letter, (i) Nantong is principally engaged in the business of manufacturing, sales and repairing of ships (including trial-run for self-built ships) and is owned as to 50% and 50% by COSCO SHIPPING and Kawasaki Heavy Industries Ltd. (i.e. a Japan-based heavy industrial manufacturer whose shares are listed on the Tokyo Stock Exchange) (7012 JP) (“**Kawasaki**”), respectively; and (ii) Dalian is principally engaged in the business of design, manufacturing, sales and repairing of ships (excluding military ships) and is an indirect subsidiary of COSCO SHIPPING, where Dalian is owned by COSCO SHIPPING (through its wholly-owned subsidiaries), Kawasaki and Nantong as to 36%, 34% and 30%, respectively.

We have reviewed the websites of the Builders and we understand that (i) the Builders manufacture various types of vessels including but not limited to large container vessels, bulk carriers and ore carriers; (ii) Nantong had obtained many recognitions and certifications; and (iii) Dalian was established as a second modernized large-scale shipbuilding joint venture, following the success of Nantong.

1.1. Historical financial performance of the Group

The following table summarises the consolidated income statement of the Group for each of the years ended 31 December 2019 and 2020 and the six months ended 30 June 2020 and 2021 with reference to the 2020 Annual Report and the interim results announcement of the Company for the six months ended 30 June 2021 (the “**2021 Interim Results**”):-

	For the year ended		For the six months	
	31 December		ended 30 June	
	2019	2020	2020	2021
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>	<i>(Unaudited)</i>
Revenues	150,541	171,259	74,053	139,264
Gross profit	15,329	24,142	6,843	53,128
Operating profit	7,223	15,575	3,411	48,063
Profit for the year/period	10,194	13,187	1,938	42,870
Profit attributable to equity holders of the Company	6,690	9,927	1,137	37,098

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(a) Year ended 31 December 2020 compared with year ended 31 December 2019

Revenues increased from approximately RMB150,541 million for the year ended 31 December 2019 to approximately RMB171,259 million for the year ended 31 December 2020, representing an increase of approximately 14%. Gross profit margin increased from approximately 10% for the year ended 31 December 2019 to approximately 14% for the year ended 31 December 2020. Net profit margin from continuing operation also improved from approximately 2% for the year ended 31 December 2019 to approximately 8% for the year ended 31 December 2020. In addition, the Group recorded a profit from discontinued operation of approximately RMB7,113 million for the year ended 31 December 2019 in relation to the divestment of its terminal business in the United States, where such profit did not recur for the year ended 31 December 2020. Overall, profit attributable to equity holders of the Company amounted to approximately RMB6,690 million for the year ended 31 December 2019 and approximately RMB9,927 million for the year ended 31 December 2020.

(b) Six months ended 30 June 2021 compared with six months ended 30 June 2020

Revenues increased from approximately RMB74,053 million for the six months ended 30 June 2020 to approximately RMB139,264 million for the six months ended 30 June 2021, representing an increase of approximately 88%. Gross profit margin increased from approximately 9% for the six months ended 30 June 2020 to approximately 38% for the six months ended 30 June 2021. Net profit margin also improved from approximately 3% for the six months ended 30 June 2020 to approximately 31% for the six months ended 30 June 2021. Overall, profit attributable to equity holders of the Company amounted to approximately RMB1,137 million for the six months ended 30 June 2020 and approximately RMB37,098 million for the six months ended 30 June 2021. In respect of the aforesaid improvement in the financial performance of the Group, we have reviewed the 2021 Interim Results and understand that (i) the supply and demand relationship of the container shipping market was tightened and the freight rates of main routes faced upward pressure, where the average of China Containerized Freight Index (CCFI) increased by approximately 134% as compared to the corresponding period of the preceding year; and (ii) both the volume and prices of the container shipping business of the Group increased in the first half of 2021.

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1.2. Historical financial position of the Group

The following table summarises the consolidated balance sheet of the Group as at 31 December 2020 and 30 June 2021 with reference to the 2021 Interim Results:–

	As at 31 December 2020 RMB million (Audited)	As at 30 June 2021 RMB million (Unaudited)
Non-current assets	199,962	198,862
Current assets	<u>71,964</u>	<u>125,091</u>
Total assets	271,926	323,953
Current liabilities	74,029	84,886
Non-current liabilities	<u>119,200</u>	<u>119,205</u>
Total liabilities	193,229	204,091
Net assets attributable to equity holders of the Company	43,914	80,711
Non-controlling interests	<u>34,783</u>	<u>39,151</u>
Net assets	<u><u>78,697</u></u>	<u><u>119,862</u></u>

As at 30 June 2021, (i) the principal assets of the Group were cash and cash equivalents, which amounted to approximately RMB101,904 million, and property, plant and equipment, which amounted to approximately RMB100,989 million; and (ii) the principal liabilities of the Group were non-current long-term borrowings, which amounted to approximately RMB74,252 million. Net assets attributable to equity holders of the Company amounted to approximately RMB80,711 million as at 30 June 2021.

For further details of the financial information of the Group, please refer to the financial reports and results announcements published by the Company.

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1.3. Prospects of the Group (including the OOIL Group)

We have discussed with and are advised by the Management that the prospects of the Group are driven by, among other factors, the performance of the global macroeconomic environment, which affects trade volume and the demand for container shipping services. We understand that the outbreak of COVID-19 pandemic has caused material adverse impacts to the global economy in year 2020 and, fortunately, along with the roll out of vaccines and other public health measures, the global economy is recovering from the crisis. In addition, we note that 15 countries (including the PRC) entered into the Regional Comprehensive Economic Partnership (the “RCEP”) in November 2020, which formed the largest trading bloc in the world and is expected to facilitate the recovery of international trade. In respect of the aforesaid, we have reviewed, among other things, the economic information in the report titled *World Economic Outlook Update* dated July 2021 (the “IMF Report”) published by the International Monetary Fund (國際貨幣基金組織), which is an organisation of 190 countries. The following table illustrates the expected performance of the macro-economic environment in terms of annual percentage change of gross domestic product (“GDP”) and trade volume.

	For the year ended 31 December		For the year ending 31 December	
	2019	2020	2021F	2022F
World real GDP of				
which	+2.8%	−3.2%	+6.0%	+4.9%
– PRC	+6.0%	+2.3%	+8.1%	+5.7%
– United States	+2.2%	−3.5%	+7.0%	+4.9%
World trade volume	+0.9%	−8.3%	+9.7%	+7.0%

Sources: the IMF Report (July 2021) and relevant publications

With reference to the above table, we note that the global macro-economy, including trade volume, was adversely impacted in year 2020, but is expected to recover from year 2021 onwards.

We have reviewed the 2021 Interim Results and we understand that (i) 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; and (ii) the Group will, among other things, relentlessly focus on its customer needs, enhance its overall competitiveness and develop a first-class enterprise. We have also reviewed the interim results of OOIL for the six months ended 30 June 2021 and we understand that (i) after the outbreak of the COVID-19 pandemic in early 2020, the OOIL Group started to see signs of reopening and economic recovery as from the middle of last year, led at first by the PRC and other Asian economies and then joined by other nations and, throughout the first half of 2021, such trend had continued very strongly; and (ii) the OOIL Group had worked hard to inject additional capacity into key routes on its network in order to provide further space for its customers.

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Overall, we understand that the macro-economic environment is expected to recover from the COVID-19 pandemic and grow in the long term future and the Group (including the OOIL Group) has made and will continue to make efforts in the continuous development of its businesses to capture growth opportunities.

2. Background of and reasons for the Transaction

On 2 September 2021, the Buyers (being ten indirect wholly-owned subsidiaries of OOIL and therefore indirect wholly-owned subsidiaries of the Company, given OOIL is a subsidiary of the Company) respectively entered into the New Shipbuilding Contracts on substantially the same terms with the respective Builders for the construction of a total of ten 16,000 TEU New Vessels. With reference to the Board Letter, we understand that (i) the construction of the New Vessels is intended for the business expansion of the OOIL Group and the Transaction is in line with the 14th Five Year Plan of the OOIL Group, which would, among other things, increase the fleet capacity of the OOIL Group and consolidate its position in the first echelon in the industry; (ii) the increase of self-owned vessels as a result of the Transaction would complement the OOIL Group's long term strategic development and growth plan to meet market demand in the future, where the OOIL Group will be able to re-deploy its existing vessels strategically to meet the evolving market situation with the phasing in of the New Vessels; (iii) the OOIL Group would also benefit from the optimization of its fleet structure and the reduction of its reliance on the vessel charter market, where the New Vessels will improve the flexibility of the OOIL Group's fleet deployment plan and chartering arrangement; (iv) the New Vessels under the Transaction would increase the average container space per vessel of the OOIL Group, driving economies of scale, whereby a higher container space per vessel would result in a lower cost per container, enhancing the operating cost competitiveness of the OOIL Group; and (v) the New Vessels will be equipped with energy saving and emission reduction technologies, which will generate cost advantages as well as help in environmental protection.

We also note that the OOIL Group had engaged the Builders for the construction of a total of 12 mega-sized 23,000 TEU vessels in year 2020 as detailed in the circulars of the Company dated 27 April 2020 and 16 November 2020. As mentioned in the Board Letter, the Builders have gained an improved understanding of the operational and technical specifications, requirements and standard of the OOIL Group for its newbuildings.

We have further reviewed the 2020 Annual Report and understood that, as of the end of year 2020, the operating fleet of the Group included 536 vessels with a total operating capacity of 3,073,684 TEU (excluding the aforementioned 12 mega-sized 23,000 TEU vessels under construction). Accordingly, we note that the ten 16,000 TEU New Vessels with a total of 160,000 TEU under the Transaction represents approximately 2% and 5% of the total number of operating vessels and the total operating capacity (in terms of TEU) of the Group as of the end of year 2020, respectively. In addition, we have discussed with the Management and understand that the size of 16,000 TEU is around the largest vessel capable of crossing both the Panama Canal and the Suez Canal for international logistics business.

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Taking into account, in particular, (i) the Group, including the OOIL Group, continues to utilise container vessels for its on-going principal business operations, which successfully recorded significant growth in the first half of 2021; (ii) the macro-economic environment is expected to recover from the COVID-19 pandemic and, upon delivery of the ten 16,000 TEU New Vessels, the operating capacity of the Group could be further enhanced and can more effectively capture the possible increasing market demand for container shipping services in the long-term future brought forward by, among other things, the RCEP; (iii) the Transaction is expected to achieve a lower operating cost per container through the economies of scale; (iv) the increase in the number of owned vessels (as opposed to leased vessels), allows the Group to better secure its stable operation and control its costs, such as avoiding high amount of lease expenses when the market has a high demand for vessels; and (v) the terms of the Transaction are fair and reasonable as discussed below, we are of the view that the entering into of the Transaction is an investing activity ancillary and incidental to the ordinary and usual course of business of the Group, and is in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Transaction

Pursuant to each of the New Shipbuilding Contracts, the relevant Buyer shall pay the respective consideration of US\$157.58 million in cash in five instalments based on progress intervals on the construction of each New Vessel (including the steel cutting of the New Vessel, keel-laying of the New Vessel, and launching of the New Vessel), with smaller proportion of contract price payable in the first four instalments and the majority of the payment payable upon delivery of the New Vessel. OOCL (Assets) Holdings Inc., an indirect wholly-owned subsidiary of OOIL and therefore an indirect wholly-owned subsidiary of the Company, as guarantor, has provided a letter of guarantee for each of the New Vessels in favour of the respective Builders, guaranteeing the respective Buyers' payment obligation under the respective New Shipbuilding Contracts, as provided in the respective letters of guarantee. The consideration shall be subject to adjustments by deducting liquidated damages in cases of (i) delay in delivery of the New Vessel; (ii) insufficient speed of the New Vessel; (iii) excessive fuel consumption by the New Vessel; (iv) deadweight of the New Vessel; or (v) deficiency in container's capacity (the "**Adjustment Mechanism**"). The New Vessels are expected to be delivered between the fourth quarter of 2024 and the fourth quarter of 2025 subject to any early delivery or delay in delivery (subject to a maximum liquidated damages of approximately US\$9.63 million per New Vessel for delay in delivery) as provided in each of the New Shipbuilding Contracts. In case of delay in delivery, the liquidated damages payable by the relevant Builder to the relevant Buyer shall be deducted from the fifth instalment of consideration, of which the amount shall be assessed on the length of delayed period after the expiration of the original delivery date. If the length of the delayed period exceeds a certain number of days, the relevant Buyer may, at its option, terminate the relevant New Shipbuilding Contract without any incurrence of penalty payable by the Buyer. In the event that any of the New Shipbuilding Contracts is terminated by the relevant Buyer in accordance with the specific terms thereof, the relevant Builder shall refund to the relevant Buyer in US Dollars the full amount already paid by the Buyer to the Builder, together with interest incurred thereof.

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As advised by the Management, (i) the Group did not enter into any comparable shipbuilding contracts (in terms of vessel type, size and specification) with independent third party shipbuilder within the past year from the date of the New Shipbuilding Contracts; and (ii) as far as the Management understands, the Builders also did not enter into any comparable shipbuilding contracts (in terms of vessel type, size and specification) with independent third party customer within the past year from the date of the New Shipbuilding Contracts. Nonetheless, we also understand (i) the Builders have relevant technical expertise and experience to meet the requirements of the OOIL Group to build the New Vessels with customised specifications based on the needs of the OOIL Group; and (ii) the vessel delivery schedule of the Builders best fit with the strategic plan of the OOIL Group and the price quotation offered by the Builders is comparable with that obtained during the negotiation process of the OOIL Group with the other shipbuilders.

In respect of the recent status of the shipbuilding market, we have reviewed the article titled “*Ship Orders Surge as Carriers Rush to Add Capacity*” published by the Wall Street Journal dated 8 June 2021. Based on the article, we understand that (i) global shipyards that were retrenching and consolidating in a faltering maritime market barely more than a year ago are now flush with new orders, where the resurgence in ordering is being driven mainly by container ships as Western retailers such as Walmart and Amazon scramble to restock after a year of supply chain disruptions from the coronavirus pandemic; and (ii) the order tally has been so strong that some shipyards have stopped giving quotes for new vessels and are trying to renegotiate existing orders as the price of steel plates used to build vessels has doubled since the end of 2020. Based on the aforesaid, we understand the recent market price of vessels may be volatile.

We have attempted to exhaustively identify the pricing terms of the most recent comparable transactions (involving the building of container vessels with around 13,000 TEU to 16,000 TEU) in the market, however shipbuilding transactions, and their pricing terms, are generally not public information available from official sources. Nonetheless, we note that, within around the past three months from the date of the New Shipbuilding Contracts, (i) Wan Hai Lines Ltd. announced on 31 May 2021 that it had entered into shipbuilding contracts with a shipbuilder (namely, Samsung Heavy Industries Co., Ltd.) to build four 13,100 TEU container vessels at a total price of up to US\$500 million; (ii) HMM Co., Ltd. announced on 29 June 2021 that it had entered into shipbuilding contracts with shipbuilders (namely, Daewoo Shipbuilding & Marine Engineering and Hyundai Heavy Industries) to build twelve 13,000 TEU container vessels at a total price of US\$1,570 million; (iii) Evergreen Marine Corp. (Taiwan) Ltd. announced on 6 August 2021 that it had entered into shipbuilding contracts with a shipbuilder (namely, Samsung Heavy Industries Co., Ltd.) to build twenty 15,000 TEU container vessels at a total price of up to US\$2,600 million; and (iv) A.P. Moller – Maersk announced on 24 August 2021 that it had entered into shipbuilding contracts with a shipbuilder (namely, Hyundai Heavy Industries) to build eight 16,000 TEU container vessels, which we understand the total price is approximately US\$1,400 million. We also note that the aforementioned shipbuilding contracts imply unit prices of (i) approximately US\$9,542 per TEU, US\$10,064 per TEU, US\$8,667 per TEU and US\$10,938 per TEU (collectively, the “**Market Unit Prices**”), respectively, representing an average of approximately US\$9,803 per

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TEU; and (ii) the implied unit price of approximately US\$9,849 per TEU under the New Shipbuilding Contracts is (a) within the range of the Market Unit Prices and lower than two of the Market Unit Prices; and (b) almost identical to the average of the Market Unit Prices with a deviation of less than 0.5%. The Independent Shareholders should note that (i) the model, size and various other technical specifications of a vessel; (ii) the then raw material costs in the market; and (iii) the then market demand and supply of vessels are factors that may affect the building price of the vessels. We consider the review of a recent period of three months to be fair and reasonable to assess the pricing terms of the New Shipbuilding Contracts in view of the recent volatility in market pricing for shipbuilding transactions.

We have also attempted to exhaustively identify comparable transactions announced by companies listed in Hong Kong involving the entering into of shipbuilding contracts (involving the building of container vessels with around 13,000 TEU to 16,000 TEU) with independent shipbuilders within the past three months from the date of the New Shipbuilding Contracts, but we were not able to identify such transactions. Nonetheless, for the past year from the date of the New Shipbuilding Contracts, we have identified the announcements dated 31 August 2020, 30 November 2020, 21 December 2020, 27 May 2021, 2 June 2021 and 18 June 2021 published by SITC International Holdings Company Limited (1308 HK) (“SITC”), which mentioned that SITC had entered into various shipbuilding contracts with shipbuilders that were independent third parties (including Dae Sun Shipbuilding & Engineering Co., Ltd. and certain subsidiaries of Yangzijiang Shipbuilding (Holdings) Ltd.) to build a variety of container vessels with sizes ranging between 1,000 TEU and 3,000 TEU. Given (i) the significant differences in the sizes of these vessels as compared with those under the New Shipbuilding Contracts; (ii) payment terms are not expected to fluctuate as much as pricing terms within the past year; and (iii) the recent market shipbuilding transactions mentioned in the previous paragraph did not disclose their payment terms, we consider it is fair and reasonable for us to place our focus on reviewing the payment terms rather than the pricing terms disclosed by SITC, where we noted that the payment terms of the shipbuilding contracts entered into by SITC with independent shipbuilders were generally in five instalments of 10%, 10%, 10%, 10% and 60% with the final instalment of 60% payable upon the physical delivery of the vessels. We understand such payment terms are comparable with those under the New Shipbuilding Contracts.

In respect of the Adjustment Mechanism and the other principal terms, we have reviewed the New Shipbuilding Contracts and we are advised by the Management that (i) the Adjustment Mechanism is in favour of the Buyers and provides additional protection to the Buyers, where the consideration of the New Vessels shall be reduced in case of, among other things, delay in delivery and other technical deficiencies of the New Vessels; (ii) the delay in delivery of the New Vessels would reduce the consideration of the New Vessels, where such reduction would be assessed and calculated on a per day basis, subject to the maximum amount of liquidated damages as aforementioned; and (iii) the Buyers have the right to terminate the New Shipbuilding Contracts if the delivery of the New Vessel is delayed for a prolonged period and, in such case, the relevant Builder(s) shall refund to the relevant Buyer(s) in US Dollars the full amount already paid by the Buyer(s) to the Builder(s), together with interest incurred thereof,

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without any incurrence of penalty payable by the Buyer(s). In light of the aforesaid, we consider the Adjustment Mechanism (including the damage assessment on delivery delay, which is calculated on a per day basis) and the other principal terms to be reasonable and favourable to the Buyers.

Taking into account, in particular, (i) the Builders (whose major shareholders are COSCO SHIPPING, being a PRC state-owned enterprise, and Kawasaki, being a Japan-based manufacturer) have relevant technical expertise and experience to meet the requirements of the Group to build the customised New Vessels; (ii) the volatility of the recent market price of shipbuilding transactions; (iii) our review of the recent market pricing and payment terms of container vessels, where the implied unit price per TEU under the New Shipbuilding Contracts is lower than two of the Market Unit Prices and almost identical to the average of the Market Unit Prices; (iv) each of the ten 16,000 TEU container vessels is at the same consideration under the New Shipbuilding Contracts; (v) the Adjustment Mechanism is in favour of the Buyers and provides additional protection to the Buyers, where the consideration of the New Vessels shall be reduced in case of, among other things, delay in delivery and other technical deficiencies of the New Vessels; and (vi) the reasons for and benefits of the Transaction as aforementioned, we consider the terms of the Transaction (including the consideration of each New Vessel and the Adjustment Mechanism) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

4. Possible financial implications of the Transaction

The total consideration under the New Shipbuilding Contracts is US\$1,575.80 million (equivalent to approximately RMB10,179 million). For each of the New Shipbuilding Contracts, the Buyer shall pay the consideration in cash in five instalments based on progress intervals on the construction of each New Vessel, with smaller proportion of contract price payable in the first four instalments and the larger proportion of the payment payable upon delivery of the New Vessel. The New Vessels are expected to be delivered between the fourth quarter of 2024 and the fourth quarter of 2025. OOIL currently envisages that not more than 60% of the contract price of each New Vessel will be financed by bank financing with the financing guaranteed by OOIL, which will be finalised before the delivery of the New Vessels, whilst the balance of the contract price will be funded from internal resources of the OOIL Group. If the bank financing arrangement could not be arranged, the full contract price of each New Vessel would come from the internal resources of the OOIL Group, which is currently expected to be sufficient for this purpose.

The Group recorded revenues and profit attributable to equity holders of the Company of (i) approximately RMB171,259 million and RMB9,927 million, respectively, for the year ended 31 December 2020; and (ii) approximately RMB139,264 million and RMB37,098 million, respectively, for the six months ended 30 June 2021. We are advised by the Management that the Transaction is not expected to have any immediate material impact on the net profit of the Group upon signing of the New Shipbuilding Contracts and, after the delivery of the New Vessels, the New Vessels are expected to be utilised for the generation of revenue through the core businesses of the Group.

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The Group recorded total assets, total liabilities and cash and cash equivalents of approximately RMB323,953 million, RMB204,091 million and RMB101,904 million, respectively, as at 30 June 2021. Following delivery of the New Vessels, the Group's fixed assets will increase whilst current assets will decrease and long term liabilities will increase depending on the proportion of the contract price to be funded from internal resources and external finance. We have also reviewed the financial performance of the Group and noted the Group recorded net cash flows generated from operating activities of approximately RMB8,131 million, RMB21,202 million, RMB44,931 million and RMB63,888 million for each of the years ended 31 December 2018, 2019 and 2020 and the six months ended 30 June 2021, respectively, which demonstrated the capability of the Group to generate sufficient operating cash inflow to finance its operations and future payment for the total consideration of the New Shipbuilding Contracts. We are advised by the Management that the New Shipbuilding Contracts themselves are not expected to cause any material adverse impact to the financial position of the Group in view of (i) the scale of the total consideration of the New Shipbuilding Contracts as compared with the overall scale of the Group (in terms of total assets and the capability of the Group to generate cash inflow from operating activities on an ongoing basis in the foreseeable future); (ii) the consideration of the New Shipbuilding Contracts will be settled in instalments, where the larger proportion of the payment is expected to be payable upon delivery of the New Vessels starting in the fourth quarter of 2024 and until the fourth quarter of 2025; and (iii) the positive track record of the financial performance of the Group and the ongoing efforts of the Group to continue to further improve its financial performance in the upcoming years.

Taking in account, in particular, (i) the New Shipbuilding Contracts were entered into for the purchase of the New Vessels, which are revenue generating assets for the core business operations of the Group; (ii) the scale of the total consideration of the New Shipbuilding Contracts as compared with the overall scale of the Group (in terms of total assets and the capability of the Group to generate cash inflow from operating activities on an ongoing basis in the foreseeable future); (iii) the total consideration of the New Shipbuilding Contracts will be settled by instalments, payable in the upcoming few years, which is not expected to cause immediate material impact to the financial position of the Group; and (iv) the terms of the Transaction are fair and reasonable as aforementioned, we consider the financial implications of the Transaction to be normal and acceptable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the view that the entering into of the Transaction is an investing activity ancillary and incidental to the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole; and the terms of the Transaction are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we advise the Independent Board Committee to recommend, and we ourselves recommend, the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Transaction.

Yours faithfully,

For and on behalf of

First Shanghai Capital Limited

Nicholas Cheng

Director

Roger Tang

Vice President

Note: Mr. Nicholas Cheng has been a Responsible Officer and Mr. Roger Tang has been a Representative of Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Both of them have extensive experience in corporate finance industry and have been participating in the provision of independent financial advisory services for, and completed, numerous connected transactions involving listed companies in Hong Kong.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the 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 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 ¹	Beneficial owner	130,000	0.00388%	0.00081%
		H Shares		
		1,216,800	0.00961%	0.00760%
Mr. FENG Boming ^{2, 3}	Beneficial owner	A Shares		
		1,216,800	0.00961%	0.00760%
		A Shares		
Mr. TEO Siong Seng	Interest of spouse	611,000	0.00483%	0.00382%
		A Shares		
		146,250	0.00436%	0.00091%
	Beneficial owner	H Shares		

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

Name of associated corporation	Name of Director/ Supervisor	Capacity	Number of shares held	Percentage of total number of issued shares of the relevant class of the relevant associated corporation
COSCO SHIPPING Development Co., Ltd.	Mr. YANG Zhijian	Beneficial owner	400,000 H shares	0.01088%
	Mr. FENG Boming	Beneficial owner	29,100 A 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:

Name of Director Position held in COSCO SHIPPING

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 Listing Rules.

4. DIRECTORS' AND SUPERVISORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors or supervisors of the Company 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 of the Company 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 of the Company 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:

Name	Qualification
First Shanghai 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, First Shanghai 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, First Shanghai Capital Limited did not have any direct or indirect interest in any assets which have been, since 31 December 2020, being the date to which the latest published audited 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.

First Shanghai Capital Limited has given and has not withdrawn its written consent to the issue of this circular, with the inclusion herein 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 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.

10. 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) the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" of this circular;
- (c) the letter from the Independent Financial Adviser in respect of their advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" of this circular;
- (d) 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;
- (e) each of the New Shipbuilding Contracts;
- (f) the written consent from First Shanghai Capital Limited referred to in the section headed "7. Expert and Consent" in this Appendix; and
- (g) this circular.

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.