
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 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) 2022 INTERIM PROFIT DISTRIBUTION PLAN
(2) PROPOSED ELECTION OF EXECUTIVE DIRECTOR
(3) MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS
AND
(4) NOTICE OF EGM

Independent Financial Adviser

to the Independent Board Committee and the Independent Shareholders



Gram Capital Limited
嘉林資本有限公司

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 8 to 57 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on page 58 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 59 to 84 of this circular.

A notice convening the EGM on Wednesday, 23 November 2022 at 10:00 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, together with the form of proxy, were despatched to the Shareholders on Friday, 21 October 2022.

Whether or not you intend to attend the EGM, you are requested to complete and return the enclosed forms of proxy in accordance with the instructions printed thereon. The forms 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 forms of proxy will not preclude you from attending and voting in person at the EGM or at any adjournment thereof should you so wish.

As part of our control measures to try to prevent and control the spread of the Novel Coronavirus (COVID-19) and to safeguard the health and safety of the Shareholders, the Company encourages the Shareholders to consider appointing the chairman of the EGM as their proxy to vote as instructed by the Shareholders on the relevant resolutions at the EGM, instead of attending the EGM in person.

* For identification purpose only

21 October 2022

CONTENT

	<i>Page</i>
PRECAUTIONARY MEASURES FOR THE EGM	ii
DEFINITIONS	1
LETTER FROM THE BOARD	8
LETTER FROM THE INDEPENDENT BOARD COMMITTEE	58
LETTER FROM GRAM CAPITAL	59
APPENDIX I – FINANCIAL INFORMATION OF THE GROUP	I-1
APPENDIX II – GENERAL INFORMATION	II-1
NOTICE OF EXTRAORDINARY GENERAL MEETING	EGM-1

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 otherwise requires, the following expressions shall have the following meanings:

“2021 Revision of Annual Caps”	the revision of relevant annual caps for the continuing connected transactions under the Existing Financial Services Agreement, the Existing Master Shipping Services Agreement, and the Existing Master Port Services Agreement in 2021, the details of which are set out in the announcement of the Company dated 30 August 2021 and the circular of the Company dated 24 September 2021
“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)
“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 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 of the Company
“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

DEFINITIONS

“COSCO SHIPPING Group”	COSCO SHIPPING and its subsidiaries and associates
“COSCO SHIPPING Master Agreements”	collectively, the Master Shipping Services Agreement, the Master Vessel and Container Asset Services Agreement, the Master Port Services Agreement, the Master General Services Agreement, and the Trademark Licence 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
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be held to, among other things, consider and if thought fit, approve the 2022 interim profit distribution plan, the election of Mr. Zhang Wei as an executive Director of the sixth session of the Board, the Revision of Annual Caps of the Deposit Services, and the continuing connected transactions under the COSCO SHIPPING Master Agreements, the Financial Services Agreement, the PIL Master Shipping and Terminal Services Agreement, and the SIPG Shipping and Terminal Services Agreement, and the proposed annual caps thereunder
“Existing Agreements”	collectively, the Existing COSCO SHIPPING Master Agreements, the Existing PIL Master Shipping and Terminal Services Agreement, and the Existing SIPG Shipping and Terminal Services Agreement
“Existing COSCO SHIPPING Master Agreements”	collectively, the Existing Financial Services Agreement, the Existing Master General Services Agreement, the Existing Master Shipping Services Agreement, the Existing Master Port Services Agreement, the Existing Master Vessel and Container Asset Services Agreement, and the Existing Trademark License Agreement

DEFINITIONS

“Existing Financial Services Agreement”	the financial services agreement dated 30 October 2019 entered into between COSCO SHIPPING and the Company in relation to the provision of certain financial services by COSCO SHIPPING Finance to the Company and its subsidiaries and associates
“Existing Master General Services Agreement”	the master general services agreement dated 30 October 2019 entered into between the Company and COSCO SHIPPING in relation to the mutual provision of general services between the Group and the COSCO SHIPPING Group
“Existing Master Port Services Agreement”	the master port services agreement dated 30 October 2019 entered into between the Company and COSCO SHIPPING in relation to the mutual provision of port and other related services between the COSCO SHIPPING Group and the Group
“Existing Master Shipping Services Agreement”	the master shipping services agreement dated 30 October 2019 entered into between the Company and COSCO SHIPPING in relation to the mutual provision of shipping services between the Group and the COSCO SHIPPING Group
“Existing Master Vessel and Container Asset Services Agreement”	the master vessel and container asset services agreement dated 30 October 2019 entered into between the Company and COSCO SHIPPING in relation to the leasing of vessels and containers and the services of manufacture of containers provided by the COSCO SHIPPING Group to the Group
“Existing PIL Master Shipping and Terminal Services Agreement”	the master shipping and terminal services agreement dated 30 October 2019 entered into between the Company and Pacific International Lines in relation to the mutual provision of shipping and terminal services between the Pacific International Lines Group and the Group
“Existing SIPG Shipping and Terminal Services Agreement”	the shipping and terminal services framework agreement dated 30 October 2019 entered into between the Company and SIPG in relation to the provision of shipping services by the Group to the SIPG Group and provision of terminal services by the SIPG Group to the Group

DEFINITIONS

“Existing Trademark Licence Agreement”	the trademark licence agreement dated 30 October 2019 entered into between the Company and COSCO SHIPPING in relation to the grant of the non-exclusive right to the members of the Company and its subsidiaries to use certain trademarks of COSCO SHIPPING
“Financial Services Agreement”	the financial services agreement dated 30 August 2022 entered into between COSCO SHIPPING Finance and the Company in relation to the provision of certain financial services by COSCO SHIPPING Finance to the Company and its subsidiaries
“Group”	the Company and its subsidiaries and associates
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“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 Deposit Services, and (ii) the terms of the Non-exempt Continuing Connected Transactions and their respective proposed annual caps for each of the three years ending 31 December 2025
“Independent Shareholders”	the Shareholders other than the COSCO SHIPPING Group and its associates
“Latest Practicable Date”	18 October 2022, being the latest practicable date for ascertaining certain information in this circular before its publication
“Master Agreements”	collectively, the COSCO SHIPPING Master Agreements, the Financial Services Agreement, the PIL Master Shipping and Terminal Services Agreement, and the SIPG Shipping and Terminal Services Agreement

DEFINITIONS

“Master General Services Agreement”	the master general services agreement dated 30 August 2022 entered into between the Company and COSCO SHIPPING in relation to the mutual provision of general services between the Group and the COSCO SHIPPING Group
“Master Port Services Agreement”	the master port services agreement dated 30 August 2022 entered into between the Company and COSCO SHIPPING in relation to the mutual provision of port and other related services between the Group and the COSCO SHIPPING Group
“Master Shipping Services Agreement”	the master shipping services agreement dated 30 August 2022 entered into between the Company and COSCO SHIPPING in relation to the mutual provision of shipping services between the Group and the COSCO SHIPPING Group
“Master Vessel and Container Asset Services Agreement”	the master vessel and container asset services agreement dated 30 August 2022 entered into between the Company and COSCO SHIPPING in relation to the leasing of vessels and containers and the services of purchase and manufacture of containers to be provided by the COSCO SHIPPING Group to the Group
“Non-exempt Continuing Connected Transactions”	collectively, (i) the transactions contemplated under the Master Shipping Services Agreement, (ii) the transactions contemplated under Master Vessel and Container Asset Services Agreement, and (iii) the deposit services contemplated under the Financial Services Agreement
“Non-exempt Master Agreements”	collectively, (i) the Master Shipping Services Agreement, (ii) the Master Vessel and Container Asset Services Agreement, and (iii) the Financial Services Agreement
“Pacific International Lines”	Pacific International Lines Pte Ltd, a limited liability company incorporated in Singapore
“Pacific International Lines Group”	Pacific International Lines and its subsidiaries and associates
“PANASIA Shipping”	Shanghai PANASIA Shipping Co., Ltd.* (上海泛亞航運有限公司), a company established under the laws of the PRC with limited liability and a subsidiary of the Company

DEFINITIONS

“PBOC”	the People’s Bank of China, the central bank of the PRC
“PIL Master Shipping and Terminal Services Agreement”	the master shipping and terminal services agreement dated 30 August 2022 entered into between the Company and Pacific International Lines in relation to the mutual provision of shipping services and terminal services between the Group and the Pacific International Lines Group
“PRC”	the People’s Republic of China which, for the purpose of this circular and for geographical reference only, excludes Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“Revision of Annual Caps of the Deposit Services”	the proposed revision of the annual caps for the continuing connected transactions of the deposit services under the Existing Financial Services Agreement for the year 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)
“Shanghai Listing Rules”	Shanghai Stock Exchange Listing Rules (Revised in January 2022)
“Shareholder(s)”	holder(s) of the share(s) of the Company
“SIPG”	Shanghai International Port (Group) Co., Ltd.* (上海國際港務(集團)股份有限公司), a company established in the PRC with limited liability and the shares of which are listed on the Shanghai Stock Exchange (600018.SH)
“SIPG Group”	SIPG and its subsidiaries and associates
“SIPG Shipping and Terminal Services Agreement”	the shipping and terminal services framework agreement dated 30 August 2022 entered into between the Company and SIPG in relation to the provision of shipping services by the Group to the SIPG Group and provision of terminal services by the SIPG Group to the Group
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

DEFINITIONS

“Trademark Licence Agreement” the trademark licence agreement dated 30 August 2022 entered into between the Company and COSCO SHIPPING in relation to the grant of the non-exclusive right to the Company and its subsidiaries to use certain trademarks of COSCO SHIPPING

“US Dollar” United States dollars, the lawful currency of the United States of America

“%” per cent

* *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. WAN Min¹ (Chairman)
Mr. HUANG Xiaowen¹ (Vice Chairman)
Mr. YANG Zhijian¹
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

- ¹ Executive Director
² Independent Non-executive Director

21 October 2022

To the Shareholders

Dear Sir or Madam,

(1) 2022 INTERIM PROFIT DISTRIBUTION PLAN
(2) PROPOSED ELECTION OF EXECUTIVE DIRECTOR
(3) MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS
AND
(4) NOTICE OF EGM

A. INTRODUCTION

References are made to the announcement of the Company dated 30 August 2022 in relation to the 2022 interim profit distribution plan, the announcement of the Company dated 8 August 2022 in relation to the proposed election of executive Director, and the announcement of the Company dated 30 August 2022 in relation to the major transactions and continuing connected transactions.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the 2022 interim profit distribution plan; (ii) further details of the proposed election of executive Director; (iii) further details of the Revision of Annual Caps of the Deposit Services under the Existing Financial Services Agreement, and further details of the Non-exempt Continuing Connected Transactions and their respective proposed annual caps for each of the three years ending 31 December 2025; (iv) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders on the Revision of Annual Caps of the Deposit Services and the Non-exempt Continuing Connected Transactions; (v) 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 Deposit Services and the Non-exempt Continuing Connected Transactions; and (vi) other information as required under the Hong Kong Listing Rules.

B. 2022 INTERIM PROFIT DISTRIBUTION PLAN

1. Proposed Payment of An Interim Dividend

An ordinary resolution will be proposed at the EGM to approve the proposed 2022 interim profit distribution plan of the Company in accordance with the Articles of Association. The Board proposed the payment of an interim dividend of RMB2.01 per Share (inclusive of applicable tax).

The proposed 2022 interim profit distribution plan is based on the total share capital registered on the equity registration date. The specific date will be specified in the implementation announcement. If the total share capital of the Company changes before the equity registration date for the implementation of equity distribution, the Company will keep the distribution ratio per share unchanged, and adjust the total distribution accordingly, the details of which will be disclosed in further announcement as appropriate.

The interim dividend will be paid to the A Shareholders and domestic investors investing in H Shares through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect in RMB and to H Shareholders in HK\$. The actual amount of interim dividend to be distributed and paid to the H Shareholders in HK\$ will be calculated in accordance with the average middle exchange rate for RMB to HK\$ as quoted by the PBOC for the period of one week before the announcement of the interim dividend, being the date of the EGM (subject to approval by the Shareholders). It is expected that the ex-dividend date will be 25 November 2022 and the interim dividend in respect of the H Shares will be distributed and paid on 23 December 2022.

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

LETTER FROM THE BOARD

2. Enterprise Income Tax

According to the revised Law on Enterprise Income Tax of the PRC and the relevant implementation rules which came into effect on 29 December 2018 and the Notice of the State Administration of Taxation on the Issues concerning Withholding the Enterprise Income Tax on the Dividends Paid by Chinese Resident Enterprises to H-share Holders Which Are Overseas Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《國家稅務總局關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)), the Company is required to withhold corporate income tax at the rate of 10% before distributing the 2022 interim dividends to non-resident enterprise shareholders as appearing on the Register of Members. Any Shares not registered in the name of an individual person, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations will be treated as being held by non-resident enterprise shareholders and will therefore be subject to the withholding of the corporate income tax. After receiving the interim dividends, non-resident enterprise shareholders may apply, personally or by proxy, to provide materials to the competent taxation authorities proving their eligibility to be the actual beneficiaries under the taxation agreements (arrangement) to enjoy tax refund.

3. Individual Income Tax

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

For dividends received by mainland individual investors from investing in H shares of the Company, the Company will withhold and pay individual income tax payable by such mainland individual investors at the rate of 20% on their behalf.

4. Profit Distribution for Domestic Investors Investing in H Shares through Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect

Shanghai-Hong Kong Stock Connect

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

LETTER FROM THE BOARD

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

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

Shenzhen-Hong Kong Stock Connect

For domestic investors (including enterprises and individuals) investing in the H Shares through the Shenzhen Stock Exchange, the Shenzhen Branch of China Securities Depository and Clearing Corporation Limited, as the nominee of the H Shareholders through Shenzhen-Hong Kong Stock Connect, will receive the interim dividends paid by the Company and further distribute the interim dividends to the relevant investors of H Shares through Shenzhen-Hong Kong Stock Connect through its depository and clearing system. The interim dividends will be paid to investors investing in H Shares through Shenzhen-Hong Kong Stock Connect in RMB. Pursuant to the Notice on the Tax Policies Related to the Pilot Program of the Shenzhen-Hong Kong Stock Connect (Cai Shui [2016] No. 127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2016]127號)):

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

LETTER FROM THE BOARD

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

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

5. To Qualify for the Proposed 2022 Interim Dividend

For the purpose of determining the H Shareholders' entitlement to the proposed 2022 interim dividend, the register of members of the Company will be closed from 29 November 2022 to 4 December 2022 (both days inclusive), during which period no transfer of H Shares of the Company will be registered. The H Shareholders whose names appear on the register of members of the Company on 4 December 2022 are entitled to receive the proposed 2022 interim dividend. In order to qualify for the proposed 2022 interim dividend, the H Shareholders shall lodge all transfer documents together with the relevant share certificates to Computershare, the H Share registrar of the Company, at Shops 1712 to 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on 28 November 2022.

C. PROPOSED ELECTION OF EXECUTIVE DIRECTOR

On 8 August 2022, Mr. Zhang Wei (“**Mr. Zhang**”) has been proposed by the Board to be elected as an executive Director. According to the Articles of Association, the election of Directors is subject to the approval of the Shareholders at a general meeting of the Company. An ordinary resolution in relation to the election of Mr. Zhang as an executive Director will be proposed at the EGM for the Shareholders' consideration. The biographical details of Mr. Zhang are as follows:

Mr. Zhang Wei (張煒), aged 56, is currently a director, the general manager and deputy party secretary of COSCO SHIPPING Lines Co., Ltd. (中遠海運集裝箱運輸有限公司) (“**COSCO SHIPPING Lines**”), the chairman and party secretary of PANASIA Shipping. Mr. Zhang started his career in 1987 and served successively as the third officer (三副) and second officer (二副) of Guangzhou Ocean Shipping Company Limited (廣州遠洋運輸公司), the deputy manager of European routes of Container Shipping Division II, the business manager of Customer Service Division of Marketing Department, the assistant to the chief and the deputy chief of Global Sales Division of Marketing Department of COSCO Container Lines Co., Ltd. (中遠集裝箱運輸有限公司), the deputy general manager of Asia-Pacific trade area, the deputy general manager of European trade area, the deputy general manager of Business Process & System Division of COSCO Container Lines Co., Ltd. (中遠集裝箱運輸有限公司),

LETTER FROM THE BOARD

the deputy general manager of Florens Container Services Company Limited (佛羅倫貨箱服務有限公司), the executive vice president of Piraeus Container Terminal S.A. (比雷埃夫斯集裝箱碼頭有限公司), the deputy general manager (in charge) and the general manager of Operating Management Division of COSCO SHIPPING, the deputy general manager of COSCO SHIPPING Lines, etc. Mr. Zhang holds a Master's degree in business administration from Shanghai Maritime University and is an engineer.

A service contract is proposed to be signed by Mr. Zhang and the Company. Mr. Zhang will not receive any remuneration from the Company for being an executive Director, but the expenses incurred in connection with his discharge of duties as an executive Director will be borne by the Company. Mr. Zhang is proposed to be elected for a term commencing from the date of passing of the relevant resolution at the general meeting of the Company, and ending on the expiration of the term of the sixth session of the Board and will be subject to retirement and re-election at the general meetings of the Company in accordance with the Articles of Association. Upon being elected as an executive Director, Mr. Zhang will also act as an authorized representative of the Company for the purpose of Rule 3.05 of the Hong Kong Listing Rules.

As at the Latest Practicable Date, Mr. Zhang was the beneficial owner of 323,466 A shares of the Company.

Save as disclosed above, Mr. Zhang (i) does not hold any position with any other member of the Group; (ii) does not have any relationship with any Directors, senior management of the Company or substantial or controlling Shareholders; (iii) has not held any directorship in any other listed companies in the past three years; and (iv) does not have any interests in shares of the Company within the meaning of Part XV of the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong). Save as disclosed above, as at the Latest Practicable Date, there was no other information relating to the proposed election of Mr. Zhang as executive Director that is required to be disclosed pursuant to Rule 13.51(2) of the Hong Kong Listing Rules and no other matters that need to be brought to the attention of the Shareholders or the Stock Exchange.

D. MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF (1) REVISION OF ANNUAL CAPS OF THE DEPOSIT SERVICES UNDER THE EXISTING FINANCIAL SERVICES AGREEMENT, AND (2) ENTERING INTO THE COSCO SHIPPING MASTER AGREEMENTS, THE FINANCIAL SERVICES AGREEMENT, THE PIL MASTER SHIPPING AND TERMINAL SERVICES AGREEMENT, AND THE SIPG SHIPPING AND TERMINAL SERVICES AGREEMENT

Revision of Annual Caps of the Deposit Services under the Existing Financial Services Agreement

On 30 August 2022, the Company proposed to revise relevant annual caps of the continuing connected transactions contemplated under the Existing Financial Services Agreement. Save for the proposed revision of relevant annual caps thereof, all other terms and conditions of the Existing Financial Services Agreement (after the 2021 Revision of Annual Caps) remain unchanged.

LETTER FROM THE BOARD

The details of the principal terms of the Existing Financial Services Agreement (after the 2021 Revision of Annual Caps) are set out below:

Date:	30 October 2019
Parties:	(i) the Company; and (ii) COSCO SHIPPING
Nature of transaction:	<p>Pursuant to the Existing 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:</p> <ul style="list-style-type: none">(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. <p>The transaction terms of the services under the Existing 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.</p>
Pricing policies:	<p>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 for the same type of deposits from other entities.</p>

LETTER FROM THE BOARD

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 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 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 with the same credit rating for the same type of services.

To ensure that the pricing policies under the Existing Financial Services Agreement are complied with, prior to conducting transactions under the Existing 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 through their respective websites and public information in each case where practicable.

LETTER FROM THE BOARD

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 2021 and (ii) the six months ended 30 June 2022 under the Existing Financial Services Agreement:

	For the year ended 31 December 2020 (RMB'000) (audited)	For the year ended 31 December 2021 (RMB'000) (audited)	For the six months ended 30 June 2022 (RMB'000) (unaudited)
Deposit Services			
Maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Company and its subsidiaries with COSCO SHIPPING Finance	17,188,294	74,682,116	74,079,542
Loan Services			
Maximum daily outstanding balance of loans (including accrued interest and handling fee) granted by COSCO SHIPPING Finance	3,256,800	1,544,800	1,677,607
Other Financial Services			
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) provided by COSCO SHIPPING Finance to the Company and its subsidiaries	17,274	37,798	10,364

As far as the Directors are aware, the respective annual caps for the year ending 31 December 2022 under the Existing Financial Services Agreement had not been exceeded as at the Latest Practicable Date.

Along with the increasing boost of the container shipping market in 2021, the Company has achieved substantial growth in its business performance through the measures such as increasing shipping capacity, securing container supplies and enhancing service quality. Therefore, the revenue and operating cash inflow of the Company increased substantially during the year ended 31 December 2021, which in turn raised the Group's demand for the deposit services and other financial services under the Existing Financial Services Agreement. As such, the maximum daily outstanding balance of deposits and the annual transaction amount of other financial services for the year ended 31 December 2021 recorded a significant increase as compared to those for the year ended 31 December 2020.

LETTER FROM THE BOARD

The Revision of Annual Caps of the Deposit Services and Basis of Determination

The current annual caps (after the 2021 Revision of Annual Caps) for the continuing connected transactions contemplated under the Existing Financial Services Agreement for the year ending 31 December 2022 are set out as follows:

**For the year
ending
31 December
2022
(RMB'000)**

Deposit Services

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 ^(Note)	75,000,000
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Loan Services

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
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Other Financial Services

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
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Note: The annual caps for the continuing connected transactions of deposit services contemplated under the Existing Financial Services Agreement for each of the two years ending 31 December 2022 were increased from RMB29 billion to RMB75 billion as a result of the 2021 Revision of Annual Caps. For further details, please refer to the announcement of the Company dated 30 August 2021 and the circular of the Company dated 24 September 2021.

The following table sets forth the revised annual caps for the continuing connected transactions of the deposit services contemplated under the Existing Financial Services Agreement for the year ending 31 December 2022 (i.e. the Revision of Annual Caps of the Deposit Services), while the annual caps for the continuing connected transactions of the loan services and the other financial services contemplated thereunder remain unchanged.

LETTER FROM THE BOARD

For the
year ending
31 December
2022
(RMB'000)

Deposit Services

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 150,000,000

The proposed revision of the annual caps for the deposit services contemplated under the Financial Services Agreement was determined with reference to (i) the historical transaction amounts; (ii) the steady improvement in operating results and the significant increase in net operating cash flow of the Group due to the continuous growth of the container shipping market in recent years, and the expected increase in the transaction amount of deposits services under the Existing Financial Services Agreement; (iii) the anticipated fluctuations in the exchange rate of RMB against US Dollar after taking into account that certain proportion of the Group's revenue is denominated in US Dollar; and (iv) the expansion of the business scale of the Group, pursuant to which the Group has newly ordered 32 vessels (585,272 TEU) to enhance transportation capacity, continued to compel the progress of digitalization, and develop "door-to-door" business model, in order to further strengthen the scale advantage of the Group and in turn maintain the increasing trend of revenue and cash inflow.

Reasons for and Benefits of the Revision of Annual Caps of the Financial Services Agreement

Facing rising uncertainties in the global macro environment, sufficient cash reserves will help the Group to enhance its ability to resist risks and stabilize cyclical fluctuations, and seize potential industrial opportunities to achieve high quality and sustainable development. The services under the Financial Services Agreement, such as the deposits, will serve the strategic development goals of the Company, and enable the Company to manage and control the capital and to leverage the capital value.

As at the Latest Practicable Date, the Group held 22.9688% of the equity interests in COSCO SHIPPING Finance (in which, 15.1258% was held by the Company and 7.8430% was held by COSCO SHIPPING Lines Co., Ltd. a wholly-owned subsidiary of the Company) and was the second largest shareholder of COSCO SHIPPING Finance. Therefore, while reaping the economic benefits brought by the service improvement of COSCO SHIPPING Finance, the Group can participate in the decision-making process of COSCO SHIPPING Finance, to exert certain level of influence on its operation and gain more effective support for building capacity of shipping supply chain based on globalization and digitalization of the Group.

To the best knowledge and belief of the Directors, COSCO SHIPPING Finance operates strictly in accordance with the guidelines on risk monitoring indicators promulgated by the CBIRC, with sound capital risk control measures and effective internal control procedures, which is conducive to the strengthening of capital supervision and prevention of capital risks of the Company. 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. The Company and its subsidiaries may negotiate more favourable terms with COSCO SHIPPING Finance compared with other commercial banks.

LETTER FROM THE BOARD

The terms of the Existing Financial Services Agreement (including the Revision of Annual Caps of the Deposit Services) have been arrived at after arm's length negotiations between the parties. The Directors (excluding all the independent non-executive Directors who will give their opinion based on the recommendations from Gram Capital pursuant to the Hong Kong Listing Rules) have confirmed that the terms of the Existing Financial Services Agreement (including the Revision of Annual Caps of the Deposit Services) 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 Existing Financial Services Agreement, COSCO SHIPPING shall procure COSCO SHIPPING Finance to:

- (i) in order to guarantee the security of the funds of the members of the Group, ensure 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) for the 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
- (vi) notify the Company within two business days upon occurrence of the following events of COSCO SHIPPING Finance and 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

LETTER FROM THE BOARD

its normal operations; (e) loans owing to 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; COSCO SHIPPING Finance is required to provide the Company a copy of every regulatory report submitted by COSCO SHIPPING Finance to CBIRC; and
- (iv) COSCO SHIPPING Finance is required to provide 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.

LETTER FROM THE BOARD

Guarantee Letter from COSCO SHIPPING

In respect of the Existing Financial Services Agreement, on 17 October 2022, COSCO SHIPPING issued a guarantee letter to the Company pursuant to which COSCO SHIPPING unconditionally and irrevocably guarantees that, during the remaining period of the Existing Financial Services Agreement (after the Revision of Annual Caps of the Deposit Services for 2022 becoming effective):

- (i) maintain its effective control of COSCO SHIPPING Finance and guarantee the proper and orderly operation of COSCO SHIPPING Finance;
- (ii) use its best endeavors and take all reasonable steps to guarantee that COSCO SHIPPING Finance will perform its obligations in respect of the deposit services contemplated under the Existing Financial Services Agreement;
- (iii) in respect of the deposits placed by the Company, its subsidiaries (having the meaning ascribed to it under the Hong Kong Listing Rules and the meaning ascribed to “controlled subsidiaries” under the Shanghai Listing Rules) and associates (having the same meaning ascribed to it under the Hong Kong Listing Rules) through the deposit services under the Existing Financial Services Agreement, use its best endeavors and take all reasonable steps to guarantee that COSCO SHIPPING Finance will use such deposits primarily for the purpose of facilitating the fund transfer services and entrustment loan services for and among the Company, its subsidiaries and associates; and
- (iv) bear all the losses incurred by the Company, its subsidiaries and associates due to the failure of performing the obligations under the Existing Financial Services Agreement by COSCO SHIPPING Finance, including but not limited to, the deposit amount, interest and the relevant expenses incurred, within ten business days after such failure occurs.

COSCO SHIPPING confirms that it has obtained all approvals and authorizations for execution the abovementioned guarantee letter and such execution does not violate any PRC laws, regulations or any agreement to which COSCO SHIPPING is a party.

In addition, pursuant to the Existing Financial Services Agreement, the Group is entitled to, at its absolute discretion and taking into account its demand, decide to withdraw and make use of the full deposits without any penalty under the Existing Financial Services Agreement.

LETTER FROM THE BOARD

Entering into the COSCO SHIPPING Master Agreements, the Financial Services Agreement, the PIL Master Shipping and Terminal Services Agreement, and the SIPG Shipping and Terminal Services Agreement

References are made to the announcements of the Company dated 30 October 2019 and 26 November 2019 respectively, and the circular of the Company dated 5 December 2019, in relation to, among other things, (i) the continuing connected transactions between the Company and COSCO SHIPPING under the Existing COSCO SHIPPING Master Agreements, (ii) the continuing connected transactions between the Company and Pacific International Lines under the Existing PIL Master Shipping and Terminal Services Agreement, and (iii) the continuing connected transactions between the Company and SIPG under the Existing SIPG Shipping and Terminal Services Agreement.

Each of the Existing Agreements will expire on 31 December 2022. In light of the Company's intention to continue entering into transactions of a similar nature from time to time after such expiry date, on 30 August 2022:

- (1) the Company and COSCO SHIPPING entered into the COSCO SHIPPING Master Agreements in respect of certain transactions, the nature of which is similar to the transactions under the Existing COSCO SHIPPING Master Agreements, for a term of three years from 1 January 2023 to 31 December 2025, which can be extended for further three years as agreed in writing by the parties upon the expiration of the term on the basis that the relevant requirements of the applicable listing rules are satisfied;
- (2) the Company and COSCO SHIPPING Finance entered into the Financial Services Agreement in relation to the provision of certain financial services by COSCO SHIPPING Finance to the Company and its subsidiaries and associates, for a term of three years from 1 January 2023 to 31 December 2025, which can be extended for further three years as agreed in writing by the parties upon the expiration of the term on the basis that the relevant requirements of the applicable listing rules are satisfied;
- (3) the Company and Pacific International Lines entered into the PIL Master Shipping and Terminal Services Agreement in relation to the mutual provision of shipping services and terminal services between the Group and the Pacific International Lines Group for a term of three years from 1 January 2023 to 31 December 2025; and
- (4) the Company and SIPG entered into the SIPG Shipping and Terminal Services Agreement in relation to the mutual provision of shipping services and terminal services between the Group and the SIPG Group for a term of three years from 1 January 2023 to 31 December 2025, which can be extended for further three years as mutually agreed by the parties on the basis that the relevant requirements of the applicable listing rules are satisfied.

LETTER FROM THE BOARD

Each of the Master Agreements shall take effect subject to the approval of such agreements and the proposed annual caps thereunder from relevant authoritative bodies (including at the meetings of the Board and the Shareholders' meetings, if required) in accordance with the articles of association of the relevant contracting parties, applicable laws, regulations and securities exchange rules.

During the term of each of the Master Agreements, relevant members of the Group may enter into definitive agreements with relevant members of the COSCO SHIPPING Group, the Pacific International Lines Group or the SIPG Group from time to time in respect of the provision and receipt of the relevant goods and services to and/or from the Group, subject to the terms and conditions in compliance with the relevant Master Agreements.

Particulars of the Master Agreements are set forth below:

1. COSCO Shipping Master Agreements

(1) Master Shipping Services Agreement

On 30 August 2022, the Company and COSCO SHIPPING entered into the Master Shipping Services Agreement in relation to the mutual provision of shipping services between the Group and the COSCO SHIPPING Group.

Parties:	(i) the Company; and (ii) COSCO SHIPPING
Nature of transaction:	The mutual provision of the following port and other related 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, sea chart and vessel parts; (v) vessel repairing and conversion services;

LETTER FROM THE BOARD

- (vi) radio communication equipment reservation, repairing and installation;
- (vii) provision and repairing of vessel equipment services;
- (viii) brokerage services in respect of vessel trade and vessel insurance and brokerage services;
- (ix) container loading and unloading, 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, custom clearance, vessel agency, cargo canvassing, documentation, collections and payments of shipping freights and other related services;
- (xiii) handling of shipping-related disputes and cases; and
- (xiv) other vessels, containers and shipping-related services.

Pricing policy:

The services fees charged under the Master Shipping Services Agreement will be determined with reference to the prevailing market price, being the price charged by independent third parties providing similar types of services in their ordinary course of business in the same or nearby area based on normal commercial terms, and in accordance with the principle of fairness and reasonableness. Such prevailing market price is usually based on historical prices quoted by independent third parties in recent three years or the public price rates published by governments or third-party trading platforms (if applicable), the Company will also obtain such prevailing market price through quotation or competitive negotiation to be provided or participated by at least three independent third-party suppliers, or bidding procedure for certain projects prior to their commencement pursuant to relevant internal rules and management measures of the Company.

LETTER FROM THE BOARD

Historical Transaction Amounts

The table below sets forth the historical transaction amounts of the transactions under the Existing Master Shipping Services Agreement (after the 2021 Revision of Annual Caps) for the (i) two years ended 31 December 2021, (ii) the six months ended 30 June 2022 and (iii) the annual cap for the year ending 31 December 2022:

	For the year ended 31 December 2020 (RMB' 000) (Audited)	For the year ended 31 December 2021 (RMB' 000) (Audited)	For the six months ended 30 June 2022 (RMB' 000) (Unaudited)	Annual cap for the year ending 31 December 2022 (RMB' 000)
Purchase of shipping services from the COSCO SHIPPING Group	16,660,103	23,112,678	14,472,984	42,000,000
Provision of shipping services to the COSCO SHIPPING Group	2,184,290	5,499,384	2,880,251	7,500,000

As far as the Directors are aware, the respective annual caps for the year ending 31 December 2022 under the Existing Master Shipping Services Agreement (after the 2021 Revision of Annual Caps) had not been exceeded as at the Latest Practicable Date.

Proposed Annual Caps and Basis of Determination

The proposed annual caps for the transactions contemplated under the Master Shipping Services Agreement for the three years ending 31 December 2025 and the basis of determination for such annual caps are set out as follows:

	For the year ending 31 December 2023 (RMB' 000)	For the year ending 31 December 2024 (RMB' 000)	For the year ending 31 December 2025 (RMB' 000)
Purchase of shipping services from the COSCO SHIPPING Group	48,000,000	50,000,000	53,000,000
Provision of shipping services to the COSCO SHIPPING Group	10,000,000	11,000,000	12,000,000

LETTER FROM THE BOARD

The above proposed annual caps in relation to the purchase of shipping services from the COSCO SHIPPING Group were determined with reference to (i) the historical transaction amounts; (ii) the expected fuel prices and volatility; (iii) the anticipated exchange rate fluctuations; (iv) the increase in shipping capacity of the Group; and (v) the expected growth in the business of the Group. The above proposed annual caps in relation to the provision of shipping services to the COSCO SHIPPING Group were determined with reference to (i) the historical transaction amounts; (ii) the 2021 Revision of Annual Caps; (iii) the expected growth in the business of the Group; and (iv) the expected increase in service charges.

Reasons for Entering into the Master Shipping Services Agreement

The COSCO SHIPPING Group and the Group have been providing the necessary supporting shipping services to each other since the establishment of the Group. The shipping services, including, among others, vessel fuel, vessel materials and related repairing services, vessel safety management and technical consultancy services for vessels, are essential to the businesses and operations of each other. The vessel services such as vessel repair and provision of vessel lubricants and vessel fuel do not form a main part of the business of the Group. The Directors are of the view that the COSCO SHIPPING Group owns professional companies which provide vessel repairing services and supply vessel lubricants and vessel fuel, therefore securing the shipping services from the COSCO SHIPPING Group, who is an experienced service provider in the shipping industry, and enhancing the competitiveness of the Group.

Certain members of the Group also provide shipping services to the self-operated vessels of the COSCO SHIPPING Group in certain domestic and overseas regions. Provision of shipping services to the COSCO SHIPPING Group in such areas will enhance the business scope and reduce the operation costs of the Group, and improve the operational efficiency. On the other hand, purchase of shipping services from the COSCO SHIPPING Group will not only improve the Group's operational efficiency in such areas, but also enhance the business scope and reduce the operation costs of the Group. The Directors are of the view that through the Master Shipping Services Agreement, the Group could leverage on the expertise and scale of the shipping services and would be able to negotiate more favorable terms compared with that of other independent service providers. In light of the above, and also considering that (i) the provision and receipt of port and other related services under the Master Shipping Services Agreement are in the ordinary course of business of the Company, (ii) the terms of the Master Shipping Services Agreement are determined after arm's length negotiations between the Company and COSCO SHIPPING, and (iii) the service fees under the Master Shipping Services Agreement are determined with reference to the prevailing market price in respect of similar type of services, the Directors believe that the terms of the transactions contemplated under the Master Shipping Services Agreement are fair and reasonable, on normal commercial terms or better and in the interests of the Shareholders as a whole.

LETTER FROM THE BOARD

(2) Master Vessel and Container Asset Services Agreement

On 30 August 2022, the Company and COSCO SHIPPING entered into the Master Vessel and Container Asset Services Agreement in relation to, among other things, the leasing of vessels and containers and the services of purchase and manufacture of containers provided by the COSCO SHIPPING Group to the Group.

Parties: (i) the Company; and

(ii) COSCO SHIPPING

Nature of transaction: The COSCO SHIPPING Group shall provide the leasing of vessels and containers and the services of purchase and manufacture of containers to the Group.

Pricing policy: The fees payable by the Group under the Master Vessel and Container Asset Services Agreement shall be determined with reference to the prevailing market price, being the price charged by independent third parties providing similar types of products and/or services in their ordinary course of business in the same or nearby area based on normal commercial terms, and in accordance with the principle of fairness and reasonableness. Such prevailing market price is usually based on historical prices quoted by independent third parties in recent three years or the public price rates published by third-party trading platforms (if applicable), the Company will also obtain such prevailing market price through quotation or competitive negotiation to be provided or participated by at least three independent third-party suppliers.

LETTER FROM THE BOARD

Historical Transaction Amounts

The table below sets forth the historical transaction amounts of the leasing of vessels and containers and the services of purchase and manufacture of containers payable by the Group to the COSCO SHIPPING Group under the Existing Master Vessel and Container Asset Services Agreement for (i) the two years ended 31 December 2021, (ii) the six months ended 30 June 2022 and (iii) the annual cap for the year ending 31 December 2022:

	For the year ended 31 December 2020 (RMB' 000) (Audited)	For the year ended 31 December 2021 (RMB' 000) (Audited)	For the six months ended 30 June 2022 (RMB' 000) (Unaudited)	Annual cap for the year ending 31 December 2022 (RMB' 000)
Aggregate amount payable by the Group to the COSCO SHIPPING Group in respect of leasing of vessels and containers and the services of purchase and manufacture of containers	8,178,329	4,345,888	1,111,675	20,000,000

As far as the Directors are aware, the annual cap for the year ending 31 December 2022 under the Existing Master Vessel and Container Asset Services Agreement had not been exceeded as at the Latest Practicable Date.

LETTER FROM THE BOARD

Proposed Annual Caps and Basis of Determination

The proposed annual caps for the transactions contemplated under the Master Vessel and Container Asset Services Agreement for the three years ending 31 December 2025 and the basis of determination for such annual caps are set out as follows:

	For the year ending 31 December 2023 (RMB' 000)	For the year ending 31 December 2024 (RMB' 000)	For the year ending 31 December 2025 (RMB' 000)
Aggregate amount payable by the Group to the COSCO SHIPPING Group in respect of leasing of vessels and containers and the services of purchase and manufacture of containers	12,000,000	16,000,000	22,000,000

The above proposed annual caps in respect of leasing of vessels and containers and the services of purchase and manufacture of containers were determined with reference to: (i) the historical transaction amounts; (ii) the expected demand for leasing of vessels and containers and the manufacture of containers; (iii) the anticipated fluctuations in the exchange rate of RMB against US Dollar; (iv) the expected fluctuations in rents in the vessel and container markets as the change in the global supply-demand relationship in terms of vessels and containers may cause their rental rates to increase and fluctuate from time to time; and (v) the expansion of the business scale of the Group.

The rentals in relation to leasing of containers are usually monthly paid and the rentals in relation to leasing of vessels are usually monthly or semi-monthly paid under the Master Vessel and Container Asset Services Agreement.

The Company will from time to time take appropriate measures to ensure the compliance with the Hong Kong Listing Rules and other applicable laws in relation to the Master Vessel and Container Asset Services Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

Reasons for Entering into the Master Vessel and Container Asset Services Agreement

The Directors believe that the Master Vessel and Container Asset Services Agreement is in line with the business and commercial objectives of the Company. In view of the rapid expansion and development of both international and domestic container transportation market, improving shipping route network layout as well as good corporate brand and creditworthiness of the COSCO SHIPPING Group, the Directors believe that the continuing long-term collaboration in respect of the vessel and container asset leasing and container manufacturing services between the Group and the COSCO SHIPPING Group would decrease operating costs and achieve advantages complementation, as well as achieve synergy in the domestic and international shipping market. The Directors believe that the entering into the Master Vessel and Container Asset Services Agreement can provide flexibility to the Company's business operations as it enables the Company to react timely to demand for container shipping by being able to lease additional vessels and containers from the COSCO SHIPPING Group. In light of the above, and also considering that (i) the receipt of services under the Master Vessel and Container Asset Services Agreement are in the ordinary course of business of the Company, (ii) the terms of the Master Vessel and Container Asset Services Agreement are determined after arm's length negotiations between the Company and COSCO SHIPPING, and (iii) the service fees under the Master Vessel and Container Asset Services Agreement are determined with reference to the prevailing market price in respect of similar type of services, the Directors believe that the terms of the transactions contemplated under the Master Vessel and Container Asset Services Agreement are fair and reasonable, on normal commercial terms or better and in the interests of the Shareholders as a whole.

LETTER FROM THE BOARD

(3) *Master Port Services Agreement*

On 30 August 2022, the Company and COSCO SHIPPING entered into the Master Port Services Agreement in relation to the mutual provision of port and other related services between the COSCO SHIPPING Group and the Group.

Parties: (i) the Company; and

(ii) COSCO SHIPPING

Nature of transaction: The mutual provision of the following port and other related services between the COSCO SHIPPING Group and the Group:

(i) containers and goods loading and unloading at port;

(ii) container port and shipping services;

(iii) port concession arrangements;

(iv) leasing and electricity supply in relation to port coastline and port land; and

(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.

Pricing policy: The services fees charged under the Master Port Services Agreement will be determined with reference to the prevailing market price, being the price charged by independent third parties providing similar types of services in their ordinary course of business in the same or nearby area based on normal commercial terms, and in accordance with the principle of fairness and reasonableness. Such prevailing market price is usually based on historical prices quoted by independent third parties in recent three years or the public price rates published by governments or third-party trading platforms (if applicable).

LETTER FROM THE BOARD

Historical Amounts

The table below sets forth the historical transaction amounts of the transactions under the Existing Master Port Services Agreement (after the 2021 Revision of Annual Caps) for (i) the two years ended 31 December 2021, (ii) the six months ended 30 June 2022 and (iii) the annual cap for the year ending 31 December 2022:

	For the year ended 31 December 2020 (RMB' 000) (Audited)	For the year ended 31 December 2021 (RMB' 000) (Audited)	For the six months ended 30 June 2022 (RMB' 000) (Unaudited)	Annual cap for the year ending 31 December 2022 (RMB' 000)
Purchase of services from the COSCO SHIPPING Group	2,908,341	3,014,618	1,574,410	4,500,000
Provision of services to the COSCO SHIPPING Group	132,334	185,446	91,208	800,000

As far as the Directors are aware, the annual caps for the year ending 31 December 2022 under the Existing Master Port Services Agreement (after the 2021 Revision of Annual Caps) had not been exceeded as at the Latest Practicable Date.

Proposed Annual Caps and Basis of Determination

The proposed annual caps for the transactions contemplated under the Master Port Services Agreement for the three years ending 31 December 2025 and the basis of determination for such annual cap amounts are set out as follows:

	For the year ending 31 December 2023 (RMB' 000)	For the year ending 31 December 2024 (RMB' 000)	For the year ending 31 December 2025 (RMB' 000)
Purchase of services from the COSCO SHIPPING Group	6,000,000	7,000,000	8,000,000
Provision of services to the COSCO SHIPPING Group	800,000	800,000	800,000

LETTER FROM THE BOARD

The above proposed annual caps in relation to the purchase of services from the COSCO SHIPPING Group were determined by reference to (i) the historical transaction amounts; (ii) the 2021 Revision of Annual Caps; (iii) general inflation and increase in costs, in particular, the overseas labor costs with respect to port-related services; (iv) exchange rate fluctuations; and (v) the expected growth in the business of the Group. The above proposed annual caps in relation to the provision of services to the COSCO SHIPPING Group were determined by reference to (i) the historical transaction amounts; (ii) general inflation; (iii) exchange rate fluctuations; (iv) the possibility of acquiring new terminal projects and the Group's additional berths and newly opened terminals that are expected to be put into operation in the next three years, and the potential terminal acquisition that will be completed by the Group in the next three years; and (v) the expected increase in the number of fleets and shipping volume of COSCO SHIPPING Group's subsidiaries through synergies to be achieved with COSCO SHIPPING Group and the OCEAN Alliance.

Reasons for Entering into 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 favorable terms with COSCO SHIPPING compared with other suppliers historically. Leveraging the long-term cooperation between the Group and the COSCO SHIPPING Group, the Group has well established a trustworthy and efficient cooperative relationship with the COSCO SHIPPING Group, whereby the Group may lower the transaction and communication costs and meanwhile enhance the quality of services under the Master Port Services Agreement, therefore it is expected that the Group is able to continue to negotiate more favorable terms with COSCO SHIPPING compared with other suppliers. The provision of services to the COSCO SHIPPING Group under the Master Port Services Agreement are part of or related to the principal business activities of the Group and are expected to increase the revenue of the Group and provide the Group with overall business and operational convenience and synergy. The Directors believe that the terms of the transactions contemplated under the Master Port Services Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

(4) Master General Services Agreement

On 30 August 2022, the Company and COSCO SHIPPING entered into the Master General Services Agreement in relation to the mutual provision of general services between the Group and the COSCO SHIPPING Group.

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

LETTER FROM THE BOARD

Nature of transaction:

Mutual provision of the following general services between the Group and the COSCO SHIPPING Group:

- (i) network services, maintenance services of computer systems and related software systems;
- (ii) hotel, air tickets, conference and marketing services;
- (iii) business meals and staff lunch;
- (iv) labor products, labor protection products, office supplies and e-commerce products;
- (v) car leasing, repairing and maintenance services;
- (vi) repairing services of office equipment, property maintenance, back office, administration and other services;
- (vii) property lease and leased properties related management services;
- (viii) printing services, printer repairing and maintenance, paper supply and file management services;
- (ix) staff secondment services;
- (x) provision of insurance for senior management;
- (xi) medical services;
- (xii) training services;
- (xiii) express mail and greenery services; and
- (xiv) other related and ancillary services.

Pricing policies:

The services fees charged under the Master General Services Agreement will be determined with reference to the prevailing market price, being the price charged by independent third parties providing similar types of services in their ordinary course of business in the same or nearby area based on normal commercial terms, and in accordance with the principle of fairness and reasonableness. Such prevailing market price is usually based on historical prices quoted by independent third parties in recent three years or the public price rates published by governments, third-party trading platforms or trading agents (if applicable), the Company will also obtain such prevailing market price through quotation or competitive negotiation to be provided or participated by at least three independent third-party suppliers, or bidding procedure for certain projects prior to their commencement pursuant to relevant internal rules and management measures of the Company.

LETTER FROM THE BOARD

Historical Transaction Amounts

The table below sets forth the historical transaction amounts of the transactions under the Existing Master General Services Agreement for (i) the two years ended 31 December 2021, (ii) the six months ended 30 June 2022 and (iii) the annual cap for the year ending 31 December 2022:

	For the year ended 31 December 2020 (RMB' 000) (Audited)	For the year ended 31 December 2021 (RMB' 000) (Audited)	For the six months ended 30 June 2022 (RMB' 000) (Unaudited)	Annual cap for the year ending 31 December 2022 (RMB' 000)
Purchase of services from the COSCO SHIPPING Group	248,343	198,825	84,806	400,000
Provision of services to the COSCO SHIPPING Group	6,070	24,432	8,587	90,000

As far as the Directors are aware, the respective annual caps for the year ending 31 December 2022 under the Existing Master General Services Agreement had not been exceeded as at the Latest Practicable Date.

Proposed Annual Caps and Basis of Determination

The proposed annual caps for the transactions contemplated under the Master General Services Agreement for the three years ending 31 December 2025 and the basis of determination for such annual caps are set out as follows:

	For the year ending 31 December 2023 (RMB' 000)	For the year ending 31 December 2024 (RMB' 000)	For the year ending 31 December 2025 (RMB' 000)
Purchase of services from the COSCO SHIPPING Group	600,000	600,000	600,000
Provision of services to the COSCO SHIPPING Group	150,000	150,000	150,000

The above proposed annual caps in relation to the purchase of services from the COSCO SHIPPING Group and the provision of services to the COSCO SHIPPING Group were determined with reference to (i) the historical transaction amounts; (ii) general inflation and increase in costs; and (iii) the expected growth in the business of the Group.

LETTER FROM THE BOARD

Reasons for Entering into the Master General Services Agreement

The Directors consider the Master General Services Agreement to be consistent with the business and commercial objectives of the Company. The Group requires general services to support its operations. The services covered by the Master General Services Agreement are in great variety. In order to focus on its principal businesses, the Group relies on external service providers for such general services. COSCO SHIPPING owns professional companies which are able to provide the above supporting services to the Group. In light of the good cooperation relationship between COSCO SHIPPING and the Group, the Group had negotiated more favorable terms with COSCO SHIPPING compared with other suppliers historically. Leveraging the long-term cooperation between the Group and the COSCO SHIPPING Group, the Group has well established a trustworthy and efficient cooperative relationship with the COSCO SHIPPING Group, whereby the Group may lower the transaction and communication costs and meanwhile enhance the quality of services under the Master General Services Agreement, therefore it is expected that the Group is able to continue to negotiate more favorable terms with COSCO SHIPPING compared with other suppliers.

Certain subsidiaries of the Company also provide general services, including, among others, provision of office supplies, training services, business meals and staff lunch, express mail services, car leasing, premise leasing, property leasing and management services, computer maintenance, insurance for senior management, hotel, conference and air ticket booking services and other general services to the COSCO SHIPPING Group in certain domestic and overseas areas. Provision of such services to the COSCO SHIPPING Group will enhance the business scope and operational efficiency and reduce the operation costs of the Group. The Directors believe that the terms of the transactions contemplated under the Master General Services Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

(5) Trademark Licence Agreement

The Existing Trademark Licence Agreement will expire on 31 December 2022 and COSCO SHIPPING has agreed to renew the non-exclusive licence granted to the Company and its subsidiaries by COSCO SHIPPING for using certain trademarks owned by COSCO SHIPPING upon terms and conditions as similar to those set out in the Existing Trademark Licence Agreement. Therefore, on 30 August 2022, the Company (for itself and on behalf of its subsidiaries) and COSCO SHIPPING (for itself and on behalf of its subsidiaries (excluding the Company and its subsidiaries and other subsidiaries of COSCO SHIPPING which are listed on a stock exchange)) entered into the Trademark Licence Agreement, pursuant to which COSCO SHIPPING has granted a non-exclusive licence to the Company and its subsidiaries with the right to use certain trademarks at the rate of RMB1.00 per annum for a term from 1 January 2023 to 31 December 2025.

2. Financial Services Agreement

On 30 August 2022, the Company and COSCO SHIPPING Finance entered into the Financial Services Agreement in relation to the provision of certain financial services by COSCO SHIPPING Finance to the Company and its subsidiaries and associates.

LETTER FROM THE BOARD

- Parties:**
- (i) the Company; and
 - (ii) COSCO SHIPPING Finance
- Nature of transaction:** Pursuant to the Financial Services Agreement, COSCO SHIPPING Finance will 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 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.

- Pricing policies:**
- The interest rates for deposits shall be determined (i) not lower than the benchmark interest rate for the same type of deposit in the same period promulgated by the PBOC, with reference to the interest rate prevailing in the market, being the interest rate determined by independent third party commercial banks providing same type of deposit services in their ordinary course of business in the same or nearby service area based on normal commercial terms, and in accordance with the principle of fairness and reasonableness; and (ii) with reference to the interest rate determined by COSCO SHIPPING Finance on the same type of deposits extended to other members with equivalent qualifications within the COSCO SHIPPING Group in the corresponding period.

LETTER FROM THE BOARD

The interest rates for loans shall be determined (i) not higher than the loan prime rate as announced by the National Interbank Funding Center as authorized by the PBOC, with reference to the interest rate prevailing in the market, being the interest rate determined by independent third party commercial banks providing the same type of loan services in their ordinary course of business in the same or nearby service area based on normal commercial terms, and in accordance with the principle of fairness and reasonableness; and (ii) with reference to the interest rate determined by COSCO SHIPPING Finance on the same type of loans extended to other members with equivalent qualifications within the COSCO SHIPPING Group in the corresponding period.

COSCO SHIPPING Finance does not charge any fees to the Company and its subsidiaries and associates on the clearing services for the time being.

The pricing policies for other services, including but not limited to foreign exchange services, shall be determined with reference to (i) the standard charges for the same type of financial services stipulated by the PBOC or the CBIRC (if applicable); (ii) the handling fees charged by independent third party commercial banks to the Company and its subsidiaries and associates for the same type of services; and (iii) the handling fees charged by COSCO SHIPPING Finance to other third party entities with the same qualifications for the same type of services.

LETTER FROM THE BOARD

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 under the Existing Financial Services Agreement (after the 2021 Revision of Annual Caps) for (i) the two years ended 31 December 2021, (ii) the six months ended 30 June 2022 and (iii) the annual cap for the year ending 31 December 2022 under the Existing Financial Services Agreement:

	For the year ended 31 December 2020 (RMB' 000) (Audited)	For the year ended 31 December 2021 (RMB' 000) (Audited)	For the six months ended 30 June 2022 (RMB' 000) (Unaudited)	Annual cap for the year ending 31 December 2022 (RMB' 000)
Deposit Services				
Maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Company and its subsidiaries with COSCO SHIPPING Finance	17,188,294	74,682,116	74,079,542	75,000,000
Loan Services				
Maximum daily outstanding balance of loans (including accrued interest and handling fee) granted by COSCO SHIPPING Finance and its subsidiaries	3,256,800	1,544,800	1,677,607	26,000,000
Other Financial				
Services 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) provided by COSCO SHIPPING Finance to the Company and its subsidiaries	17,274	37,798	10,364	40,000

As far as the Directors are aware, the annual caps for the year ending 31 December 2022 had not been exceeded as at the Latest Practicable Date.

LETTER FROM THE BOARD

Proposed Annual Caps and Basis of Determination

The proposed annual caps for the transactions contemplated under the Financial Services Agreement for the three years ending 31 December 2025 and the basis of determination for such annual caps are set out as follows:

(a) Deposit Services

	For the year ending 31 December 2023 (RMB' 000)	For the year ending 31 December 2024 (RMB' 000)	For the year ending 31 December 2025 (RMB' 000)
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	150,000,000	150,000,000	150,000,000

The above proposed annual caps were determined with reference to (i) the historical transaction amounts; (ii) the steady improvement in operating results and the significant increase in net operating cash flow of the Group due to the continuous growth of the container shipping market in recent years, and the expected increase in the transaction amount of deposits services under the Financial Services Agreement; (iii) the anticipated fluctuations in the exchange rate of RMB against US Dollar after taking into account that certain proportion of the Group's revenue is denominated in US Dollar; and (iv) the expansion of the business scale of the Group, pursuant to which the Group has newly ordered 32 vessels (585,272 TEU) to enhance transportation capacity, continued to compel the progress of digitalization, and develop "door-to-door" business model, in order to further strengthen the scale advantage of the Group and in turn maintain the increasing trend of revenue and cash inflow.

(b) Loan Services

	For the year ending 31 December 2023 (RMB' 000)	For the year ending 31 December 2024 (RMB' 000)	For the year ending 31 December 2025 (RMB' 000)
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	26,000,000

The above proposed annual caps were determined with reference to (i) the historical transaction amounts; (ii) the capital management strategies of the Company; and (iii) the anticipated increase in demand of the Group for loan services as a result of its business growth.

LETTER FROM THE BOARD

(c) Other Financial Services

	For the year ending 31 December 2023 (RMB' 000)	For the year ending 31 December 2024 (RMB' 000)	For the year ending 31 December 2025 (RMB' 000)
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	80,000	80,000	80,000

The above proposed annual caps were determined with reference to (i) historical transaction amounts; (ii) the capital management strategies of the Company; (iii) the anticipated increase in demand of the Group for other financial services as a result of its business growth; and (iv) the expected positive development in the shipping market.

Reasons for Entering into the Financial Services Agreement

Facing rising uncertainties in the global macro environment, sufficient cash reserves will help the Group to enhance its ability to resist risks and stabilize cyclical fluctuations, and seize potential industrial opportunities to achieve high quality and sustainable development. The services under the Financial Services Agreement, such as the deposits, will serve the strategic development goals of the Company, and enable the Company to manage and control the capital and to leverage the capital value.

As at the Latest Practicable Date, the Group held 22.9688% of the equity interests in COSCO SHIPPING Finance (in which, 15.1258% was held by the Company and 7.8430% was held by COSCO SHIPPING Lines Co., Ltd. a wholly-owned subsidiary of the Company) and was the second largest shareholder of COSCO SHIPPING Finance. Therefore, while reaping the economic benefits brought by the service improvement of COSCO SHIPPING Finance, the Group can participate in the decision-making process of COSCO SHIPPING Finance, to exert certain level of influence on its operation and gain more effective support for building capacity of shipping supply chain based on globalization and digitalization of the Group.

To the best knowledge and belief of the Directors, COSCO SHIPPING Finance operates strictly in accordance with the guidelines on risk monitoring indicators promulgated by the CBIRC, with sound capital risk control measures and effective internal control procedures, which is conducive to the strengthening of capital supervision and prevention of capital risks of the Company. As the intra-group financial

LETTER FROM THE BOARD

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. The Company and its subsidiaries may negotiate more favourable terms with COSCO SHIPPING Finance compared with other commercial banks and the Group has also adopted more stringent capital risk control measures for deposits under Financial Services Agreement. Please see “Revision of Annual Caps of the Deposit Services under the Existing Financial Services Agreement – Capital Risk Control Measures” above for further details.

The terms of the Financial Services Agreement have been arrived at after arm’s length negotiations between the parties. The Directors (excluding all the independent non-executive Directors who will give their opinion based on the recommendations from Gram Capital pursuant to the Hong Kong Listing Rules) have confirmed that the terms 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.

Guarantee Letter from COSCO SHIPPING

In respect of the Financial Services Agreement, on 17 October 2022, COSCO SHIPPING issued a guarantee letter to the Company pursuant to which COSCO SHIPPING unconditionally and irrevocably guarantees that, during the period of the Financial Services Agreement:

- (i) maintain its effective control of COSCO SHIPPING Finance and guarantee the proper and orderly operation of COSCO SHIPPING Finance;
- (ii) use its best endeavors and take all reasonable steps to guarantee that COSCO SHIPPING Finance will perform its obligations in respect of the deposit services contemplated under the Financial Services Agreement;
- (iii) in respect of the deposits placed by the Company, its subsidiaries (having the meaning ascribed to it under the Hong Kong Listing Rules and the meaning ascribed to “controlled subsidiaries” under the Shanghai Listing Rules) and associates (having the same meaning ascribed to it under the Hong Kong Listing Rules) through the deposit services under the Financial Services Agreement, use its best endeavors and take all reasonable steps to guarantee that COSCO SHIPPING Finance will use such deposits primarily for the purpose of facilitating the fund transfer services and entrustment loan services for and among the Company, its subsidiaries and associates; and

LETTER FROM THE BOARD

- (iv) bear all the losses incurred by the Company, its subsidiaries and associates due to the failure of performing the obligations under the Financial Services Agreement by COSCO SHIPPING Finance, including but not limited to, the deposit amount, interest and the relevant expenses incurred, within ten business days after such failure occurs.

COSCO SHIPPING confirms that it has obtained all approvals and authorizations for execution the abovementioned letter and such execution does not violate any PRC laws, regulations or any agreement to which COSCO SHIPPING is a party.

In addition, pursuant to the Financial Services Agreement, the Group is entitled to, at its absolute discretion and taking into account its demand, decide to withdraw and make use of the full deposits without any penalty under the Financial Services Agreement.

3. PIL Master Shipping and Terminal Services Agreement

On 30 August 2022, the Company and Pacific International Lines entered into the PIL Master Shipping and Terminal Services Agreement in relation to the mutual provision of shipping and terminal services between the Group and the Pacific International Lines Group.

Parties:

- (i) the Company; and
- (ii) Pacific International Lines

Nature of transaction:

Mutual provision between the Group and the Pacific International Lines Group of the following services:

- (i) Shipping route services such as vessels leasing, cargo space rental and cargo space exchange;
- (ii) terminal services;
- (iii) container manufacturing, repairing, demurrage and transportation services; and
- (iv) other services relating to the shipping and terminal services.

LETTER FROM THE BOARD

Pricing policy:

The pricing for the provision of the shipping services and terminal services shall be determined with reference to the prevailing market price and other trading conditions (if any), being the price and other trading conditions (if any) as required by independent third parties providing similar types of products and/or services in their ordinary course of business in the same or nearby area based on normal commercial terms, and in accordance with the principle of fairness and reasonableness. Such prevailing market price is usually based on historical prices quoted by independent third parties in recent three years or the guiding price rates published by governments (if applicable), the Company will also obtain such prevailing market price through quotation or competitive negotiation to be provided or participated by at least three independent third-party suppliers.

Historical Transaction Amounts

The table below sets forth the historical transaction amounts of transactions under the Existing PIL Master Shipping and Terminal Services Agreement for (i) the two years ended 31 December 2021, (ii) six months ended 30 June 2022 and (iii) the annual cap for the year ending 31 December 2022:

	For the year ended 31 December 2020 (RMB' 000) (Audited)	For the year ended 31 December 2021 (RMB' 000) (Audited)	For the six months ended 30 June 2022 (RMB' 000) (Unaudited)	Annual cap for the year ending 31 December 2022 (RMB' 000)
Aggregate amount payable by the Group to the Pacific International Lines Group	32,178	103,131	63,138	350,000
Aggregate amount payable by the Pacific International Lines Group to the Group	123,532	62,779	1,333	1,000,000

As far as the Directors are aware, the respective annual caps for the year ending 31 December 2022 under the Existing PIL Master Shipping and Terminal Services Agreement had not been exceeded as at the Latest Practicable Date.

LETTER FROM THE BOARD

Proposed Annual Caps and Basis of Determination

The proposed annual caps for the transactions contemplated under the PIL Master Shipping and Terminal Services Agreement for the three years ending 31 December 2025 and the basis of determination for such annual caps are set out as follows:

	For the year ending 31 December 2023 (RMB' 000)	For the year ending 31 December 2024 (RMB' 000)	For the year ending 31 December 2025 (RMB' 000)
Aggregate amount payable by the Group to the Pacific International Lines Group	1,200,000	2,000,000	2,800,000
Aggregate amount payable by the Pacific International Lines Group to the Group	600,000	600,000	600,000

The above proposed annual caps in relation to the aggregate amounts payable by the Group to the Pacific International Lines Group and the aggregate amounts payable by the Pacific International Lines Group to the Group were determined with reference to (i) the historical transaction amounts; (ii) the expected demand by Pacific International Lines for the shipping and terminal services from the Group; and (iii) the expected demand by the Group for containers from Pacific International Lines and the forecast unit price of containers.

The proposed annual caps in relation to the amounts payable by the Group to the Pacific International Lines Group under the PIL Master Shipping and Terminal Services Agreement are expected to be higher than the historical annual caps and have annual increases for the three years ending 31 December 2025, which mainly results from the Group's anticipated increasing demand for the services of container manufacturing to be provided by the Pacific International Lines Group after taking into account (i) the Group's plan of continuous expanding the scale of vessel fleet and the corresponding container assets, and (ii) the replacement of old containers by new containers.

Considering that the historical amounts payable by the Pacific International Lines Group to the Group under the Existing PIL Master Shipping and Terminal Services Agreement and the Group's expectation that the shipping and terminal services to be provided by the Group to Pacific International Lines may decrease after taking into account the proposed allocation and distribution of shipping routes of Pacific International Lines, the proposed annual caps of such transaction under the PIL Master Shipping and Terminal Services Agreement are expected to be lower than the historical annual caps and remain stable for the three years ending 31 December 2025.

LETTER FROM THE BOARD

Reasons for Entering into the PIL Master Shipping and Terminal Services Agreement

The Group is principally engaged in container shipping and terminal businesses, while the main businesses of Pacific International Lines are shipping, container manufacturing, freight forwarding, warehousing, logistics and yard etc.

The vessels from the Pacific International Lines Group have been and will be docked at terminals controlled by the Group. In addition, relevant services, including but not limited to handling, storage, stevedoring, transshipment, maintenance of cargos, provision of container storage space and terminal premises, will be provided to the Pacific International Lines Group. In addition, the Group purchases containers and container maintenance services from Pacific International Lines from time to time based on the actual operations of the Group in order to meet its own operational needs, which can reduce the operating costs of the Group.

Pacific International Lines Group and the Group have obtained the qualifications to provide relevant services mentioned above, and are familiar with the business operations of the parties and were able to strictly perform the obligations stipulated in the related party transaction agreements in previous transactions to provide efficient services to the parties. The above transactions are conducive to safeguard the normal operation of the Group's production and operation activities, thereby facilitating the development of the Group's business. The Directors believe that the terms of the transactions contemplated under the PIL Master Shipping and Terminal Services Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

4. SIPG Shipping and Terminal Services Agreement

On 30 August 2022, the Company and SIPG entered into the SIPG Shipping and Terminal Services Agreement in relation to the provision of shipping services by the Group to the SIPG Group and the provision of terminal services by the SIPG Group to the Group.

Parties: (i) the Company; and

(ii) SIPG

Nature of transaction: The Group shall provide shipping services and other related services to the SIPG Group, including:

(i) cargo transportation, logistics agency, cargo space rental and exchange;

(ii) logistics services, towing and depot services; and

LETTER FROM THE BOARD

(iii) ancillary services relating to the shipping services.

The SIPG Group shall provide terminal services and other related services to the Group, including:

- (i) container terminal services, including but not limited to the handling of the berthing for the container vessels of the members of the Group and loading and unloading, depot, transshipment, transportation and information and other services;
- (ii) transfer of containers for international lines, containers for domestic lines and empty containers for members of the Group;
- (iii) container vessels tug operations, piloting services, cargo handling services, and transshipment by sea of containers;
- (iv) shipping agency, towing, depot and other services;
- (v) housing rental and parking space rental and other services; and
- (vi) other terminal-related ancillary services.

Pricing policy:

The pricing for the provision of the shipping services and terminal services shall be determined with reference to the prevailing market price, being the price charged by independent third parties providing similar types of services in their ordinary course of business in the same or nearby area based on normal commercial terms, and in accordance with the principle of fairness and reasonableness. Such prevailing market price is usually based on historical prices quoted by independent third parties in recent three years or the public price rates published by governments, third-party trading platforms or trading agents (if applicable), the Company will also obtain such prevailing market price through quotation to be provided by at least three independent third-party suppliers.

LETTER FROM THE BOARD

Historical Transaction Amounts

The table below sets forth the historical transaction amounts of transactions under the Existing SIPG Shipping and Terminal Services Agreement for (i) the two years ended 31 December 2021, (ii) six months ended 30 June 2022 and (iii) the annual cap for the year ending 31 December 2022:

	For the year ended 31 December 2020 (RMB' 000) (Audited)	For the year ended 31 December 2021 (RMB' 000) (Audited)	For the six months ended 30 June 2022 (RMB' 000) (Unaudited)	Annual cap for the year ending 31 December 2022 (RMB' 000)
Aggregate amount payable by the Group to the SIPG Group for the terminal services	2,089,798	1,532,424	372,473	3,500,000
Aggregate amount payable by the SIPG Group to Group for the shipping services	17,434	11,530	44,942	500,000

As far as the Directors are aware, the annual caps for the year ending 31 December 2022 under the Existing SIPG Shipping and Terminal Services Agreement had not been exceeded as at the Latest Practicable Date.

Proposed Annual Caps and Basis of Determination

The proposed annual caps for the transactions contemplated under the SIPG Shipping and Terminal Services Agreement for the three years ending 31 December 2025 and the basis of determination for such annual caps are set out as follows:

	For the year ending 31 December 2023 (RMB' 000)	For the year ending 31 December 2024 (RMB' 000)	For the year ending 31 December 2025 (RMB' 000)
Aggregate amount payable by the Group to the SIPG Group for the terminal services	3,500,000	3,500,000	3,500,000

LETTER FROM THE BOARD

	For the year ending 31 December 2023 (RMB' 000)	For the year ending 31 December 2024 (RMB' 000)	For the year ending 31 December 2025 (RMB' 000)
Aggregate amount payable by the SIPG Group to Group for the shipping services	500,000	500,000	500,000

The above proposed annual caps for the transactions under the SIPG Shipping and Terminal Services Agreement were determined with reference to (i) the current cooperation of the SIPG Group (acting as the supplier of terminal services) with COSCO SHIPPING Lines Co., Ltd. and Orient Overseas (International) Limited (both acting as the recipients of terminal services, being the subsidiaries of the Company); and (ii) the future allocation of the capacity of shipping services and anticipated growth of the relevant businesses of the Group.

Reasons for Entering into the SIPG Shipping and Terminal Services Agreement

The Group has extensive experience and offers comprehensive services and a comprehensive management system in respect of shipping services, whereas the SIPG Group has extensive experience, and offers comprehensive services and a comprehensive management system in respect of terminal services. The terminal services to be provided by SIPG Group are requisite complementary services to the core businesses of the Group, and the shipping services to be provided by the Group are requisite complementary services to the core businesses of the SIPG Group. Therefore, the parties have agreed to enter into the SIPG Shipping and Terminal Services Agreement for the provision of the shipping services and terminal services, leveraging on their respective strengths in such businesses.

SIPG Group and the Group have obtained the qualifications to provide relevant services mentioned above, and are familiar with the business operations of the parties and were able to strictly perform the obligations stipulated in the related party transaction agreements in previous transactions to provide efficient services to the parties. The above transactions are conducive to safeguard the normal operation of the Group's production and operation activities, thereby facilitating the development of the Group's business. The Directors believe that the terms of the transactions contemplated under the SIPG Shipping and Terminal Services Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

LETTER FROM THE BOARD

5. Information on the Parties to the Major Transactions 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.

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 the provision of financial services to the abovementioned members. As at the Latest Practicable Date, the Group held 22.9688% of the equity interests in COSCO SHIPPING Finance (in which, 15.1258% was held by the Company and 7.8430% was held by COSCO SHIPPING Lines Co., Ltd., a wholly-owned subsidiary of the Company) and was the second largest shareholder of COSCO SHIPPING Finance.

Pacific International Lines is a company incorporated in Singapore with limited liability. Its principal business activities are vessels and related businesses owned or operated by Pacific International Lines, such as shipping, container manufacturing, freight forwarding, warehousing, logistics and yard, etc.

SIPG is a company incorporated under the laws of the PRC with limited liability and the shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600018). SIPG is principally engaged in terminal-related businesses, including international and domestic loading and unloading (with transfer), storage, transshipment and waterway and land transport of goods (including containers); devanning or consolidating containers, cleaning, maintenance, manufacturing and leasing of containers.

6. Implications under the Hong Kong Listing Rules

The Revision of Annual Caps of the Deposit Services, the Financial Services Agreement, and the COSCO SHIPPING Master Agreements

As at the Latest Practicable Date, COSCO SHIPPING and its associates controlled or were entitled to exercise control over approximately 46.94% of the total issued share capital of the Company. Therefore, members of the COSCO SHIPPING Group (including COSCO SHIPPING Finance) are connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules. Accordingly, the Revision of Annual Caps of the Deposit Services,

LETTER FROM THE BOARD

transactions contemplated under the Financial Services Agreement and the COSCO SHIPPING Master Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios of the proposed annual caps in respect of the Revision of Annual Caps of the Deposit Services, the transactions contemplated under the Master Shipping Services Agreement, and the deposit transactions contemplated under the Financial Services Agreement exceed 25%, such transactions constitute continuing connected transactions and major transactions of the Company, and therefore the Revision of Annual Caps of the Deposit Services, the Master Shipping Services Agreement, the Financial Services Agreement, and the transactions and the respective proposed annual caps contemplated thereunder are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Hong Kong Listing Rules.

As one or more of the applicable percentage ratios of the proposed annual caps in respect of the transactions contemplated under the Master Vessel and Container Asset Services Agreement exceed 5%, such transactions and the respective proposed annual caps for such transactions for each of the three years ending 31 December 2025 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 proposed annual caps in respect of the transactions contemplated under each of the Master Port Services Agreement and the Master General Services Agreement exceed 0.1% but are all less than 5%, such transactions and the respective proposed annual caps for such transactions for each of the three years ending 31 December 2025 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 all of the applicable percentage ratios of the proposed annual caps in respect of the transactions contemplated under the Trademark Licence Agreement are below 0.1%, such transactions are exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. The Trademark Licence Agreement is disclosed in this circular in light of the requirements of the Shanghai Listing Rules as set out below.

PIL Master Shipping and Terminal Services Agreement

Mr. Teo Siong Seng (an independent non-executive Director), together with his family members (as defined in Rule 14A.12(2)(a) of the Hong Kong Listing Rules), is able to control the composition of the majority of the board of directors of Pacific International Lines. Accordingly, Pacific International Lines is a connected person of the Company and the transactions under the PIL Master Shipping and Terminal Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Hong Kong Listing Rules.

LETTER FROM THE BOARD

As one or more of the applicable percentage ratios of the proposed annual caps in respect of the transactions contemplated under the PIL Master Shipping and Terminal Services Agreement exceed 0.1% but are all less than 5%, such transactions and the proposed annual caps for such transactions for each of the three years ending 31 December 2025 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.

SIPG Shipping and Terminal Services Agreement

As at the Latest Practicable Date, SIPG held 20% of the equity interests in PANASIA Shipping, a non-wholly owned subsidiary of the Company. Therefore, SIPG is a substantial shareholder of PANASIA Shipping and a connected person of the Company at the subsidiary level. Accordingly, the transactions contemplated under the SIPG Shipping and Terminal Services Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Hong Kong Listing Rules.

The Board has approved the transactions contemplated under the SIPG Shipping and Terminal Services Agreement, and the independent non-executive Directors have confirmed that the terms of the transactions under the SIPG Shipping and Terminal Services Agreement are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Therefore, the transactions under the SIPG Shipping and Terminal Services Agreement and the proposed annual caps for such transactions are subject to the reporting, annual review and announcement requirements but are exempt from the circular, independent financial advice and independent shareholders' approval requirements pursuant to Rule 14A.101 of the Hong Kong Listing Rules.

Directors' Confirmation

Mr. Wan Min, Mr. Huang Xiaowen, and Mr. Yang Zhijian, who are Directors nominated by COSCO, have abstained from voting on the resolutions of the Board approving the Revision of Annual Caps of the Deposit Services, the transactions under the COSCO SHIPPING Master Agreements and the Financial Services Agreement pursuant to the Articles of Association. Other than the above mentioned Directors, the remaining Directors are the independent non-executive Directors.

Mr. Teo Siong Seng has abstained from voting on the resolution of the Board to consider and approve the transactions under the PIL Master Shipping and Terminal Services Agreement due to his material interest therein pursuant to the Articles of Association.

Save as disclosed above, none of the Directors has a material interest in the Revision of Annual Caps of the Deposit Services or the transactions under the Master Agreements and is required to abstain from voting on the relevant resolutions. Based on the reasons as stated above, the Directors (other than (i) in respect of the PIL Master Shipping and Terminal Services Agreement, Mr. Teo Siong Seng who has abstained from voting and expressing opinion on the relevant resolution of the Board; and (ii) in respect of the Revision of Annual Caps of the Deposit Services, the COSCO SHIPPING Master Agreements and the Financial Services Agreement, Mr. Wan Min, Mr. Huang Xiaowen, and Mr. Yang Zhijian who have abstained from voting and expressing opinion on the relevant resolutions of the Board) are of the view that the Revision of Annual Caps of the Deposit Services and the transactions contemplated under the Master Agreements have been and will be entered into in the ordinary and usual course of

LETTER FROM THE BOARD

business of the Company and on normal commercial terms, and that the terms of the Revision of Annual Caps of the Deposit Services and the Master Agreements and the respective proposed annual caps thereunder for each of the three years ending 31 December 2025 are fair and reasonable and in the interests of the Shareholders as a whole.

7. 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 Existing Financial Services Agreement and the Master Agreements, the Group will implement the following internal control arrangements:

- (i) The Company will regularly examine the pricing of transactions under the Existing Financial Services Agreement and the Master Agreements to ensure that the continuing connected transactions under the Existing Financial Services Agreement and the 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.
- (ii) The Company may request for written documents to be provided by the connected persons under the Existing Financial Services Agreement and the Master Agreements to demonstrate that their transaction pricing complies with the pricing terms as stipulated in the Existing Financial Services Agreement and the 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 of the Company will regularly convene relevant functional departments to hold meetings to discuss issues in the transactions under the Existing Financial Services Agreement and the Master Agreements and recommendations for improvement.
- (iv) The legal and risk management department of the Company will summarize the transaction amounts incurred under the Existing Financial Services Agreement and the 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.

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 Existing Financial Services Agreement and the relevant Master Agreements and in compliance with Chapter 14A of the Hong Kong Listing Rules.

LETTER FROM THE BOARD

8. 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 with related subject under the same transaction category 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 Revision of Annual Caps of Deposit Services and the continuing connected transactions under the COSCO SHIPPING Master Agreements and the Financial Services Agreement also constitute related party transactions of the Company under the Shanghai Listing Rules and were all entered into between the Company and COSCO SHIPPING or COSCO SHIPPING Finance, which is under COSCO SHIPPING's control, the proposed annual caps in respect of the Revision of Annual Caps of Deposit Services and the continuing connected transactions under the COSCO SHIPPING Master Agreements and the Financial Services Agreement shall be aggregated pursuant to the requirements under the Shanghai Listing Rules. As the continuing connected transactions under the Master Shipping Services Agreement, the Master Port Services Agreement, the PIL Master Shipping and Terminal Services Agreement, and the SIPG Shipping and Terminal Services Agreement constitute related party transactions with related subject under the same transaction category entered into between the Company and different related parties under the Shanghai Listing Rules, all the proposed annual caps in respect of the continuing connected transactions under the Master Shipping Services Agreement, the Master Port Services Agreement, the PIL Master Shipping and Terminal Services Agreement, and the SIPG Shipping and Terminal Services Agreement shall be aggregated pursuant to the requirements under the Shanghai Listing Rules. The aggregated amount shall exceed 5% of the latest audited net asset value of the Company and its subsidiaries. Accordingly, despite that only the Revision of Annual Caps of Deposit Services and the Non-exempt Master Agreements and the proposed annual caps thereunder 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 the Revision of Annual Caps of Deposit Services and all the continuing connected transactions under each of the COSCO SHIPPING Master Agreements, the Financial Services Agreement, the PIL Master Shipping and Terminal Services Agreement, and the SIPG Shipping and Terminal Services Agreement and the proposed annual caps contemplated thereunder.

E. 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 Wednesday, 23 November 2022 at 10:00 a.m. A notice convening the EGM, together with the form of proxy, were despatched to the Shareholders on Friday, 21 October 2022.

LETTER FROM THE BOARD

Whether or not you intend to attend the EGM, you are requested to complete and return the form of proxy in accordance with the instructions printed on it. The proxy form 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 of it. Completion and return of the proxy form will not preclude you from attending and voting in person at the EGM or any adjournment of it should you so wish.

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.

COSCO SHIPPING and its associates, being connected persons of the Company and having a material interest in the Revision of Annual Caps of Deposit Services, and the transactions under the Financial Services Agreement and the COSCO SHIPPING Master Agreements, controlled or were entitled to exercise control over the voting rights in respect of 7,328,600,010 A Shares and 225,822,000 H Shares, representing approximately 46.94% of the 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 to approve the Revision of Annual Caps of the Deposit Services, the transactions under the Financial Services Agreement and the COSCO SHIPPING Master Agreements.

Mr. Teo Siong Seng, being a connected person of the Company and having a material interest in the transactions under the PIL Master Shipping and Terminal Services Agreement, controlled or was entitled to exercise control over the voting rights in respect of 146,250 H Shares, representing approximately 0.001% of the total issued share capital of the Company as at the Latest Practicable Date. In accordance with the Hong Kong Listing Rules, he will abstain from voting at the EGM on the resolution(s) to approve the transactions under the PIL Master Shipping and Terminal Services Agreement.

In addition, Mr. Yang Zhijian, an executive Director, controlled or was entitled to exercise control over the voting rights in respect of 401,544 A Shares and 130,000 H Shares, representing approximately 0.003% of the total issued share capital of the Company as at the Latest Practicable Date. Considering that Mr. Yang Zhijian is also an employee representative director of COSCO SHIPPING, Mr. Yang Zhijian voluntarily undertakes to abstain from voting at the EGM on the resolutions to approve the Revision of Annual Caps of the Deposit Services, and the transactions under the Financial Services Agreement and the COSCO SHIPPING Master Agreements in order to better protect the interests of the Independent Shareholders.

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

LETTER FROM THE BOARD

F. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 58 of this circular and the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders set out on pages 59 to 84 of this circular in connection with (i) the Revision of Annual Caps of the Deposit Services, (ii) the continuing connected transactions contemplated under the Non-exempt Master Agreements, their respective proposed annual caps, and the principal factors and reasons considered by Gram Capital in arriving at such advice.

The Independent Board Committee, having considered the terms of the Revision of Annual Caps of the Deposit Services and continuing connected transactions contemplated under the Non-exempt Master Agreements, and the advice of Gram Capital, are of the opinion that: (i) the Revision of Annual Caps of the Deposit Services, and the transactions contemplated under the Non-exempt Master Agreements 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 Deposit Services, and the terms of the Non-exempt Master Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) the proposed annual caps for such transactions for each of the three years ending 31 December 2025 are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Board Committee recommends the Independent Shareholders to vote in favour of all the resolutions in respect of the Revision of annual caps of the Deposit Services, and the Non-exempt Master Agreements to be proposed at the EGM to approve the aforementioned matters.

G. CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the H Shareholders' entitlement to attend and vote at the EGM or any adjournment or postponement thereof (as the case may be), the H Share register of members of the Company will be closed from Friday, 18 November 2022 to Wednesday, 23 November 2022, both days inclusive, during which period no transfer of the H Shares will be effected. The H Shareholders whose names appear in the H Share register of members of the Company on Friday, 18 November 2022 are entitled to attend and vote at the EGM. In order to attend and vote at the EGM, all transfer documents accompanied by relevant share certificates must be lodged with the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712 to 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 17 November 2022.

LETTER FROM THE BOARD

H. 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.*
Xiao Junguang
Company Secretary

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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)

21 October 2022

To the Independent Shareholders

Dear Sir or Madam,

MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 21 October 2022 (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 Deposit Services, and the transactions contemplated under the Non-exempt Master Agreements are entered into in the ordinary and usual course of business of the Company on normal commercial terms; (ii) the Revision of Annual Caps of the Deposit Services, and the terms of the Non-exempt Master Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) the proposed annual caps for such transactions for each of the three years ending 31 December 2025 are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the Revision of Annual Caps of the Deposit Services and the terms of the Non-exempt Master Agreements, and the advice of Gram Capital, we are of the opinion that (i) the Revision of Annual Caps of the Deposit Services, and the transactions contemplated under the Non-exempt Master Agreements are entered into in the ordinary and usual course of business of the Company on normal commercial terms; (ii) the Revision of Annual Caps of the Deposit Services, and the terms of the Non-exempt Master Agreements are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) the proposed annual caps for such transactions for each of the three years ending 31 December 2025 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 Deposit Services, and the Non-exempt Master Agreements.

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

LETTER FROM GRAM CAPITAL

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 Transactions for the purpose of inclusion in this circular.



Gram Capital Limited
嘉林資本有限公司

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

21 October 2022

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

Dear Sir/Madam,

MAJOR AND CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the Revision of Annual Caps of the Deposit Services; and (ii) the Non-exempt Continuing Connected Transactions (collectively, the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 21 October 2022 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.

On 30 August 2022 (the “**Agreement Date**”), the Company proposed to revise, among others, the annual caps of the deposit services contemplated under the Existing Financial Services Agreement for the year ending 31 December 2022.

On even date, the Company entered into the COSCO SHIPPING Master Agreements and the Financial Services Agreement with COSCO SHIPPING and COSCO SHIPPING Finance in relation to, among other things, the Non-exempt Continuing Connected Transactions, the nature of which is similar to the transaction contemplated under the Existing COSCO SHIPPING Master Agreements and the Existing Financial Services Agreement, for a term of three years from 1 January 2023 to 31 December 2025, which can be extended for further three years as agreed in writing by the parties upon the expiration of the term on the basis that the relevant requirements of the applicable listing rules are satisfied.

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, the Transactions are subject to the requirements of reporting, annual review, announcement and Independent Shareholders' approval under Chapter 14 and 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 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

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as independent financial adviser in respect of the major and continuing connected transactions as contained in the Company's circular dated 24 September 2021. Notwithstanding the aforesaid past engagement, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company or any other parties that could be reasonably regarded as a hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

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.

LETTER FROM GRAM CAPITAL

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.

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, COSCO SHIPPING Finance 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.

LETTER FROM GRAM CAPITAL

Set out below are the consolidated financial information of the Group for the two years ended 31 December 2021 and the six months ended 30 June 2022 (“**1H2022**”) as extracted from the Company’s annual report for the year ended 31 December 2021 (“**2021 Annual Report**”) and the Company’s interim report for 1H2022 (“**2022 Interim Report**”):

	For the six months ended 30 June 2022 RMB'000 (unaudited)	For the year ended 31 December 2021 RMB'000 (audited)	For the year ended 31 December 2020 RMB'000 (audited)	Change from 2020 to 2021 %
Revenues	210,784,853	333,693,611	171,258,834	94.85
– Container shipping business	207,171,206	327,909,237	165,998,877	97.54
– Container terminal business	3,613,647	5,784,374	5,259,957	9.97
Gross profit	98,046,534	140,125,380	24,141,792	480.43
Profit attributable to equity holders of the Company	64,711,625	89,296,138	9,927,098	799.52
	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)	As at 31 December 2020 RMB'000 (audited)	Change from 2020 to 2021 %
Cash and cash equivalents	247,150,892	177,946,969	52,630,331	238.11
Net assets	240,631,857	178,860,542	78,697,057	127.28

The Group recorded revenues of approximately RMB333.7 billion for the year ended 31 December 2021 (“**FY2021**”), representing an increase of approximately 94.85% as compared to that for the year ended 31 December 2020 (“**FY2020**”). The Group generated majority of its revenues from container shipping business. The Group’s revenue from container shipping business amounted to approximately RMB327.9 billion for FY2021 and approximately RMB166.0 billion for FY2020, representing approximately 98.27% and approximately 96.93% of the Group’s revenues for FY2021 and FY2020 respectively. Profit attributable to equity holders of the Company amounted to approximately RMB89.3 billion for FY2021, representing an increase of approximately 8 times as compared to that for FY2020. With reference to the 2021 Annual Report, such increase was mainly due to significant increase in revenues and gross profit margin.

LETTER FROM GRAM CAPITAL

The Group recorded revenues of approximately RMB210.8 billion for 1H2022, representing an increase of approximately 51.36% as compared to that the corresponding period in 2021. The Group's revenues from container shipping business amounted to approximately RMB207.2 billion for 1H2022, representing an increase of approximately 51.85% as compared to the corresponding period in 2021. Profit attributable to equity holders of the Company amounted to approximately RMB64.7 billion for 1H2022, representing an increase of 74.44% as compared to that for the corresponding period in 2021. With reference to the 2022 Interim Report, such increase was mainly due to substantial increase in the Group's gross profit, as partially offset by increase in tax expenses.

With reference to 2022 Interim Report, in the future, the Company will actively respond to the global economic and trade changes and strive to lead reforms and development of the industry. By implementing specific operational measures such as ensuring and stabilising the supply chain, strengthening cooperation with customers, improving global deployment, strengthening digital and intelligence empowerment, promoting low-carbon transformation, and implementing cost control, the Company continues to establish and improve a globalised and digitalised container supply chain service system for customers, and plays an important role in world trade, in order to ensure the stability of the global supply chain, provide better services to customers, and create greater value for the 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. It is principally engaged in providing financial services to the abovementioned members. As at the Latest Practicable Date, the Group held approximately 22.97% of the equity interests in COSCO SHIPPING Finance and was the second largest shareholder of COSCO SHIPPING Finance.

LETTER FROM GRAM CAPITAL

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.

The table below sets out the key financial ratio requirements of the Administrative Measures and Assessment Measures and the respective financial ratios of COSCO SHIPPING Finance as at 30 June 2022 as provided by the Company:

Financial ratio	Requirements	Financial ratios of COSCO SHIPPING Finance as at 30 June 2022
Capital adequacy ratio	Not less than 10.5%	11.63%
Non-performing assets ratio	Not more than 4%	Nil
Non-performing loans ratio	Not more than 5%	Nil
Liquidity ratio	Not less than 25%	65.87%
Self-owned fixed assets to total capital ratio	Not more than 20%	0.01%
Investment to total capital ratio	Not more than 70%	10.53%
Inter-financial institution borrowing balance to total capital ratio	Not more than 100%	Nil
Total amount of outstanding guarantees to total capital ratio	Not more than 100%	62.58%

The Directors also advised us that, (1) COSCO SHIPPING Finance and its businesses comply with applicable laws and regulations; and (2) since COSCO SHIPPING Finance’s incorporation, it had not experienced any (i) bank-run; (ii) inability to settle debts that fall due; (iii) substantial amount of loan overdue; (iv) serious computer system malfunction; (v) bank heist or being defrauded; or (vi) involvement of serious disciplinary or criminal cases by senior management.

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 “Revision of Annual Caps of the Deposit Services under the Existing 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.

LETTER FROM GRAM CAPITAL

Furthermore, on 17 October 2022, COSCO SHIPPING issued a guarantee letter to the Company in respect of the Existing Financial Services Agreement and the Financial Services Agreement, which sets out certain unconditional and irrevocable guarantees provided by COSCO SHIPPING in favour of the Group regarding, among other things, the deposit services under the Existing Financial Services Agreement and the Financial Services Agreement (the “**Deposit Services**”). Details of such guarantees are set out in the Board Letter. We consider the aforesaid guarantees provided by COSCO SHIPPING, including that COSCO SHIPPING shall bear all the losses incurred by the Company, its subsidiaries and associates due to the failure of performing the obligation under the Existing Financial Services Agreement and the Financial Services Agreement, can mitigate the Group’s risks under the Deposit Services.

Reasons for and benefits of the Transactions

As aforementioned, the Group’s container shipping business accounted for majority of the Group’s revenues. The shipping services to be mutually provided by the Group and COSCO SHIPPING Group under the Master Shipping Services Agreement mainly include vessel fuel, vessel materials and related repairing services, vessel safety management and technical consultancy services for vessels, which are essential to the Group’s businesses and operations and are conducted in the Group’s ordinary and usual course of business.

With reference to the Board Letter, in view of the rapid expansion and development of both international and domestic container transportation market, improving shipping route network layout and good corporate brand and creditworthiness of the COSCO SHIPPING Group, the Directors believe that the continuing long-term collaboration in respect of the vessel and container asset leasing and container manufacturing service between the Group and the COSCO SHIPPING Group would decrease operating costs and achieve advantages complementation, and achieve synergy in the domestic and international shipping market.

With reference to the Board Letter, with rising uncertainties in the global macro environment, sufficient cash reserves will help the Group to enhance its ability to resist risks and stabilize cyclical fluctuations, and seize potential industrial opportunities to achieve high quality and sustainable development. The services under the Existing Financial Services Agreement and the Financial Services Agreement (including the Deposit Services) will serve the strategic development goals of the Company, and enable the Company to manage and control the capital and to leverage the capital value.

As at the Latest Practicable Date, the Group held approximately 22.97% of the equity interests in COSCO SHIPPING Finance and was the second largest shareholder of COSCO SHIPPING Finance. Therefore, while reaping the economic benefits brought by the service improvement of COSCO SHIPPING Finance, the Group can participate in the decision-making process of COSCO SHIPPING Finance, to exert certain level of influence on its operation and gain more effective support for building capacity of shipping supply chain based on globalization and digitalization of the Group. To the best knowledge and belief of the Directors, COSCO SHIPPING Finance operates strictly in accordance with the guidelines on risk monitoring indicators promulgated by the CBIRC, with sound capital risk control measures

LETTER FROM GRAM CAPITAL

and effective internal control procedures, which is conducive to the strengthening of capital supervision and prevention of capital risks is of the Company and is in the interests of the Shareholders of the Company as a whole.

As an 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. The Company and its subsidiaries may negotiate more favorable terms with COSCO SHIPPING Finance compared with other commercial banks.

As depicted from the section headed “Information on the Group” above, the Group’s revenue from container shipping business for FY2021 increased by approximately 97.54% as compared to that for FY2020; and the Group’s revenue from container shipping business for 1H2022 amounted to approximately RMB207.2 billion, representing an increase of approximately 51.85% as compared to that for the corresponding period in 2021. We also noted from the 2021 Annual Report and the 2022 Interim Report that (i) the Group’s net cash generated from operating activities increased from approximately RMB44.9 billion for FY2020 to approximately RMB170.9 billion for FY2021; and (ii) the Group recorded net cash generated from operating activities of approximately RMB112.5 billion for 1H2022, representing an increase of approximately 76.15% as compared to that for the corresponding period in 2021.

Industry overview

Set out below are the volume of freight transported through maritime transportation of the PRC during the five years ended 31 December 2021 published by the National Bureau of Statistics of the PRC:

	2017	2018	2019	2020	2021
Volume of freight transported through maritime transportation of the PRC (<i>approximate billion tons</i>)	6.7	7.0	7.5	7.6	8.2
Total volume of freight transported of the PRC (<i>approximate billion tons</i>)	48.0	51.5	47.1	47.4	53.0

As shown in the table above, there was year-on-year increase in the volume of freight transported through maritime transportation of the PRC during each of the year 2018, 2019, 2020 and 2021. The volume of freight transported through maritime transportation of the PRC increased from approximately 6.7 billion tons in 2017 to approximately 8.2 billion tons in 2021, representing a compound annual growth rate of approximately 5.39%.

LETTER FROM GRAM CAPITAL

In addition, despite the decrease in total volume of freight transported of the PRC in 2019 as compared to that for 2018, the volume of freight transported through maritime of the PRC increased by approximately 0.5 billion in 2019 as compared to that for 2018.

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)) of the PRC during the five years ended 31 December 2021 published by the National Bureau of Statistics of the PRC:

	2017	2018	2019	2020	2021
Freight turnover of maritime transport of the PRC (billion ton-km)	9,861.1	9,905.3	10,396.3	10,583.4	11,557.8

As shown in the table above, there was year-on-year increase in the freight turnover of maritime transport of the PRC during each of the year 2018, 2019, 2020 and 2021. The volume of freight turnover of maritime transport of the PRC increased from approximately 9,861.1 billion ton-km in 2017 to approximately 11,557.8 billion ton-km in 2021, representing a compound annual growth rate of approximately 4.05%.

Set out below are the average weekly China Containerized Freight Index (“CCFI”) during the five years ended 31 December 2021 and up to August 2022, published by Wind Financial Terminal:

	2017	2018	2019	2020	2021	Up to August 2022
Average weekly CCFI	820.08	818.43	823.98	984.42	2,626.41	3,261.23

As shown in the table above, there was year-on-year increase in the average weekly CCFI during each of the year 2019, 2020 and 2021. The average weekly CCFI increased from approximately 820.08 in 2017 to approximately 2,626.41 in 2021, representing a compound annual growth rate of approximately 33.78%. Furthermore, the average weekly CCFI for the period from January 2022 up to August 2022 further increased to approximately 3,261.23, representing a year-on-year increase of approximately 42.31% as compared to the corresponding period in 2021.

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

Having considered the above, in particular, the Group’s financial performance and the continuous growth of the shipping market, we consider that 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.

LETTER FROM GRAM CAPITAL

Principal terms of the Transactions

Set out below are the principal terms of the Existing Financial Services Agreement, the Financial Services Agreement, the Master Shipping Services Agreement and the Master Vessel and Container Asset Services Agreement, details of which are set out in the section headed “D. MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF (1) REVISION OF ANNUAL CAPS OF THE DEPOSIT SERVICES UNDER THE EXISTING FINANCIAL SERVICES AGREEMENT, AND (2) ENTERING INTO THE COSCO SHIPPING MASTER AGREEMENTS, THE FINANCIAL SERVICES AGREEMENT, THE PIL MASTER SHIPPING AND TERMINAL SERVICES AGREEMENT, AND THE SIPG SHIPPING AND TERMINAL SERVICES AGREEMENT” of the Board Letter.

(1) Deposit services under the Existing Financial Services Agreement and the Financial Services Agreement

On 30 August 2022, the Company proposed to revise relevant annual cap of the continuing connected transactions contemplated under the Existing Financial Services Agreement. Save for the proposed revision of relevant annual cap thereof, all other terms and conditions of the Existing Financial Services Agreement (after the 2021 Revision of Annual Caps) remain unchanged.

On even date, the Company and COSCO SHIPPING Finance entered into the Financial Services Agreement in relation to the provision of certain financial services by COSCO SHIPPING Finance to the Company and its subsidiaries and associates.

As advised by the Directors, the entering into of the Financial Services Agreement with COSCO SHIPPING Finance was in compliance with the 《關於規範上市公司與企業集團財務公司業務往來的通知》(Notice on Regulating the Business Transactions between Listed Companies and Group Finance Companies*) promulgated by the China Securities Regulatory Commission and CBIRC on 30 May 2022, which stipulated that group finance company should enter into agreement with listed company when there are transactions between them. Having also considered that COSCO SHIPPING Finance has been the service provider under the Existing Financial Services Agreement, the Directors consider that it is reasonable to sign the Financial Services Agreement with COSCO SHIPPING Finance (instead of COSCO SHIPPING) to govern its obligations directly.

	Existing Financial Services Agreement	Financial Services Agreement
<i>Date:</i>	30 October 2019	30 August 2022
<i>Parties:</i>	(1) the Company; and (2) COSCO SHIPPING	(1) the Company; and (2) COSCO SHIPPING Finance

LETTER FROM GRAM CAPITAL

	Existing Financial Services Agreement	Financial Services Agreement
<i>Pricing policies:</i>	<p>The interest rates for deposits shall be determined with reference to:</p> <ul style="list-style-type: none"> (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. 	<p>The interest rates for deposits shall:</p> <ul style="list-style-type: none"> (i) not be lower than the benchmark interest rate for the same type of deposit in the same period promulgated by the PBOC, with reference to interest rate prevailing in the market, being interest rate 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 based on commercial terms, and in accordance with the principle of fairness and reasonableness; and (ii) be determined with reference to the interest rate determined by COSCO SHIPPING Finance on the same type of deposits extended to other members with equivalent qualification within the COSCO SHIPPING Group in the corresponding period.

To ensure that the pricing policies under the Existing Financial Services Agreement are complied with, prior to conducting transactions under the Existing 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 through their respective website and public information 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 to the Group for deposit with various deposit periods; (i.e. demand deposit, 7 days' notice, three months, six months, one year and agreed-term); and (ii) a list of prevailing interest rates offered by three commercial banks who are independent third parties (including the Group's major bankers, the "**Independent Banks**") to the Group for deposit with various deposit periods (i.e. demand deposit, 7 days' notice, three months, six months, one year and agreed-term). 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.

LETTER FROM GRAM CAPITAL

For our due diligence purpose, we also obtained from the Company a list of the Group members that have placed deposit with COSCO SHIPPING Finance, we randomly selected three Group members from the list and obtained deposit records in relation to the deposits placed by them with COSCO SHIPPING Finance (which covered over 5.37% and 6.53% of the Group's maximum daily outstanding balance of deposits placed with COSCO SHIPPING Finance for FY2020 and FY2021 respectively), together with the then prevailing interest rates for the same deposit period offered by Independent Banks. After comparison, we noted that the interest rates offered by COSCO SHIPPING Finance are higher than those offered by the Independent Banks for deposit placed within the same period.

Given that (i) the prevailing interest rates offered by COSCO SHIPPING Finance are higher than those offered by the Independent Banks; and (ii) the interest rates offered by COSCO SHIPPING Finance are higher than those offered by Independent Banks for deposit with the same deposit period placed by the Group within the same period based on our findings, we are of the view that the (i) prevailing interest rates are on normal commercial terms or better so far as the Group is concerned; and (ii) the interest rates offered by COSCO SHIPPING Finance are fair and reasonable.

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 "7. 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 2021 Annual Report, the Company's auditor was engaged to report on the continuing connected transactions (including the Deposit Services) for FY2021. 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 "**Auditor's Confirmation**"). The independent non-executive Directors also reviewed the continuing connected transactions (including the Deposit Services) for FY2021 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 (the "**INEDs' Confirmation**").

Based on our findings on the pricing of Deposit Services as detailed above, the Auditor's Confirmation and the INEDs' Confirmation, we do not doubt the effectiveness of the internal control procedures for the interest rate determination of the Deposit Services.

LETTER FROM GRAM CAPITAL

Revised/proposed 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 (the “**Revised Deposit Cap**”) and proposed annual cap(s) (the “**Proposed Deposit Cap(s)**”) for the Deposit Services:

	For the year ended 31 December 2019 RMB'000	For the year ended 31 December 2020 RMB'000	For the year ended 31 December 2021 RMB'000	For the year ending 31 December 2022 (“FY2022”) 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	12,501,879	17,188,294	74,682,116	74,079,542 (Note)
Existing Deposit Caps	31,000,000	29,000,000	75,000,000	75,000,000
Utilization rate	40.33%	59.27%	99.58%	Undetermined
	For the year ending 31 December 2022 RMB'000	For the year ending 31 December 2023 (“FY2023”) RMB'000	For the year ending 31 December 2024 (“FY2024”) RMB'000	For the year ending 31 December 2025 (“FY2025”) RMB'000
Revised Deposit Cap/Proposed Deposit Caps	150,000,000	150,000,000	150,000,000	150,000,000

Note: Such figure represents the maximum daily outstanding balance of deposits during 1H2022.

With reference to the Board Letter, along with the increasing boost of the container shipping market in 2021, the Company achieved substantial growth in its business performance through the measures such as increasing shipping capacity, securing container supplies and enhancing service quality. Therefore, the revenue and operating cash inflow of the Company increased substantially during FY2021, which in turn raised the Group’s demand for the deposit services and other financial services under the Existing Financial Services Agreement. As such, there was significant increase in the maximum daily outstanding balance of deposits and the annual transaction amount of other financial services for FY2021 as compared to those for FY2020. The Revised Deposit Cap and the Proposed Deposit Caps were determined with reference to (i) the historical maximum daily outstanding balance of deposits (including accrued interest and handling fee); (ii) the steady improvement in operating results and the significant increase in net operating cash flow of the Group due to the continuous growth of the container shipping market in recent years, and the expected increase in the transaction

LETTER FROM GRAM CAPITAL

amount of deposits services under the Existing Financial Services Agreement; (iii) the anticipated fluctuations in the exchange rate of RMB against US Dollar after taking into account that certain proportion of the Group's revenue is denominated in US Dollar; and (iv) the expansion of the business scale of the Group, pursuant to which the Group has newly ordered 32 vessels (with aggregate transportation capacity of 585,272 TEUs) to enhance transportation capacity, continued to compel the progress of digitalization, and develop "door-to-door" business model, in order to further strengthen the scale advantage of the Group and in turn maintain the increasing trend of revenue and cash inflow.

As illustrated in the above table, the utilisation rate of the historical annual cap for FY2021 was approximately 99.58% and the maximum daily outstanding balance of deposits (including accrued interest and handling fee) placed by the Company and its subsidiaries with COSCO SHIPPING Finance for 1H2022 accounted for approximately 98.77% of the existing annual cap for FY2022. The historical/existing annual caps have been utilised at very high levels.

Given the demand for Deposit Services was primarily due to the increasing boost of the shipping market which resulted in the significant increase in cash flows from operating activities during FY2021 and 1H2022 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 Annual Report that the Group's net cash generated from operating activities amounted to approximately RMB170.9 billion for FY2021, representing an increase of approximately RMB126.0 billion or 280.47% as compared to that for FY2020. Furthermore, we also noted from the 2021 Annual Report that the Group's cash and cash equivalents were approximately RMB177.9 billion as at 31 December 2021, representing an increase of approximately RMB125.3 billion or 238.11% as compared to that as at 31 December 2020.
- (ii) We noted from the 2022 Interim Report that the Group's net cash generated from operating activities amounted to approximately RMB112.5 billion for 1H2022, representing an increase of approximately RMB48.7 billion or 76.15% as compared to that for the corresponding period in 2021. Furthermore, we also noted from the 2022 Interim Report that the Group's cash and cash equivalents were approximately RMB247.2 billion as at 30 June 2022, representing an increase of approximately RMB69.2 billion or 38.89% as compared to that as at 31 December 2021 respectively.
- (iii) We noted that the maximum daily outstanding balance of deposits placed with COSCO SHIPPING Finance for FY2021 and 1H2022 amounted to approximately RMB74.7 billion and RMB74.1 billion respectively, representing approximately 99.58% and 98.77% of the corresponding Existing Deposit Caps.
- (iv) We noted from the 2021 Annual Report and the 2022 Interim Report that the Group's revenue from container shipping business amounted to approximately RMB327.9 billion and RMB207.2 billion for FY2021 and 1H2022 respectively, representing an increase of approximately RMB161.9 billion or 97.54% and RMB70.7 billion or 51.85% respectively, as compared to those for the previous year/corresponding period in previous year.

LETTER FROM GRAM CAPITAL

As advised by the Directors, certain portion of the Group's deposits with COSCO SHIPPING Finance were denominated in US Dollar whereas the Proposed Deposit Caps are denominated in RMB. We searched for the exchange rates of US Dollar to RMB during the period from 1 September 2021 to 30 August 2022, being a period of approximately one year prior to and including the Agreement Date (the "**Review Period**"), as quoted from the website of State Administration of Foreign Exchange of the PRC and noted that (i) the exchange rate of US Dollar to RMB quoted on the Agreement Date increased by approximately 6.37% as compared to that quoted on 1 September 2021; and (ii) the highest exchange rate of US Dollar to RMB during the Review Period represented a premium of approximately 9.19% over the lowest exchange rate of US Dollar to RMB during the Review Period.

Having considered the above, we are of the view that the Revised Deposit Cap for FY2022 and the Proposed Deposit Caps for the three years ending 31 December 2025 are necessary for catering the increase in the Group's net cash generated from operating activities and cash and cash equivalents. Accordingly, we consider the Revised Deposit Caps for FY2022 and the Proposed Deposit Caps for the three years ending 31 December 2025 to be fair and reasonable.

Shareholders should note that as the Revised Deposit Cap and the Proposed 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 2025, 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 Cap and the Proposed Deposit Caps.

Having considered the principal terms of the Revision of Annual Caps of the Deposit Services and the Deposit Services under the Financial Services Agreement as set out above, we are of the view that the terms of the Revision of Annual Caps of the Deposit Services (including the Revised Deposit Cap) and the Deposit Services under the Financial Services Agreement (including the Proposed Deposit Caps) are fair and reasonable.

(2) Mutual provision of shipping services under the Master Shipping Services Agreement

On 30 August 2022, the Company and COSCO SHIPPING entered into the Master Shipping Services Agreement in relation to the mutual provision of shipping services between the Group and the COSCO SHIPPING Group.

- Parties:**
- (1) the Company; and
 - (2) COSCO SHIPPING

LETTER FROM GRAM CAPITAL

Nature of transactions: 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, sea chart and vessel parts;
- (v) vessel repairing and conversion services;
- (vi) radio communication equipment reservation, repairing and installation;
- (vii) provision and repairing of vessel equipment services;
- (viii) brokerage services in respect of vessel trade and vessel insurance and brokerage services;
- (ix) container loading and unloading, 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, custom clearance, vessel agency, cargo canvassing, documentation, collections and payments of shipping freights and other related and ancillary services;
- (xiii) handling of shipping-related disputes and cases; and
- (xiv) other vessels, containers and shipping-related services.

Pricing policies: The services fees charged under the Master Shipping Services Agreement will 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. Such prevailing market price is usually based on historical prices quoted by independent third parties in recent three years or the public price rates published by government and third-party trading platform (if applicable), the Company will also obtain such prevailing market price through quotation or competitive negotiation to be provided or participated by at least three independent third-party suppliers, or bidding procedures for certain projects prior to their commencement pursuant to relevant internal rules and management measures of the Company.

LETTER FROM GRAM CAPITAL

For our due diligence purpose, the Company provided us with a summary of the mutual provision of shipping services for FY2020 and FY2021. From the aforesaid summary, we randomly selected and the Company provided us:

- (i) three sets of transaction documents in respect of the purchase of shipping services (being purchase of vessel fuel which market prices could be obtained from public sources and as advised by the Directors, the use of prevailing market price to determine the transaction amount is common among the industry) from COSCO SHIPPING Group by the Group (“**Purchase of Shipping Services**”) during FY2020 and FY2021 (the transaction amounts with such connected persons accounted for approximately 26.09% and 47.48% of the total transaction amounts of the Purchase of Shipping Services for FY2020 and FY2021 respectively); and
- (ii) three sets of transaction documents in respect of the provision of shipping services by the Group to COSCO SHIPPING Group (“**Provision of Shipping Services**”) during FY2020 and FY2021 (the transaction amounts with such connected persons accounted for approximately 16.75% and 3.74% of the total transaction amounts of the Provision of Shipping Services for FY2020 and FY2021 respectively), together with 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 FY2020 and FY2021.

After comparing the aforesaid transaction documents and the then prevailing market rates of vessel fuel, we noted that (i) the service fee rates charged by the COSCO SHIPPING Group to the Group for the Purchase of Shipping Services were not higher than the then prevailing market rates; and (ii) the service fee rates charged by the Group to COSCO SHIPPING Group for the Provision of Shipping Services were higher than those charged to independent third parties. Based on our findings, we are of the view that the pricing of the Purchase of Shipping Services and the Provision of Shipping Services were fair and reasonable and were on normal commercial terms or better so far as the Group is concerned.

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 “7. 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 transactions contemplated under then Master Shipping Services Agreement.

With reference to the 2021 Annual Report, the Company’s auditor was engaged to report on the continuing connected transactions (including the transactions under the Existing Master Shipping Services Agreement) for FY2021. 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 transactions under the Existing Master Shipping Services Agreement) for FY2021 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.

LETTER FROM GRAM CAPITAL

Based on our findings on the pricing of the Purchase of Shipping Services and the Provision of Shipping Services as detailed above, the Auditor's Confirmation and the INEDs' Confirmation, we do not doubt the effectiveness of the internal control procedures for the pricing of the Purchase of Shipping Services and the Provision of Shipping Services.

Proposed annual caps

The table below demonstrates (i) the historical transaction amount in relation to the Purchase of Shipping Services from the COSCO SHIPPING Group by the Group and the Provision of Shipping Services to the COSCO SHIPPING Group by the Group for the three years ending 31 December 2022; (ii) the historical/existing annual cap(s) for the Purchase of Shipping Services and the Provision of Shipping Services; and (iii) the proposed annual cap(s) for the Purchase of Shipping Services (the “**Proposed Purchase Cap(s)**”) and for the Provision of Shipping Services (the “**Proposed Provision Cap(s)**”):

	For the year ended 31 December 2020 RMB'000	For the year ended 31 December 2021 RMB'000	For the year ending 31 December 2022 RMB'000
<i>Purchase of shipping services:</i>			
Historical amount of Purchase of Shipping Services	16,660,103	23,112,678	14,472,984 (Note)
Historical/existing annual caps	36,000,000	38,000,000	42,000,000
Utilization rate	46.28%	60.82%	Undetermined
<i>Provision of shipping services:</i>			
Historical amount of Provision of Shipping Services	2,184,290	5,499,384	2,880,251 (Note)
Historical/existing annual caps	3,000,000	7,500,000	7,500,000
Utilization rate	72.81%	73.33%	Undetermined
	For the year ending 31 December 2023 RMB'000	For the year ending 31 December 2024 RMB'000	For the year ending 31 December 2025 RMB'000
Proposed Purchase Caps	48,000,000	50,000,000	53,000,000
Proposed Provision Caps	10,000,000	11,000,000	12,000,000

Note: Such figure represents the historical transaction amount for 1H2022.

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, the Proposed Purchase Caps and the Proposed Provision Caps were determined based on certain factors, details of which are set out under the sub-section headed “Proposed Annual Caps and Basis of Determination” under the section headed “(1) Master Shipping Services Agreement” of the Board Letter.

According to the above table, the utilization rates of the historical annual caps in respect of (i) the Purchase of Shipping Services were approximately 46.28% for FY2020 and 60.82% for FY2021; and (ii) the Provision of Shipping Services were approximately 72.81% for FY2020 and 73.33% for FY2021. Despite that the utilisation rates of the historical annual caps were not at very high level, the Company upward adjusted (i) the Proposed Purchase Caps by approximately 14.29%, 19.05% and 26.19%; and (ii) the Proposed Provision Caps by approximately 33.33%, 46.67% and 60.00%, for FY2023, FY2024 and FY2025, respectively, as compared to the respective existing annual cap for FY2022. With reference to the Board Letter and as confirmed by the Directors, the upward adjustment of the proposed annual caps was primarily due to the expected fuel prices and volatility; and the anticipated exchange rate fluctuations.

Given the amounts of Purchase of Shipping Services and the Provision of Shipping Services are relating to the demand for the Group’s container shipping services, we conducted the following analyses:

- (i) We noted from the 2021 Annual Report and the 2022 Interim Report that the Group’s revenue from container shipping business amounted to approximately RMB327.9 billion and RMB207.2 billion for FY2021 and 1H2022 respectively, representing an increase of approximately 97.54% and 51.85% respectively, as compared to that for the previous year/corresponding period in previous year.
- (ii) We noted that the historical transaction amounts of the Purchase of Shipping Services increased by approximately 38.73% from FY2020 to FY2021.
- (iii) We noted that the historical transaction amounts of the Provision of Shipping Services increased by approximately 151.77% from FY2020 to FY2021.
- (iv) As aforementioned, the average weekly CCFI increased from approximately 820.08 in 2017 to approximately 2,626.41 in 2021, representing a compound annual growth rate of approximately 33.78%. Furthermore, the average weekly CCFI for the period from January 2022 up to August 2022 further increased to approximately 3,261.23, representing a year-on-year increase of approximately 42.31% as compared to the corresponding period in 2021.

In respect of the expected fuel prices and volatility, we searched on Wind Financial Terminal for the historical spot price of dated Brent crude oil (which vessel fuels originate from upon refinery) during the Review Period. We noted that the spot price of dated Brent crude oil fluctuated between the lowest of US\$69.05 per barrel as recorded on 20 December 2021 and the highest of US\$137.71 per barrel as recorded on 8 March 2022, and reached US\$99.81 per barrel on the Agreement Date. The highest spot price of dated Brent crude oil represents approximately 1.99 times of the lowest spot price of dated Brent crude oil during the Review Period.

LETTER FROM GRAM CAPITAL

In respect of the anticipated exchange rate fluctuation, as further advised by the Directors, certain types of the transactions under the Master Shipping Services Agreement are denominated in US Dollar. As detailed in the section headed “(1) Deposit services under the Existing Financial Services Agreement and the Financial Services Agreement” above, (i) the exchange rate of US Dollar to RMB quoted on the Agreement Date increased by approximately 6.37% as compared to that quoted on 1 September 2021; and (ii) the highest exchange rate of US Dollar to RMB during the Review Period represented a premium of approximately 9.19% over the lowest exchange rate of US Dollar to RMB during the Review Period.

Having considered the above, we are of the view that the Proposed Purchase Caps and the Proposed Provision Caps for the three years ending 31 December 2025 are necessary for catering the increasing transaction amount of the Purchase of Shipping Services and Provision of Shipping Services. Accordingly, we consider the Proposed Purchase Caps and the Proposed Provision Caps for the three years ending 31 December 2025 to be fair and reasonable.

Shareholders should note that as the Proposed Purchase Caps and Proposed Provision 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 2025, and they do not represent forecasts of revenue and costs to be generated or incurred from the Purchase of Shipping Services and the Provision of Shipping Services. Consequently, we express no opinion as to how closely the actual revenue and costs to be generated or incurred from the Purchase of Shipping Services and the Provision of Shipping Services will correspond with the respective annual caps.

Having considered the principal terms of the transactions contemplated under the Master Shipping Services Agreement as set out above, we are of the view that the terms of the transactions contemplated under the Master Shipping Services Agreement (including the Proposed Purchase Caps and the Proposed Provision Caps) are fair and reasonable.

(3) Leasing of vessels and containers and services of manufacture of containers under the Master Vessel and Container Asset Services Agreement (the “Vessels and Containers Services”)

On 30 August 2022, the Company and COSCO SHIPPING entered into the Master Vessel and Container Asset Services Agreement in relation to, among other things, the leasing of vessels and containers and services of manufacture of containers provided by the COSCO SHIPPING Group to the Group.

Parties:

- (1) the Company; and
- (2) COSCO SHIPPING

LETTER FROM GRAM CAPITAL

Nature of transactions: The COSCO SHIPPING Group shall provide the leasing of vessels and containers and services of manufacture of containers to the Group.

Pricing policies: The fees payable by the Group under the Master Vessel and Container Asset Services Agreement shall be determined based on market rates determined by independent third parties providing similar types of products or services in their ordinary course of business in the same or nearby area and subject to normal commercial terms, and in accordance with the principle of fairness and reasonableness. Such prevailing market price is usually based on historical prices quoted by independent third parties in recent three years or the public price rates published by third-party trading platforms (if applicable), the Company will also obtain such prevailing market price through quotation or competitive negotiation to be provided or participated by at least three independent third-party suppliers.

For our due diligence purpose, the Company provided us with a summary of the transactions in relation to the Vessels and Containers Services for FY2020 and FY2021. From the aforesaid summary, we randomly selected and the Company provided us three sets of transaction documents in respect of the provision of Vessels and Containers Services by the COSCO SHIPPING Group to the Group during FY2020 and FY2021 (the transaction amounts with such connected persons accounted for approximately 16.11% and 8.91% of the total transaction amounts of the Vessels and Containers Services for FY2020 and FY2021 respectively), together with two sets of transaction documents between the Group and independent third parties in respect of transactions that are comparable to the Vessels and Containers Services provided by independent third parties to the Group during FY2020 and FY2021.

After comparing the aforesaid transaction documents, we noted that the service fee rates charged by the COSCO SHIPPING Group to the Group for the provision of Vessels and Containers Services were not higher than those charged by 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 “7. 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 transactions contemplated under then Master Vessel and Container Asset Services Agreement.

With reference to the 2021 Annual Report, the Company’s auditor was engaged to report on the continuing connected transactions (including the Vessel and Container Services) for FY2021. 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

LETTER FROM GRAM CAPITAL

Directors also reviewed the continuing connected transactions (including the transactions under the Existing Master Vessel and Container Asset Services Agreement) for FY2021 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.

Based on our findings on the pricing of the Vessels and Containers Services as detailed above, the Auditor's Confirmation and the INEDs' Confirmation, we do not doubt the effectiveness of the internal control procedures for the pricing of the Vessels and Containers Services.

Proposed annual caps

The table below demonstrates (i) the historical transaction amount in relation to the provision of Vessels and Containers Services by the COSCO SHIPPING Group to the Group for the three years ending 31 December 2022; (ii) the historical/existing annual cap(s); and (iii) the proposed annual cap(s):

	For the year ended 31 December 2020 RMB'000	For the year ended 31 December 2021 RMB'000	For the year ending 31 December 2022 RMB'000
Historical amount of provision of Vessels and Containers Services by the COSCO SHIPPING Group to the Group	8,178,329	4,345,888	1,111,675 (Note)
Historical/existing annual caps	20,000,000	20,000,000	20,000,000
Utilization rate	40.89%	21.73%	Undetermined
	For the year ending 31 December 2023 RMB'000	For the year ending 31 December 2024 RMB'000	For the year ending 31 December 2025 RMB'000
Proposed annual caps	12,000,000	16,000,000	22,000,000

Note: Such figure represents the historical transaction amount for 1H2022.

LETTER FROM GRAM CAPITAL

With reference to the Board Letter, the proposed annual caps were determined based on certain factors, details of which are set out under the sub-section headed “Proposed Annual Caps and Basis of Determination” under the section headed “(2) Master Vessel and Container Asset Services Agreement” of the Board Letter.

According to the above table, the utilization rates of the historical annual caps were approximately 40.89% for FY2020 and 21.73% for FY2021. Since the utilisation rates of the historical annual caps were at relatively low levels, the Company (i) downward adjusted the proposed annual caps for FY2023 and FY2024 by 40% and 20% as compared to the existing annual cap for FY2022; and (ii) upward adjusted the proposed annual cap for FY2025 by 10% as compared to the existing annual cap for FY2022. As advised by the Directors, the proposed annual caps for the three years ending 31 December 2025 represent possible growing demand for Vessels and Containers Services in light of the Group’s business growth.

To assess the fairness and reasonableness of the proposed annual caps, we obtained from the Directors (i) summary of the transactions in relation to the Vessels and Containers Services for FY2020, FY2021 and 1H2022; and (ii) a calculation on the estimated transaction amount which approximates to the proposed annual cap for each of the three years ending 31 December 2025. We noted from the calculation that the estimated transaction amounts mainly comprised of (a) the leasing of containers; and (b) the manufacturing of containers.

We understood from the Directors that the estimated transaction amounts for the leasing and manufacturing of containers were determined based on (i) the estimated number of containers to be leased by the Group from COSCO SHIPPING Group and the estimated number of containers to be manufactured by COSCO SHIPPING Group for the Group, for each of the three years ending 31 December 2025; and (ii) the estimated fee rates.

As advised by the Directors, the estimated number of containers to be leased from and manufactured by the COSCO SHIPPING Group were determined after considering (i) the demand for new containers upon delivery of new vessels; and (ii) the expansion of the Group’s business scale.

We noted from the Company’s announcement dated 2 September 2021 that there were 32 new vessels in aggregate under purchase orders placed by the Group, which were expected to be delivered during the three years ending 31 December 2025, with aggregated transportation capacity of approximately 585,000 TEUs. In light of the above, the Group expects increasing demand for containers to be leased from and manufactured by the COSCO SHIPPING Group.

We noted from the 2021 Annual Report that, in January 2022, the Ocean Alliance (an alliance formed by the Group and three other container shipping service providers (including Orient Overseas Container Line Limited, an indirect non-wholly owned subsidiary of the Company held through Orient Overseas (International) Limited (stock code: 316), a non-wholly owned subsidiary of the Company) that enable each of them to offers competitive products and comprehensive service networks) launched the upgraded “DAY6” route product from the “DAY5” route product (with total offering of 39 routes), which upgraded the route

LETTER FROM GRAM CAPITAL

product for 8 routes with an additional of 3 routes, totaling to 42 routes with a shipping capacity of 4.43 million TEUs, representing additional capacity of approximately 0.3 million TEUs as compared to the “DAY” products launched in January 2021. It is expected that the upgrade of the route product and the addition of routes will further increase the Group’s demand for vessels and containers.

We also noted from the 2021 Annual Report and the 2022 Interim Report that (a) the shipping volume of the Group (in terms of TEU) increased from approximately 26.34 million TEUs for FY2020 to approximately 26.91 million TEUs for FY2021, representing an increase of approximately 570,000 TEUs; and (b) the shipping volume of the Group (in terms of TEU) decreased from approximately 13.84 million TEUs for the six months ended 30 June 2021 to approximately 12.47 million TEUs for 1H2022, representing a decrease of approximately 1.37 million TEUs or 9.90%. We further enquired into the Directors regarding the decrease in the Group’s shipping volume (in terms of TEU) during 1H2022 and were advised that such decrease was primarily due to the unexpected resurgence of the COVID-19 pandemic in the PRC, which caused temporary disruption to the Group’s container shipping business.

According to an article dated 1 June 2022 published by Globalia Logistics Network (Globalia Logistics Network is an exclusive network of the highest calibre freight forwarders in each key air/seaport worldwide who actively co-operate to reduce costs and risks and grow their businesses together through mutual cooperation), the extended lockdown in Shanghai has resulted in a supply chain disaster that is impacting almost every country around the world. The strict lockdown measures have also resulted in a shortage of 40-foot containers and several carriers stopped accepting shipments of perishable and dangerous cargoes to Shanghai, primarily due to the lack of storage space for specialized containers at the Shanghai Port.

In respect of the estimated fee rates, we noted from the estimation provided by the Company that the estimated fee rates are expected to increase by 10% as compared to the existing fee rates for the leasing and manufacturing of containers. As advised by the Directors, such estimated growth rate was determined with reference to (i) expected natural growth of the fee rates; and (ii) the anticipated fluctuations in the exchange rate of RMB against US Dollar.

As detailed in the section headed “(1) Deposit services under the Existing Financial Services Agreement and the Financial Services Agreement” above, (i) the exchange rate of US Dollar to RMB quoted on the Agreement Date increased by approximately 6.37% as compared to that quoted on 1 September 2021; and (ii) the highest exchange rate of US Dollar to RMB during the Review Period represented a premium of approximately 9.19% over the lowest exchange rate of US Dollar to RMB during the Review Period.

In light of the above, we are of the view that the proposed annual caps for the three years ending 31 December 2025 to be fair and reasonable.

LETTER FROM GRAM CAPITAL

Shareholders should note that as the proposed annual 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 2025, and they do not represent forecasts of costs or expenses to be incurred from the Vessels and Containers Services. Consequently, we express no opinion as to how closely the actual costs or expenses to be incurred from the Vessels and Containers Services will correspond with the proposed annual caps.

Having considered the principal terms of the Vessel and Container Services as set out above, we are of the view that the terms of the Vessel and Container Services (including the proposed annual caps) are 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 Transactions must be restricted by the respective annual caps; (ii) the terms of the Transactions must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Transactions 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 Transactions (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 or procurement 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 proposed annual caps.

In the event that the maximum daily balance in respect of the Deposit Services or the transaction amounts in respect of the Purchase of Shipping Services, Provision of Shipping Services and the Vessels and Containers Services are anticipated to exceed the respective annual caps, or that there is any proposed material amendment to the terms of the Transactions, 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 Transactions and thus the interest of the Independent Shareholders would be safeguarded.

LETTER FROM GRAM CAPITAL

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 proposed annual 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 2022 (the “**2022 Interim Financial Information**”) are set out from pages 41 to 83 in the 2022 interim report of the Company, which was published on 26 September 2022. The 2022 interim 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 2022 interim report of the Company:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0926/2022092600275.pdf>

The audited consolidated financial statements of the Group for the year ended 31 December 2021 (the “**2021 Financial Statements**”) are set out from pages 144 to 283 in the 2021 annual report of the Company, which was published on 26 April 2022. The 2021 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 2021 annual report of the Company:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0426/2022042601524.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 154 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 150 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 2022 Interim Financial Information, the 2021 Financial Statements, the 2020 Financial Statements, and the 2019 Financial Statements (but not any other part of the annual reports and interim report 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 2022, under the guidance of the Board of the Company and the joint efforts of the managements and staffs of the Company, both onshore and offshore, the Company overcomes geopolitical conflict, the global economic downturn, adverse influence on the fleet operations from the COVID-19 outbreaks which are common in many places. The Company intends to build a stable and reliable container transportation service supply chain in the world through giving full play to the advantages of industry chain management and dual brand synergy and continuing to optimize the course structure and global network layout. Meanwhile, the Company quickly adapts to market changes, and launches the supply chain services mode with the market as the center and the customer as the drive, to constantly enhance the layout, operation ability and deliver ability of the globalized and digital supply chain and preliminarily achieve the steady growth in wheeled power benefits. Through promoting business model upgrade with science and technology leading and ensuring smooth business operations with risk control, the Company enhances its sustainable development ability.

During the first half of 2022, the industrial competitiveness of the Group continued to increase, the overall development of the Group showed a good trend with steady progress and stability, and the Group achieved the best half-year performance and recorded a steady growth in its major performance indicators. Under Hong Kong Financial Reporting Standards, the Group recorded EBIT of RMB95.287 billion, representing a period-on-period increase of 92.16%, taking the lead in the entire industry; the total profit before tax of RMB93.524 billion, representing a period-on-period increase of 95.79%; net profit attributable to equity holders of the Company was RMB64.712 billion, representing a period-on-period increase of 74.44%; and basic earnings per share was RMB4.04. During 2022, the Group continued to optimize its financial structure. As at the end of June 2022, the Group's asset liability ratio was reduced to 51.48%, representing a decrease of 5.28 percentage points as compared to that as at the end of the previous year. Cash and cash equivalents amounted to RMB247.151 billion, representing an increase of RMB69.204 billion as compared to that as at the end of the previous year, demonstrating a strong financial foundation.

Looking forward to the second half of 2022, the external environment will become more complicated and difficult, and geopolitics and high inflation will create uncertainties for the global economic development and commodity trade, the Company need to pay close attention to the impact of inflation on consumer demand and behavior. However, it is expected that the growth rate of global container transportation demand will remain at a relatively stable level. In terms of capacity supply, with the gradual improvement of the operational efficiency of the container fleet, the global effective capacity supply has increased. Combined with the changes in the delivery of new vessels in the second half of the year, the supply side of the industry will face a new situation, and the global supply chain will be further stabilized. Although the future macro environment is full of challenges and uncertainties, the long term favorable fundamentals of the China's economy will remain unchanged. After the new international environmental protection regulations, such as the Energy Efficiency Existing Ship Index (EEXI) and the operational carbon intensity indicator (CII), come into effect, they will impose

certain constraints on the effective supply of the shipping industry for a long period of time. From its own point of view, the Group has achieved remarkable results in promoting the high-quality development of enterprises and strengthening risk prevention and control capabilities in recent years. The Group has not only accumulated capabilities but also enhanced its strengths, and its sustainable development capabilities and stable pressure resisting capabilities have been significantly enhanced.

Meanwhile, global customers have higher demands for the stability and resilience of the supply chain and have higher expectations of the whole process logistics and delivery capability of shipping liners. In light of this backdrop, the Group has recently optimized and adjusted its organisational structure to further enhance its ability to expand and supplement its own chain, serve customers and create value. Following such adjustments, the Company will be positioned as a global digital supply chain operation and investment platform with a focus of container shipping, which provides supply chain solutions of container shipping + ports + related logistics services to customers and become the core company which takes on the Group's vision of "building a world-leading business entity that provides integrated logistics and supply chain services."

In the future, the Company will actively respond to the global economic and trade changes and strive to lead reforms and development of the industry. By implementing specific operational measures such as ensuring and stabilising the supply chain, strengthening cooperation with customers, improving global deployment, strengthening digital and intelligence empowerment, promoting low-carbon transformation, and implementing cost control, the Company continues to establish and improve a globalized and digitalized container supply chain service system for customers, and plays an important role in world trade, in order to ensure the stability of the global supply chain, provide better services to customers, and create greater value for shareholders.

3. FINANCIAL EFFECTS

The annual caps for the deposits to be placed with COSCO SHIPPING Finance under (i) the Existing Financial Services Agreement (after the Revision of Annual Caps of the Deposit Services) for the year ending 31 December 2022 and (ii) the Financial Services Agreement for each of the three years ending 31 December 2025 are expected to not exceed RMB150,000,000,000. 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 each of the four years ending 31 December 2025 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 (i) the Existing Financial Services Agreement (after the Revision of Annual Caps of the Deposit Services) for the year ending 31 December 2022 and (ii) the Financial Services Agreement for each of the three years ending 31 December 2025 will not have any material impact on the Group's earnings, assets and liabilities.

4. INDEBTEDNESS OF THE GROUP

As at 30 September 2022, 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 RMB53,130 million. Details of the total indebtedness are summarized below:

	The Group <i>RMB million</i>
Bank loans – secured	18,774
Bank loans – unsecured	20,330
Loan from COSCO SHIPPING Finance Company Limited – secured	9
Loan from COSCO SHIPPING Finance Company Limited – unsecured	1,986
Notes/bonds – unsecured	10,226
Loans from non-controlling shareholders of subsidiaries – unsecured	885
Other loans – unsecured	587
Interest payables	333
	<hr/>
Total	<hr/> 53,130 <hr/>

Apart from notes with carrying amounts of RMB2,129 million and RMB7,097 million which were guaranteed unconditionally and irrevocably by COSCO SHIPPING Ports Limited (“**COSCO SHIPPING Ports**”) and by an irrevocable standby letter of credit issued by Bank of China Limited, Beijing Branch respectively, and bank loans of RMB6,777 million, RMB574 million, RMB3,028 million and RMB1,551 million which were guaranteed by China COSCO Shipping Corporation Limited (“**COSCO SHIPPING**”), the Company, COSCO SHIPPING Ports and Orient Overseas (International) Limited (“**OOIL**”) respectively, all other borrowings were unguaranteed.

Lease Liabilities

As at 30 September 2022, 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 RMB55,381 million.

Pledge of Assets

As at the close of business on 30 September 2022, 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 RMB28,647 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 RMB225 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 30 September 2022, 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 30 September 2022, the Group did not have any debt securities issued and outstanding, and authorized 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 ¹	Beneficial owner	130,000	0.00388%	0.00081%
		H Shares		
		1,216,800	0.00961%	0.00760%
Mr. TEO Siong Seng	Beneficial owner	A Shares		
		146,250	0.00436%	0.00091%
		H Shares		

Note:

1. As at the Latest Practicable Date, Mr. Yang Zhijian held 401,544 A Shares, and 815,256 A share options under the A share option incentive scheme 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. WAN Min	Beneficial owner	200,000 H shares	0.00544%
		Interest of spouse	2,000 A shares	0.00002%
COSCO SHIPPING Energy Transportation Co., Ltd.	Mr. WAN Min	Interest of spouse	16,000 A shares	0.00046%
COSCO SHIPPING Ports Limited	Mr. WAN Min	Beneficial owner	302,912 Ordinary shares	0.00895%
COSCO SHIPPING Development Co., Ltd.	Mr. YANG Zhijian	Beneficial owner	400,000 H shares	0.01088%

- (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
WAN Min	Chairman of the Board, Party Secretary
HUANG Xiaowen	Executive Vice President and Party Committee Member
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 2021, 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 been named in this circular and whose opinion or advice is contained in this circular:

Name	Qualification
Gram Capital Limited	A licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Gram Capital was not beneficially interested in the share capital of any member of the Group, and did not have any 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 did not have any direct or indirect interest in any assets which had been, since 31 December 2021 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by, or leased to, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.

As at the Latest Practicable Date, Gram Capital had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 21 October 2022 in connection with their advice to the Independent Board Committee and the Independent Shareholders, and reference to its name and opinion 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 2021, 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 Mr. Xiao Junguang.
- (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 ON DISPLAY

Copies of the following documents are on display and are published on the website of the Stock Exchange at "www.hkexnews.com" and the website of the Company at "<http://hold.coscoshipping.com>" for a period of 14 days from the date of this circular:

- (a) the Existing Financial Services Agreement;
- (b) each of the Non-exempt 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 Deposit Services and the Non-exempt Continuing Connected Transactions; and
- (d) the written consent from Gram Capital referred to in the section headed "7. Expert and Consent" in this Appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING

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



中遠海運控股股份有限公司

COSCO SHIPPING Holdings Co., Ltd.*

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

NOTICE OF EGM

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of COSCO SHIPPING Holdings Co., Ltd.* (the “Company”) 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 People’s Republic of China on Wednesday, 23 November 2022 at 10:00 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolutions of the Company.

Unless otherwise defined, capitalized terms used in this notice shall have the same meanings as those defined in the circular of the Company dated 21 October 2022 (the “Circular”).

ORDINARY RESOLUTIONS

1. To consider and approve the proposed 2022 interim profit distribution plan of the Company and the proposed payment of an interim dividend of RMB2.01 per Share (inclusive of applicable tax).
2. To consider and approve the Shareholders’ Return Plan for the Next Three Years (2022-2024) of COSCO SHIPPING Holdings.
3. To consider and approve the election of Mr. Zhang Wei as an executive Director of the sixth session of the Board of the Company.
4. To consider and approve the revision of annual caps of the deposit services under the Existing Financial Services Agreement.
5. To consider and approve the continuing connected transactions under the Financial Services Agreement and the proposed annual caps thereunder.

NOTICE OF EXTRAORDINARY GENERAL MEETING

6. To consider and approve the continuing connected transactions under the COSCO SHIPPING Master Agreements and the proposed annual caps thereunder:
 - 6.1 To consider and approve the continuing connected transactions under the Master General Services Agreement and the proposed annual caps thereunder.
 - 6.2 To consider and approve the continuing connected transactions under the Master Shipping Services Agreement and the proposed annual caps thereunder.
 - 6.3 To consider and approve the continuing connected transactions under the Master Port Services Agreement and the proposed annual caps thereunder.
 - 6.4 To consider and approve the continuing connected transactions under the Master Vessel and Container Asset Services Agreement and the proposed annual caps thereunder.
 - 6.5 To consider and approve the continuing connected transactions under the Trademark Licence Agreement and the proposed annual caps thereunder.
7. To consider and approve the continuing connected transactions under the SIPG Shipping and Terminal Services Agreement and the proposed annual caps thereunder.
8. To consider and approve the continuing connected transactions under the PIL Master Shipping and Terminal Services Agreement and the proposed annual caps thereunder.

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

Shanghai, the People's Republic of China
21 October 2022

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. For more information in relation to the resolution at the EGM, please refer to the announcement of the Company dated 30 August 2022 and the circular of the Company dated 21 October 2022.
2. Pursuant to Rule 13.39(4) of the Hong Kong Listing Rules, votes of the Shareholders at the EGM shall be taken by poll.
3. A Shareholder entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote in his/her stead. A proxy needs not to be a Shareholder.
4. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his/her/its attorney duly authorized in writing. If the Shareholder is a corporation, that instrument must be either under its common seal or under the hand of its director(s) or duly authorized attorney(s). If that instrument is signed by an attorney of the Shareholder, the power of attorney authorizing that attorney to sign or other authorization document must be notarized.
5. In order to be valid, the form of proxy together with the power of attorney or other authorization document (if any) must be deposited at the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited (address: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) for holders of H Shares as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of a form of proxy will not preclude a Shareholder from attending and voting in person at the EGM if he/she so wishes.
6. The H Share register of members of the Company will be closed from Friday, 18 November 2022 to Wednesday, 23 November 2022, both days inclusive, during which period no transfer of the H Shares will be effected. The Shareholders whose names appear in the H Share register of members of the Company on Friday, 18 November 2022 are entitled to attend and vote at the EGM. In order to attend and vote at the EGM, all transfer documents accompanied by relevant share certificates must be lodged with the H Share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712 to 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Thursday, 17 November 2022.
7. The Shareholders or their proxies attending the EGM shall produce their identity documents. If the attending Shareholder is a corporate, its legal representative or person authorized by the Board or other decision-making authority shall present a copy of the relevant resolution of the Board or other decision making authority in order to attend the EGM.
8. As at the date hereof, the Directors are Mr. WAN Min¹ (Chairman), Mr. HUANG Xiaowen¹ (Vice Chairman), Mr. YANG Zhijian¹, Mr. WU Dawei², Mr. ZHOU Zhonghui², Mr. TEO Siong Seng² and Prof. MA Si-hang Frederick².

¹ Executive Director

² Independent non-executive Director

* *For identification purpose only*