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

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

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中遠海運控股股份有限公司

COSCO SHIPPING Holdings Co., Ltd.*

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

(Stock Code: 1919)

(1) DISCLOSEABLE TRANSACTIONS AND CONNECTED TRANSACTIONS AND (2) SUPPLEMENTAL NOTICE OF EGM

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



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

A letter from the Board is set out on pages 8 to 31 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on page 32 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 33 to 57 of this circular.

The Original Notice of EGM 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, was despatched to the Shareholders on Friday, 21 October 2022. The Supplemental Notice of EGM, which contains additional resolutions to be proposed at the EGM, is set out on pages SEG-M-1 to SEG-M-3 of this circular.

* For identification purpose only

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PRECAUTIONARY MEASURES FOR THE EGM

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:

“Acquisition of COSCO SHIPPING Finance”	the purchase by the Company of the aggregate of 11.9246% of the equity interests in COSCO SHIPPING Finance Company Limited* (中遠海運集團財務有限責任公司), from COSCO (Tianjin) Co., Ltd.* (中遠海運(天津)有限公司), COSCO (Qingdao) Co., Ltd.* (中遠海運(青島)有限公司), COSCO (Xiamen) Co., Ltd.* (中遠海運(廈門)有限公司), China Marine Bunker (Petro China) Co., Ltd.* (中國船舶燃料有限責任公司), COSCO Shipbuilding Industry Company Ltd.* (中遠造船工業有限公司), and COSCO Shipyard Group Co., Ltd.* (中遠船務工程集團有限公司), which constituted a connected transaction of the Company, the details of which are contained in the announcement of the Company dated 19 May 2022
“Acquisition of COSCO SHIPPING Supply Chain”	the acquisition by COSCO SHIPPING Lines of approximately 13.46% of the equity interests in COSCO SHIPPING Supply Chain from COSCO SHIPPING Logistics at the consideration of RMB1,216,544,807.69, which constituted a connected transaction of the Company, the details of which are contained in the announcement of the Company dated 30 September 2022
“Acquisition of Guangzhou Port Shares”	the proposed acquisition of 244,105,940 Guangzhou Port Shares from COSCO by the Company at the total consideration of RMB778,697,948.60 pursuant to the Guangzhou Port Share Transfer Agreement
“Acquisition of Listed Securities”	the Acquisition of SIPG Shares and the Acquisition of Guangzhou Port Shares
“Acquisition of SIPG Shares”	the proposed acquisition of 3,476,051,198 SIPG Shares from COSCO SHIPPING by the Company at the total consideration of RMB18,944,479,029.10 pursuant to the SIPG Share Transfer Agreement
“Acquisition of THL”	the acquisition of 81% of the equity interests in Shanghai Tianhongli Asset Management Limited* (上海天宏力資產管理有限公司) by COSCO SHIPPING Lines from a wholly-owned subsidiary of COSCO SHIPPING, which constituted a connected transaction of the Company, the details of which are contained in the announcement of the Company dated 29 April 2022

DEFINITIONS

“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
“Builders”	Dalian COSCO KHI and Nantong COSCO KHI
“Capital Increase by the Group”	the increase in the registered capital of COSCO SHIPPING Finance Company Limited* (中遠海運集團財務有限責任公司) in the aggregate amount of RMB3,100,788,000.00 to be contributed by the Company and COSCO SHIPPING Lines, which constituted a connected transaction of the Company, the details of which are contained in the announcement of the Company dated 19 May 2022
“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 MERCURY”	COSCO (CAYMAN) MERCURY CO. LTD., a company incorporated in the Cayman Islands with limited liability and a wholly-owned subsidiary of COSCO SHIPPING Lines
“COSCO MERCURY Buyer”	COSCO MERCURY or its nominee(s) (i.e. single-vessel company(ies) wholly-owned by COSCO MERCURY)

DEFINITIONS

“COSCO MERCURY Shipbuilding Contracts”	the five shipbuilding contracts all dated 28 October 2022 entered into by the COSCO MERCURY Buyer (as the buyer) with Dalian COSCO KHI (as the builder) regarding the construction of five units of the COSCO MERCURY Vessels respectively, the details of which are contained in the announcement of the Company dated 28 October 2022
“COSCO MERCURY Shipbuilding Transactions”	the transactions contemplated under the COSCO MERCURY Shipbuilding Contracts
“COSCO MERCURY Vessels”	five units of 24,000 TEU class methanol dual-fuel container vessels which will be constructed by Dalian COSCO KHI pursuant to the COSCO MERCURY Shipbuilding Contracts, and “COSCO MERCURY Vessel” means any of them
“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
“COSCO SHIPPING Group”	COSCO SHIPPING and its subsidiaries and associates
“COSCO SHIPPING Lines”	COSCO SHIPPING Lines Co., Ltd.* (中遠海運集裝箱運輸有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Dalian COSCO KHI”	Dalian COSCO KHI Ship Engineering Co., Ltd.* (大連中遠海運川崎船舶工程有限公司), a company incorporated in the PRC with limited liability and an indirect subsidiary of COSCO SHIPPING. Nantong COSCO KHI directly holds 30% equity interest in Dalian COSCO KHI
“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 connected transactions under the Acquisition of Listed Securities, and the connected transactions under the Shipbuilding Contracts

DEFINITIONS

“Group”	the Company and its subsidiaries and associates
“Guangzhou Port”	Guangzhou Port Company Limited (廣州港股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the A shares of which are listed on the Shanghai Stock Exchange (601228.SH)
“Guangzhou Port Group”	Guangzhou Port and its subsidiaries
“Guangzhou Port Shares”	244,105,940 A shares of Guangzhou Port Shares to be transferred from COSCO to the Company pursuant to the Guangzhou Port Share Transfer Agreement
“Guangzhou Port Share Transfer Agreement”	the share transfer agreement entered into by the Company and COSCO on 28 October 2022, pursuant to which the Company has agreed to purchase and COSCO has agreed to sell 244,105,940 Guangzhou Port Shares at the total consideration of RMB778,697,948.60
“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 Acquisition of Listed Securities, and (ii) the Shipbuilding Transactions
“Independent Shareholders”	the Shareholders other than the COSCO SHIPPING Group and its associates
“Latest Practicable Date”	4 November 2022, being the latest practicable date for ascertaining certain information in this circular before its publication

DEFINITIONS

“Nantong COSCO KHI”	Nantong COSCO KHI Ship Engineering Co., Ltd.* (南通中遠海運川崎船舶工程有限公司), a company incorporated in the PRC with limited liability and an associate of COSCO SHIPPING which indirectly holds 50% equity interest in Nantong COSCO KHI
“OOIL”	Orient Overseas (International) Limited, a company incorporated in Bermuda with limited liability and listed on the Main Board of the Stock Exchange (Stock Code: 316) and a non-wholly owned subsidiary of the Company
“OOIL Buyers”	Newcontainer No.143 (Marshall Islands) Shipping Inc., Newcontainer No.145 (Marshall Islands) Shipping Inc., Newcontainer No.146 (Marshall Islands) Shipping Inc., Newcontainer No.147 (Marshall Islands) Shipping Inc., Newcontainer No.148 (Marshall Islands) Shipping Inc., Newcontainer No.149 (Marshall Islands) Shipping Inc. and Newcontainer No.150 (Marshall Islands) Shipping Inc., each a company incorporated in Marshall Islands, and each a single-vessel company wholly-owned by OOIL
“OOIL Group”	OOIL and its subsidiaries and associates
“OOIL Shipbuilding Contracts”	the seven shipbuilding contracts all dated 28 October 2022 entered into by the OOIL Buyers (as the buyers) with Nantong COSCO KHI (as the builder) regarding the construction of seven units of OOIL Vessels respectively, the details of which are contained in the announcement of the Company dated 28 October 2022
“OOIL Shipbuilding Transactions”	the transactions contemplated under the OOIL Shipbuilding Contracts
“OOIL Vessels”	seven units of 24,000 TEU class methanol dual-fuel container vessels which will be constructed by Nantong COSCO KHI pursuant to the OOIL Shipbuilding Contracts, and “OOIL Vessel” means any of them
“Original Form of Proxy”	the form of proxy of the Company in respect of the resolutions set out in the Original Notice of EGM, which was despatched to the Shareholders on 21 October 2022
“Original Notice of EGM”	the notice of the EGM dated 21 October 2022, which was despatched to the Shareholders on 21 October 2022

DEFINITIONS

“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
“Revised Form of Proxy”	the revised form of proxy of the Company in respect of the resolutions set out in the Original Notice of EGM and the Supplemental Notice of EGM
“RMB”	Renminbi yuan, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“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 Shares”	the 3,476,051,198 A shares of SIPG to be transferred from COSCO SHIPPING to the Company pursuant to the SIPG Share Transfer Agreement
“SIPG Share Transfer Agreement”	the share transfer agreement entered into by the Company and COSCO SHIPPING on 28 October 2022, pursuant to which the Company has agreed to purchase and COSCO SHIPPING has agreed to sell 3,476,051,198 SIPG Shares at the total consideration of RMB18,944,479,029.10
“Shipbuilding Contracts”	the COSCO MERCURY Shipbuilding Contracts and the OOIL Shipbuilding Contracts
“Shipbuilding Transactions”	the transactions contemplated under the COSCO MERCURY Shipbuilding Contracts and the OOIL Shipbuilding Contracts
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Notice of EGM”	the supplemental notice of the EGM dated 9 November 2022, which is set out on pages SEGM-1 to SEGM-3 of this circular

DEFINITIONS

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

“%” per cent

The exchange rate used for reference purpose in this circular is US\$1.00 to HK\$7.80 and RMB1.00 to HK\$1.10.

* *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

9 November 2022

To the Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE TRANSACTIONS AND CONNECTED TRANSACTIONS
AND
(2) SUPPLEMENTAL NOTICE OF EGM**

A. INTRODUCTION

References are made to (i) the announcement of the Company dated 28 October 2022 in relation to the discloseable transactions and connected transactions regarding the Acquisition of Listed Securities and the Shipbuilding Transactions; (ii) 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, the announcement of the Company dated 30 August 2022 in relation to the major transactions and continuing connected transactions, and the circular of the Company dated 21 October 2022 in relation to the aforementioned matters; and (iii) the Original Notice of EGM.

LETTER FROM THE BOARD

The purpose of this circular is to provide you with, among other things, (i) further details of the Acquisition of Listed Securities; (ii) further details of the Shipbuilding Transactions, (iii) a letter from the Independent Board Committee with its recommendation to the Independent Shareholders on the Acquisition of Listed Securities and the Shipbuilding Transactions; (iv) a letter from Gram Capital containing its advice to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition of Listed Securities and the Shipbuilding Transactions; and (v) other information as required under the Hong Kong Listing Rules.

B. DISCLOSEABLE TRANSACTIONS AND CONNECTED TRANSACTIONS REGARDING ACQUISITION OF LISTED SECURITIES

1. SIPG Share Transfer Agreement

On 28 October 2022, the Company entered into the SIPG Share Transfer Agreement with COSCO SHIPPING, pursuant to which the Company has agreed to purchase and COSCO SHIPPING has agreed to sell 3,476,051,198 SIPG Shares (representing approximately 14.93% of the equity interest in SIPG as at the Latest Practicable Date) at the total consideration of RMB18,944,479,029.10 (equivalent to approximately HK\$20,838,926,932.01).

Particulars of the SIPG Share Transfer Agreement are set forth below:

Parties:	(i) the Company (as purchaser); and (ii) COSCO SHIPPING (as vendor)
Nature of transaction:	the Company has agreed to purchase and COSCO SHIPPING has agreed to sell 3,476,051,198 SIPG Shares (representing approximately 14.93% of the equity interest in SIPG as at the Latest Practicable Date) at the total consideration of RMB18,944,479,029.10 (equivalent to approximately HK\$20,838,926,932.01)

Consideration

According to Article 26 of the Measures for the Supervision and Administration of State-owned Equities of Listed Companies (Order No. 36 of the State-owned Assets Supervision and Administration Commission of the State Council, the Ministry of Finance and the China Securities Regulatory Commission) (the “**Order No. 36**”), state-owned shareholders shall charge a deposit in the amount equivalent to at least 30% of the total consideration for the share transfer within five (5) business days immediately after the share transfer agreement having been entered into, and the remaining consideration for such share transfer shall be fully settled prior to the registration of the transfer of relevant shares. Since COSCO SHIPPING is a state-owned enterprise, the Acquisition of SIPG Shares is subject to the aforesaid requirements under the Order No. 36.

LETTER FROM THE BOARD

In light of the aforementioned requirements under the Order No. 36, the total consideration under the SIPG Share Transfer Agreement of RMB18,944,479,029.10 (i.e. RMB5.45 per SIPG Share, equivalent to approximately HK\$6.00 per SIPG Share) shall be payable in cash by the Company in the following manner:

- (i) within five (5) business days immediately after the date of the SIPG Share Transfer Agreement, the Company shall pay 30% of the total consideration under the SIPG Share Transfer Agreement (i.e. RMB5,683,343,708.73) to COSCO SHIPPING, as the deposits for the Acquisition of SIPG Shares (the “Deposits”). Upon the SIPG Share Transfer Agreement becoming effective, such payment of the Deposits shall be regarded as due payment of 30% of the total consideration for the Acquisition of SIPG Shares; and
- (ii) the Company shall, within thirty (30) business days after the fulfilment and/or waiver of the conditions precedent under the SIPG Share Transfer Agreement, pay the remaining 70% of the total consideration under the SIPG Share Transfer Agreement (i.e. RMB13,261,135,320.37, subject to adjustment as set out in the paragraph headed “Adjustment of Consideration” below) to COSCO SHIPPING in a lump sum.

The total consideration for the Acquisition of SIPG Shares will be funded entirely by the owned funds or self-raised funds of the Company.

According to Article 32 of the Order No. 36, the price of the shares of listed companies to be transferred by state-owned shareholders under non-public share transfer shall not be less than the higher of (i) the arithmetic average of the daily weighted average market prices of the shares of such listed company over thirty (30) trading days immediately prior to the holding announcement of such listed company, and (ii) the audited value of the net asset per share of such listed company for its recent financial year.

In light of the above, the consideration for the Acquisition of SIPG Shares was determined after arm’s length negotiations between the parties to the SIPG Share Transfer Agreement, which is based on the higher of (i) the audited net asset per SIPG Share for the financial year ended 31 December 2021 (i.e. RMB4.29 per SIPG Share), and (ii) the arithmetic average of the daily weighted average market prices of the SIPG Shares over thirty (30) trading days immediately prior to the holding announcement of SIPG in relation to the Acquisition of SIPG Shares (i.e. RMB5.45 per SIPG Share).

The consideration for the Acquisition of SIPG Shares (i.e. RMB5.45 per SIPG Share, equivalent to approximately HK\$6.00 per SIPG Share) represents:

- (i) a premium of approximately 3.42% from the closing price of RMB5.27 per SIPG Share as quoted on the Shanghai Stock Exchange on the trading day immediately preceding the date of the SIPG Share Transfer Agreement;

LETTER FROM THE BOARD

- (ii) a premium of approximately 3.02% from the average closing price of RMB5.29 per SIPG Share as quoted on the Shanghai Stock Exchange on the last five (5) consecutive trading days immediately preceding the date of the SIPG Share Transfer Agreement; and
- (iii) no premium to the average closing price of RMB5.45 per SIPG Share as quoted on the Shanghai Stock Exchange on the last thirty (30) consecutive trading days immediately preceding the date of the SIPG Share Transfer Agreement.

Adjustment of Consideration

If SIPG conducts any distribution of cash dividend, bonus issue, capitalization of capital reserve or any other ex-right and ex-dividend matters before the completion of the Acquisition of SIPG Shares, the number of SIPG Shares under the SIPG Share Transfer Agreement and consideration per SIPG Share for the Acquisition of SIPG Shares shall be adjusted accordingly in line with relevant applicable rules and regulations. As at the Latest Practicable Date, the Directors were not aware of any change to the amount of total consideration for the Acquisition of SIPG Shares.

Conditions of Effectiveness of Agreement

The SIPG Share Transfer Agreement shall be effective from the date on which all of the following conditions have been satisfied:

- (i) the duly execution of the SIPG Share Transfer Agreement by the legal representatives or authorized representatives of the parties thereto affixing with company seal;
- (ii) the completion of relevant internal approval procedures in respect of the execution and performance of the SIPG Share Transfer Agreement by the parties thereto in accordance with their respective articles of association and applicable laws;
- (iii) the approvals in respect of the Acquisition of SIPG Shares by relevant governmental department, state-owned asset supervision department and its authorized state-owned enterprises; and
- (iv) the completion of filing with information management system for listed state-owned companies in respect of the Acquisition of SIPG Shares and the obtaining of registration form with unified number.

LETTER FROM THE BOARD

Conditions Precedent

The completion of the Acquisition of SIPG Shares is conditional upon the following conditions being satisfied or waived (if applicable) on or before 31 December 2022:

- (i) the SIPG Share Transfer Agreement having become effective;
- (ii) there being no material and adverse change of the business, operation, assets, indebtedness, profits or prospects or results of SIPG and its subsidiaries since the date of the execution of the SIPG Share Transfer Agreement (except for changes inevitably arising from matters that COSCO SHIPPING has disclosed to the Company before signing the SIPG Share Transfer Agreement);
- (iii) there being no breaching under the SIPG Share Transfer Agreement and the representation and warranties given by both parties to the SIPG Share Transfer Agreement remaining constantly valid, true, accurate and not misleading; and
- (iv) all necessary filings, ratifications, approvals and approval procedures (including obtaining confirmation opinions on the transfer agreement issued by the Shanghai Stock Exchange, and the approval by the Independent Shareholders at the general meeting of the Company) having been completed by both parties prior to the completion of the Acquisition of SIPG Shares.

Unless otherwise agreed by the parties thereto, the above conditions precedent (ii) and (iii) may be mutually waived by the parties in the event that such conditions precedent have not been fulfilled on or before 31 December 2022. For the avoidance of doubt, the above conditions precedent (i) and (iv) cannot be waived.

Notwithstanding the above, the Company may consider making waiver to any unfulfilled condition(s) precedent only in the circumstance where the Company is of the review that, after conducting sufficient due diligence on the Acquisition of SIPG Shares and making appropriate consultation with its professional parties engaged in respect of the underlying transaction, such failure of fulfilling relevant condition(s) precedent would have no material adverse impact on the underlying transaction for the Group, therefore allowing the aforesaid condition(s) precedents (ii) and/or (iii) to be waived is for the sole purpose of leveraging the flexibility for the Company in terms of completion, and as at the Latest Practicable Date, the Company had no plan to make any waiver to relevant condition precedent in case that it cannot be fulfilled pursuant to the SIPG Share Transfer Agreement.

If any of the above conditions precedent have not been fulfilled or waived on or before 31 December 2022, or any other later date as mutually agreed by the parties thereto, (i) the contracting parties will no longer be entitled to the rights under the agreement, nor be bound by the obligations and responsibilities under the agreement (except for the responsibilities of any party for the breach of contract before the termination of the agreement and as otherwise provided in the agreement); and (ii) the contracting parties shall make reasonable and necessary efforts to revoke the documents relating to the performance of the agreement and terminate its validity. At the meantime, COSCO SHIPPING shall return the consideration amounts (including the Deposits) paid by the Company, together with the interests thereof based on the bank loan interest rate for the corresponding period to the Company.

LETTER FROM THE BOARD

Completion of Registration

The completion of registration in relation to the transfer of the SIPG Shares under the Acquisition of the SIPG Shares shall be subject to the following conditions:

- (i) the obtaining of the approvals in respect of the Acquisition of SIPG Shares by relevant governmental department, state-owned asset supervision department and its authorized state-owned enterprises;
- (ii) the settlement of the total consideration by the Company in accordance with the time and conditions under the SIPG Share Transfer Agreement; and
- (iii) the fulfillment of other transfer conditions as required by the share registrar authority.

Within fifteen (15) business days after all the conditions above having been satisfied, the parties shall apply to China Securities Depository and Clearing Corporation Limited, or procure SIPG to apply for registration of the transfer of the SIPG Shares under the Acquisition of SIPG Shares with the Shanghai Stock Exchange and China Securities Depository and Clearing Corporation Limited.

From the date on which the SIPG Shares under the SIPG Share Transfer Agreement have been transferred to and registered under the name of the Company, the Company shall be entitled to and responsible for the rights and obligations derived from those SIPG Shares.

As at the Latest Practicable Date, the Company directly held 144,498,514 SIPG Shares, representing approximately 0.62% of the equity interest in SIPG. Upon the completion of the Acquisition of SIPG Shares, assuming there will be no change to the share capital of SIPG before the completion, the Company will directly hold 3,620,549,712 SIPG Shares, representing approximately 15.55% of the equity interest in SIPG as at the Latest Practicable Date. SIPG will not become a subsidiary of the Company and its financial statements will not be consolidated into the financial statements of the Group.

Information on SIPG and SIPG Group

Based on the published information of SIPG, SIPG is a joint stock company established under the laws of the PRC with limited liability, and was listed on the Shanghai Stock Exchange (600018.SH). It is mainly engaged in port-related business including container services, bulk cargo services, port logistics and port services.

To the best knowledge of the Directors and based on the 2022 third quarter report published by SIPG, as at 30 September 2022, the substantial shareholders (having the meanings as ascribed to those defined under the Hong Kong Listing Rules) of SIPG included (i) Shanghai State-owned Capital Investment Co., Ltd.* (上海國有資本投資有限公司), a wholly-owned subsidiary of State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government (上海市國有資產監督管理委員會), as to approximately 28.30%, (ii) ADROIT INVESTMENTS LIMITED (亞吉投資有限公司), a wholly-owned subsidiary of China Merchants Port Holdings Company Limited (招商局港口控股有限公司) (0144.HK) as to approximately 28.05%, and (iii) COSCO SHIPPING as to approximately 14.93% of its total issued share capital.

LETTER FROM THE BOARD

The audited financial information of the SIPG Group for the two financial years ended 31 December 2021, and the unaudited financial information of the SIPG Group for the six months ended 30 June 2022, which are prepared in accordance with the PRC Accounting Standards for Enterprises, are set out as follows:

	For the year ended 31 December		For the six months ended 30 June
	2020	2021	2022
	<i>(RMB' 000)</i>	<i>(RMB' 000)</i>	<i>(RMB' 000)</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
	<i>Approximately</i>	<i>Approximately</i>	<i>Approximately</i>
Profit before taxation	10,574,263	17,961,384	12,788,118
Profit after taxation	9,183,403	15,480,720	11,182,647

	As at 31 December		As at 30 June
	2020	2021	2022
	<i>(RMB' 000)</i>	<i>(RMB' 000)</i>	<i>(RMB' 000)</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
	<i>Approximately</i>	<i>Approximately</i>	<i>Approximately</i>
Net Assets	95,979,600	107,805,629	113,976,932

2. Guangzhou Port Share Transfer Agreement

On 28 October 2022, the Company entered into the Guangzhou Port Share Transfer Agreement with COSCO, pursuant to which the Company has agreed to purchase and COSCO has agreed to sell 244,105,940 Guangzhou Port Shares (representing approximately 3.24% of the equity interest in Guangzhou Port as at the Latest Practicable Date) at the total consideration of RMB778,697,948.60 (equivalent to approximately HK\$856,567,743.46).

Particulars of the Guangzhou Port Transfer Agreement are set forth below:

Parties: (i) the Company (as purchaser); and

(ii) COSCO (as vendor)

Nature of transaction: the Company has agreed to purchase and COSCO has agreed to sell 244,105,940 Guangzhou Port Shares (representing approximately 3.24% of the equity interest in Guangzhou Port as at the Latest Practicable Date) at the total consideration of RMB778,697,948.60 (equivalent to approximately HK\$856,567,743.46)

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Consideration

According to Article 26 of the Order No. 36, state-owned shareholders shall charge a deposit in the amount equivalent to at least 30% of the total consideration for the share transfer within five (5) business days immediately after the share transfer agreement having been entered into, and the remaining consideration for such share transfer shall be fully settled prior to the registration of the transfer of relevant shares. Since COSCO SHIPPING is a state-owned enterprise and COSCO is a wholly-owned subsidiary of COSCO SHIPPING, the Acquisition of Guangzhou Port Shares is subject to the aforesaid requirements under the Order No. 36.

In light of the aforementioned requirements under the Order No. 36, the total consideration under the Guangzhou Port Share Transfer Agreement of RMB778,697,948.60 (i.e. RMB3.19 per Guangzhou Port Share, equivalent to approximately HK\$3.51 per Guangzhou Port Share) shall be payable in cash by the Company in the following manner:

- (i) within five (5) business days immediately after the date of the Guangzhou Port Share Transfer Agreement, the Company shall pay 30% of the total consideration under the Guangzhou Port Share Transfer Agreement (i.e. RMB233,609,384.58) to COSCO, as the deposits for the Acquisition of Guangzhou Port Shares (the “**Deposits**”). Upon the Guangzhou Port Share Transfer Agreement becoming effective, such payment of the Deposits shall be regarded as due payment of 30% of the total consideration for the Acquisition of Guangzhou Port Shares; and
- (ii) the Company shall, within thirty (30) business days after the fulfilment and/or waiver of the conditions precedent under the Guangzhou Port Share Transfer Agreement, pay the remaining 70% of the total consideration under the Guangzhou Port Share Transfer Agreement (i.e. RMB545,088,564.02, subject to adjustment as set out in the paragraph headed “Adjustment of Consideration” below) to COSCO in a lump sum.

The total consideration for the Acquisition of Guangzhou Port Shares will be funded entirely by the owned funds or self-raised funds of the Group.

According to Article 32 of the Order No. 36, the price of the shares of listed companies to be transferred by state-owned shareholders under non-public share transfer shall not be less than the higher of (i) the arithmetic average of the daily weighted average market prices of the shares of such listed company over thirty (30) trading days immediately prior to the holding announcement of such listed company, and (ii) the audited value of the net asset per share of such listed company for its recent financial year.

In light of the above, the consideration for the Acquisition of Guangzhou Port Shares was determined after arm’s length negotiations between the parties to the Guangzhou Port Share Transfer Agreement, which is based on the higher of (i) the audited net asset per

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Guangzhou Port Share for the financial year ended 31 December 2021 (i.e. RMB2.37 per Guangzhou Port Share), and (ii) the arithmetic average of the daily weighted average market prices of the Guangzhou Port Shares over thirty (30) trading days immediately prior to the holding announcement of Guangzhou Port in relation to the Acquisition of Guangzhou Port Shares (i.e. RMB3.19 per Guangzhou Port Share).

The consideration for the Acquisition of Guangzhou Port Shares (i.e. RMB3.19 per Guangzhou Port Share, equivalent to approximately HK\$3.51 per Guangzhou Port Share) represents:

- (i) a premium of approximately 0.95% from the closing price of RMB3.16 per Guangzhou Port Share as quoted on the Shanghai Stock Exchange on the trading day immediately preceding the date of the Guangzhou Port Share Transfer Agreement;
- (ii) a premium of approximately 2.24% from the average closing price of RMB3.12 per Guangzhou Port Share as quoted on the Shanghai Stock Exchange on the last five (5) consecutive trading days immediately preceding the date of the Guangzhou Port Share Transfer Agreement; and
- (iii) no premium to the average closing price of RMB3.19 per Guangzhou Port Share as quoted on the Shanghai Stock Exchange on the last thirty (30) consecutive trading days immediately preceding the date of the Guangzhou Port Share Transfer Agreement.

Adjustment of Consideration

If Guangzhou Port conducts any distribution of cash dividend, bonus issue, capitalization of capital reserve or any other ex-right and ex-dividend matters before the completion of the Acquisition of Guangzhou Port Shares, the number of Guangzhou Port Shares under the Guangzhou Port Share Transfer Agreement and consideration per Guangzhou Port Share for the Acquisition of Guangzhou Port Shares shall be adjusted accordingly in line with relevant applicable rules and regulations. As at the Latest Practicable Date, the Directors were not aware of any change to the amount of total consideration for the Acquisition of Guangzhou Port Shares.

Conditions of Effectiveness of Agreement

The Guangzhou Port Share Transfer Agreement shall be effective from the date on which all of the following conditions have been satisfied:

- (i) the duly execution of the Guangzhou Port Share Transfer Agreement by the legal representatives or authorized representatives of the parties thereto affixing with company seal;

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- (ii) the completion of relevant internal approval procedures in respect of the execution and performance of the Guangzhou Port Share Transfer Agreement by the parties thereto in accordance with their respective articles of association and applicable laws;
- (iii) the approvals in respect of the Acquisition of Guangzhou Port Shares by relevant governmental department, state-owned asset supervision department and its authorized stated-owned enterprises; and
- (iv) the completion of filing with information management system for listed state-owned companies in respect of the Acquisition of Guangzhou Port Shares and the obtaining of registration form with unified number.

Conditions Precedent

The completion of the Acquisition of Guangzhou Port Shares is conditional upon the following conditions being satisfied or waived (if applicable) on or before 31 December 2022:

- (i) the Guangzhou Port Share Transfer Agreement having become effective;
- (ii) there being no material and adverse change of the business, operation, assets, indebtedness, profits or prospects or results of Guangzhou Port and its subsidiaries since the date of the execution of the Guangzhou Port Share Transfer Agreement (except for changes inevitably arising from matters that COSCO has disclosed to the Company before signing the Guangzhou Port Share Transfer Agreement);
- (iii) there being no breaching under the Guangzhou Port Share Transfer Agreement and the representation and warranties given by both parties to the Guangzhou Port Share Transfer Agreement remaining constantly valid, true, accurate and not misleading; and
- (iv) all necessary filings, ratifications, approvals and approval procedures (including obtaining confirmation opinions on the transfer agreement issued by the Shanghai Stock Exchange, and the approval by the the Independent Shareholders at the general meeting of the Company) having been completed by both parties prior to the completion of the Acquisition of Guangzhou Port Shares.

Unless otherwise agreed by the parties thereto, the above conditions precedent (ii) and (iii) may be mutually waived by the parties in the event that such conditions precedent have not been fulfilled on or before 31 December 2022. For the avoidance of doubt, the above conditions precedent (i) and (iv) cannot be waived.

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Notwithstanding the above, the Company may consider making waiver to any unfulfilled condition(s) precedent only in the circumstance where the Company is of the review that, after conducting sufficient due diligence on the Acquisition of Guangzhou Port Shares and making appropriate consultation with its professional parties engaged in respect of the underlying transaction, such failure of fulfilling relevant condition(s) precedent would have no material adverse impact on the underlying transaction for the Group, therefore allowing the aforesaid condition(s) precedents (ii) and/or (iii) to be waived is for the sole purpose of leveraging the flexibility for the Company in terms of completion, and as at the Latest Practicable Date, the Company had no plan to make any waiver to relevant condition precedent in case that it cannot be fulfilled pursuant to the Guangzhou Port Share Transfer Agreement.

If any of the above conditions precedent have not been fulfilled or waived on or before 31 December 2022, or any other later date as mutually agreed by the parties thereto, (i) the contracting parties will no longer be entitled to the rights under the agreement, nor be bound by the obligations and responsibilities under the agreement (except for the responsibilities of any party for the breach of contract before the termination of the agreement and as otherwise provided in the agreement); and (ii) the contracting parties shall make reasonable and necessary efforts to revoke the documents relating to the performance of the agreement and terminate its validity. At the meantime, COSCO shall return the consideration amounts (including the Deposits) paid by the Company, together with the interests thereof based on the bank loan interest rate for the corresponding period to the Company.

Completion of Registration

The completion of registration in relation to the transfer of the Guangzhou Port Shares under the Acquisition of the Guangzhou Port Shares shall be subject to the following conditions:

- (i) the obtaining of the approvals in respect of the Acquisition of Guangzhou Port Shares by relevant governmental department, state-owned asset supervision department and its authorized stated-owned enterprises;
- (ii) the settlement of the total consideration by the Company in accordance with the time and conditions under the Guangzhou Port Share Transfer Agreement; and
- (iii) the fulfillment of other transfer conditions as required by the share registrar authority.

Within fifteen (15) business days after all the conditions above having been satisfied, the parties shall apply to China Securities Depository and Clearing Corporation Limited, or procure Guangzhou Port to apply for registration of the transfer of the Guangzhou Port Shares under the Acquisition of Guangzhou Port Shares with the Shanghai Stock Exchange and China Securities Depository and Clearing Corporation Limited.

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From the date on which the Guangzhou Port Shares under the Guangzhou Port Share Transfer Agreement have been transferred to and registered under the name of the Company, the Company shall be entitled to and responsible for the rights and obligations derived from those Guangzhou Port Shares.

As at the Latest Practicable Date, the Company indirectly held 246,582,088 Guangzhou Port Shares, representing approximately 3.27% of the equity interest in Guangzhou Port. Upon the completion of the Acquisition of Guangzhou Port Shares, assuming there will be no change to the share capital of Guangzhou Port before the completion, the Company will directly and indirectly hold 490,688,028 Guangzhou Port Shares, representing approximately 6.50% of the equity interest in Guangzhou Port as at the Latest Practicable Date. Guangzhou Port will not become a subsidiary of the Company and its financial statements will not be consolidated into the financial statements of the Group.

Information on Guangzhou Port and Guangzhou Port Group

Based on the published information of Guangzhou Port, Guangzhou Port is a joint stock company established under the laws of the PRC with limited liability, and was listed on the Shanghai Stock Exchange (601228.SH). It is mainly engaged in port-related business including container services, bulk cargo services, port logistics and port services, as well as trading business.

To the best knowledge of the Directors and based on the 2022 third quarter report published by Guangzhou Port, as at 30 September 2022, the substantial shareholder (having the meaning as ascribed to that defined under the Hong Kong Listing Rules) of Guangzhou Port was Guangzhou Port Group Co., Ltd.* (廣州港集團有限公司) (“**Guangzhou PG**”) as to approximately 75.59% of its total issued share capital. To the best knowledge of the Directors, as at the Latest Practicable Date, Guangzhou PG was owned by the People’s Government of Guangzhou City (廣州市人民政府) and the Department of Finance of Guangdong Province (廣東省財政廳) as to 90.00% and 10.00% of its total equity interest, respectively.

The audited financial information of the Guangzhou Port Group for the two financial years ended 31 December 2021, and the unaudited financial information of the Guangzhou Port Group for the six months ended 30 June 2022, which are prepared in accordance with the PRC Accounting Standards for Enterprises, are set out as follows:

	For the year ended 31 December		For the six months ended
	2020	2021	30 June 2022
	<i>(RMB’ 000)</i>	<i>(RMB’ 000)</i>	<i>(RMB’ 000)</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
	<i>Approximately</i>	<i>Approximately</i>	<i>Approximately</i>
Profit before taxation	1,381,418	1,608,494	967,316
Profit after taxation	1,069,940	1,280,307	758,587

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	As at 31 December 2020	2021	As at 30 June 2022
	<i>(RMB' 000)</i>	<i>(RMB' 000)</i>	<i>(RMB' 000)</i>
	<i>(Audited)</i>	<i>(Audited)</i>	<i>(Unaudited)</i>
	<i>Approximately</i>	<i>Approximately</i>	<i>Approximately</i>
Net Assets	16,714,814	17,801,215	18,119,577

3. Reasons for and Benefits of the Acquisition of SIPG Shares and the Acquisition of Guangzhou Port Shares

The Company is committed to providing customers with a supply chain solution of integrated container shipping + port + related logistics services and building a more resilient, globalized and digital supply chain service system. Port and port-related services constitute an important and indispensable part of the supply chain in the shipping industry, and both of SIPG and Guangzhou Port are the leading market players in relation to port-related services. Therefore, the Acquisition of SIPG Shares and the Acquisition of Guangzhou Port Shares are important measures for the Company to build a global digital supply chain for its customers, which could enable it to strengthen its role as an investment platform, and promote its transformation from shipping lane operations to full supply chain operations. After the completion of the Acquisition of SIPG Shares and the Acquisition of Guangzhou Port Shares, the Company will be able to further deepen the strategic partnership with SIPG and Guangzhou Port, and strengthen the integration and synergy of different links in supply chain, promote the participation of all parties in the construction of digital shipping through capital investment, and contribute to the construction of a new development pattern regarding the inbound digital shipping, and the mutual flow of inbound and outbound digital shipping.

SIPG and Guangzhou Port are high-quality enterprises in the port industry. SIPG is a leading enterprise in the port industry in China. Its home port has ranked the first in the world in terms of container throughput for many years, and its operating income and net profit scale have been at the top of the list. Guangzhou Port is also a high standard port in southern China with comprehensive advantages in terms of domestic and foreign trade, and maintained a stable operating income and net profit in recent years. The Acquisition of SIPG Shares and the Acquisition of Guangzhou Port Shares through direct equity investment in the two major port conglomerates are beneficial to the Company's consolidation of port industry resources, optimization of business deployment, improvement of the quality of operations and earnings, effective inhibition of cyclical risks, and enhancement of core competitiveness of full chain services.

4. Information on the Parties

(1) Information on the Group

The Company is a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange and the A shares of which are listed on the Shanghai Stock Exchange. The Group provides a wide range of container shipping and terminal services covering the whole shipping value chain for both international and domestic customers.

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(2) *Information on COSCO SHIPPING*

COSCO SHIPPING is a company incorporated under the laws of the PRC, and is a state-owned enterprise controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. The scope of business of COSCO SHIPPING includes international shipping, ancillary business in international maritime transportation, import and export of goods and technologies, international freight agency business, leasing of self-owned vessels, sales of vessels, containers and steel and maritime engineering.

(3) *Information on COSCO*

COSCO is a company incorporated under the laws of the PRC and a wholly-owned subsidiary of COSCO SHIPPING, which is a state-owned enterprise controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC. The scope of business of COSCO includes international shipping, ancillary business in international maritime transportation, import and export of goods and technologies, international freight agency business, leasing of self-owned vessels, sales of vessels, containers and steel and maritime engineering.

5. Implications under the Hong Kong Listing Rules

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, COSCO SHIPPING is a controlling shareholder of the Company and a connected person of the Company. Further, COSCO is a wholly-owned subsidiary of COSCO SHIPPING, and therefore is also a connected person of the Company.

Accordingly, the Acquisition of SIPG Shares from COSCO SHIPPING by the Company, and the Acquisition of Guangzhou Port Shares from COSCO by the Company constitute connected transactions of the Company under the Hong Kong Listing Rules.

The Acquisition of THL, the Acquisition of COSCO SHIPPING Finance, the Capital Increase by the Group, the Acquisition of COSCO SHIPPING Supply Chain, the Acquisition of SIPG Shares, and the Acquisition of Guangzhou Port Shares constitute a series of transactions made within a 12-month period and shall be aggregated pursuant to Rule 14A.81 of the Hong Kong Listing Rules.

As one or more applicable percentage ratios calculated in accordance with the Hong Kong Listing Rules in respect of the Acquisition of SIPG Shares (when aggregated with the Acquisition of THL, the Acquisition of COSCO SHIPPING Finance, the Capital Increase by the Group, the Acquisition of COSCO SHIPPING Supply Chain and the Acquisition of Guangzhou Port Shares) and the Acquisition of Guangzhou Port Shares (when aggregated with the Acquisition of THL, the Acquisition of COSCO SHIPPING Finance, the Capital Increase by the Group, the Acquisition of COSCO SHIPPING Supply Chain and the Acquisition of SIPG

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Shares) exceeds 5% but are all less than 25%, the Acquisition of SIPG Shares and the Acquisition of Guangzhou Port Shares constitute discloseable transactions and connected transactions of the Company subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Hong Kong Listing Rules.

The executive Directors, namely, Mr. Wan Min, Mr. Huang Xiaowen and Mr. Yang Zhijian, as Directors nominated by COSCO (a controlling shareholder of the Company and a wholly-owned subsidiary of COSCO SHIPPING), have abstained from voting on the resolutions of the Board approving the SIPG Share Transfer Agreement and the Guangzhou Port Share Transfer Agreement, and the transactions contemplated thereunder pursuant to the Articles of Association. Other than the above mentioned Directors, the remaining Directors are the independent non-executive Directors.

Save as disclosed above, none of other Directors has a material interest in the SIPG Share Transfer Agreement and the Guangzhou Port Share Transfer Agreement, and the transactions contemplated thereunder and was required to abstain from voting on the relevant resolutions. Based on the reasons as stated above, the Directors (other than 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 SIPG Share Transfer Agreement and the Guangzhou Port Share Transfer Agreement are entered into on normal commercial terms, and that the terms of the SIPG Share Transfer Agreement and the Guangzhou Port Share Transfer Agreement, and the transactions contemplated thereunder are fair and reasonable and in the interests of the Shareholders as a whole.

C. DISCLOSEABLE TRANSACTIONS AND CONNECTED TRANSACTIONS REGARDING THE SHIPBUILDING CONTRACTS

1. COSCO MERCURY Shipbuilding Transactions

On 28 October 2022, the COSCO MERCURY Buyer, as the buyer, entered into five COSCO MERCURY Shipbuilding Contracts on substantially the same terms with Dalian COSCO KHI, as the builder, for the construction of five units of the COSCO MERCURY Vessels for a consideration of US\$239.85 million (equivalent to approximately HK\$1,870.83 million) for each COSCO MERCURY Vessel and for an aggregate consideration of US\$1,199.25 million (equivalent to approximately HK\$9,354.15 million) for all five COSCO MERCURY Vessels.

Contract Terms

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

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Under each of the COSCO MERCURY Shipbuilding Contracts, the COSCO MERCURY Buyer shall pay the respective consideration of US\$239.85 million (equivalent to approximately HK\$1,870.83 million) in cash in five instalments based on progress intervals on the construction of each COSCO MERCURY Vessel, with smaller proportion of the contract price payable in the second, third and fourth instalments and larger proportion of contract price payable in the first and fifth instalments.

The COSCO MERCURY Vessels are expected to be delivered between February 2027 and June 2028, subject to the arrangements of early delivery or delay in delivery as agreed in the COSCO MERCURY Shipbuilding Contracts (subject to a maximum liquidated damages of approximately US\$10.635 million per COSCO MERCURY Vessel for certain delays in delivery payable by Dalian COSCO KHI to the relevant COSCO MERCURY Buyer). In case of delay in delivery, the liquidated damages payable by Dalian COSCO KHI (if applicable) to the relevant COSCO MERCURY Buyer shall be deducted from the fifth instalment of the consideration payable under the COSCO MERCURY Shipbuilding Contracts, of which the amount shall be assessed based on the length of delayed period after the expiration of the original delivery date. If the length of the delayed period exceeds a certain number of days, the relevant COSCO MERCURY Buyer may, at its option, terminate the relevant COSCO MERCURY Shipbuilding Contract without any incurrence of penalty payable by the relevant COSCO MERCURY Buyer.

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

The COSCO MERCURY Shipbuilding Transactions are conditional upon such transactions being approved by the Independent Shareholders at the EGM.

Source of Funds

The COSCO MERCURY Buyer currently plans that it will obtain financing for not more than 60% of the contract price of each COSCO MERCURY Vessel with the financing guaranteed by COSCO MERCURY (if applicable) which will be finalized before the delivery of the COSCO MERCURY Vessels, whilst the balance of the contract price will be funded from internal resources of COSCO MERCURY. If such financing arrangement could not be arranged, the full contract price of each COSCO MERCURY Vessel would be funded by internal resources of COSCO MERCURY, which is expected to be sufficient for this purpose.

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2. OOIL Shipbuilding Transactions

On 28 October 2022, the OOIL Buyers (seven indirect wholly-owned subsidiaries of OOIL, and therefore indirect subsidiaries of the Company), as the buyers, respectively entered into seven OOIL Shipbuilding Contracts on substantially the same terms with Nantong COSCO KHI, as the builder, for the construction of seven units of the OOIL Vessels for a consideration of US\$239.85 million (equivalent to approximately HK\$1,870.83 million) for each OOIL Vessel and for an aggregate consideration of US\$1,678.95 million (equivalent to approximately HK\$13,095.81 million) for all the OOIL Vessels.

Contract Terms

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

Under each of the OOIL Shipbuilding Contracts, the relevant OOIL Buyer shall pay the respective consideration of US\$239.85 million (equivalent to approximately HK\$1,870.83 million) in cash in five instalments based on progress intervals on the construction of each OOIL Vessel, with smaller proportion of the contract price payable in the second, third and fourth instalments and larger proportion of contract price payable in the first and fifth instalments. OOCL (Assets) Holdings Inc., an indirect wholly-owned subsidiary of OOIL, as guarantor, would provide a letter of guarantee for each of the OOIL Vessels in favour of Nantong COSCO KHI, guaranteeing the respective OOIL Buyers' obligation for the payment of the second, third and fourth instalments of the contract price under the respective OOIL Shipbuilding Contracts, as provided in the respective letters of guarantee.

The OOIL Vessels are expected to be delivered between the third quarter of 2026 and the third quarter of 2028 subject to the arrangements of early delivery or delay in delivery as agreed in the OOIL Shipbuilding Contracts (subject to a maximum liquidated damages of approximately US\$13.50 million per OOIL Vessel for certain delays in delivery payable by Nantong COSCO KHI to the relevant OOIL Buyer). In case of delay in delivery, the liquidated damages payable by Nantong COSCO KHI (if applicable) to the relevant OOIL Buyer shall be deducted from the fifth instalment of the contract price, of which the amount shall be assessed based on the length of delayed period after the expiration of the original delivery date. If the length of the delayed period exceeds a certain number of days, the relevant OOIL Buyer may, at its option, terminate the relevant OOIL Shipbuilding Contract without any incurrence of penalty payable by the relevant OOIL Buyer.

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

The OOIL Shipbuilding Transactions are conditional upon such transactions being approved by the Independent Shareholders at the EGM.

Source of Funds

OOIL (a non-wholly owned subsidiary of the Company) currently plans that it will obtain financing for not more than 60% of the contract price of each OOIL Vessel with the financing guaranteed by OOIL which will be finalized before the delivery of the OOIL Vessels, whilst the balance of the contract price will be funded from internal resources of OOIL and its subsidiaries. If such financing arrangement could not be arranged, the full contract price of each OOIL Vessel would be funded by internal resources of OOIL and its subsidiaries, which is expected to be sufficient for this purpose.

3. Reasons for and Benefits of the Shipbuilding Transactions

The Shipbuilding Transactions are new measures of the Group to actively promote the development of using clean fuels in the fleet in accordance with the new trend of the green, low-carbon and smart shipping industry development, which help the Group to continue to reinforce its position in the industry. The dual-brand fleet has achieved a leapfrog development from “global shipping” to “shipping global”.

The Company has continuously implemented the concept of “energy saving, carbon reduction and green development” into the operation and management of the Company by adhering to the philosophy of environmental friendliness as well as balancing sustainable development and environmental protection. In order to actively respond to the green and low-carbon initiatives of our global customers, the vessels ordered under the Shipbuilding Transactions have been equipped with advanced green methanol dual-fuel technology, which is able to provide customers with green and low-carbon supply chain solutions, which is beneficial to driving the Group’s green, low-carbon and sustainable development.

The Shipbuilding Transactions are beneficial to the Company’s comprehensive consolidation of the competitive advantages of the east and west lane of the dual-brand, and achievement of balanced development of the global service network through the tiered layout of the shipping capacity of the Company. The vessels ordered under the Shipbuilding Transactions are all 24,000 TEU container vessels. The design and construction of the vessels incorporate mainstream edge-cutting concepts and integrate many energy-saving, emission-reduction and smart vessel technologies, which will help consolidate the long-term cost advantages of the Group and enhance the core competitiveness of the Group.

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The consideration for each of the COSCO MERCURY Vessel and the OOIL Vessel was determined on arm's length negotiation between the Group and the Builders with reference to the quotation process of the Group with major shipbuilders (including independent third-party shipbuilders), during which the Group obtained competitive prices from at least three different shipbuilders and evaluated their delivery ability, technical competency, shipbuilding quality and previous cooperation relationship.

Considering that the Builders' offers are optimal amongst the major shipbuilders (including independent third-party shipbuilders) in that they meet the above factors evaluated during the quotation process, as (i) they have been well-recognized in the shipbuilding industry for their manufacturing process and quality control, which is crucial to the performance of the vessels, (ii) their vessel delivery schedule fits with the strategic plan of COSCO MERCURY and OOIL, (iii) the Builders have previously been engaged by the Group to build twelve mega-sized 23,000 TEU class vessels and ten 16,000 TEU class NeoPanamax vessels in 2020 and 2021, therefore engaging the same Builders again in the Shipbuilding Transactions is expected to provide synergy in construction, given that the Builders have gained an improved understanding of the Group's operational and technical specifications, requirements and standard for its newbuildings compared to other shipbuilders, and (iv) their prices are comparable to that obtained during the quotation process of the Group with two other major shipbuilders (including independent third-party shipbuilders with comparable delivery ability, technical competency and shipbuilding quality to that of the Builders), the Directors believe that the consideration for each of the COSCO MERCURY Vessel and OOIL Vessel is fair and reasonable, on the normal commercial terms, and in the interest of the Company and the Shareholders as a whole.

4. Information on the Parties

(1) Information on COSCO MERCURY

COSCO MERCURY is a company incorporated in the Cayman Islands with limited liability and is a wholly-owned subsidiary of COSCO SHIPPING Lines. It is principally engaged in financing, shipbuilding and leasing in respect of container vessels.

(2) Information on COSCO SHIPPING Lines

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

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(3) *Information on OOIL Buyers*

Each of Newcontainer No.143 (Marshall Islands) Shipping Inc., Newcontainer No.145 (Marshall Islands) Shipping Inc., Newcontainer No.146 (Marshall Islands) Shipping Inc., Newcontainer No.147 (Marshall Islands) Shipping Inc., Newcontainer No.148 (Marshall Islands) Shipping Inc., Newcontainer No.149 (Marshall Islands) Shipping Inc. and Newcontainer No.150 (Marshall Islands) Shipping Inc., is a company incorporated in Marshall Islands, and is an indirect wholly-owned subsidiary of OOIL. Each of them is established for the purpose of entering into the respective OOIL Shipbuilding Contracts.

(4) *Information on OOIL*

OOIL is a company incorporated in Bermuda with members' limited liability and listed on the Main Board of the Stock Exchange (stock code: 316), and a non-wholly owned subsidiary of the Company. It is principally engaged in the provision of container transport and logistics services.

(5) *Information on Nantong COSCO KHI*

Nantong COSCO KHI is a company established in the PRC and is an associate of COSCO SHIPPING, and in which each of COSCO SHIPPING and Kawasaki Heavy Industries Ltd. ("**Kawasaki**", a heavy industrial manufacturer whose shares are listed on the Tokyo and Nagoya Stock Exchanges) indirectly or directly holds 50% equity interest respectively. Nantong COSCO KHI is principally engaged in the business of manufacturing, sales and repairing of ships.

(6) *Information on Dalian COSCO KHI*

Dalian COSCO KHI is a company established in the PRC and is owned by COSCO SHIPPING, Kawasaki and Nantong COSCO KHI as to 36%, 34% and 30% respectively. Dalian COSCO KHI is principally engaged in the business of design, manufacturing, sales and repairing of ships (excluding military ships).

5. Implications under the Hong Kong Listing Rules

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, COSCO SHIPPING is a controlling shareholder of the Company and a connected person of the Company.

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Nantong COSCO KHI is an associate of COSCO SHIPPING which indirectly holds 50% equity interest in Nantong COSCO KHI, and Dalian COSCO KHI is an indirect subsidiary of COSCO SHIPPING. COSCO SHIPPING holds 36% equity interest, and Nantong COSCO KHI directly holds 30% equity interest, respectively, in Dalian COSCO KHI. OOIL is the non-wholly owned subsidiary of the Company. Accordingly, both Dalian COSCO KHI and Nantong COSCO KHI are connected persons of the Company under Chapter 14A of the Hong Kong Listing Rules, and the COSCO MERCURY Shipbuilding Transactions and the OOIL Shipbuilding Transactions constitute connected transactions of the Company.

The Shipbuilding Transactions constitute a series of transactions made within a 12-month period and shall be aggregated pursuant to Rule 14.22 and Rule 14A.81 of the Hong Kong Listing Rules. As one or more of the applicable percentage ratios in respect of the Shipbuilding Transactions exceeds 5% but are all less than 25%, the Shipbuilding Transactions constitute discloseable transactions and connected transactions of the Company subject to the reporting, announcement, circular and independent Shareholders' approval requirements under Chapter 14 and Chapter 14A of the Hong Kong Listing Rules.

The executive Directors, namely, Mr. Wan Min, Mr. Huang Xiaowen and Mr. Yang Zhijian, as Directors nominated by COSCO, have abstained from voting on the resolutions of the Board approving the Shipbuilding Transactions pursuant to the Articles of Association. Other than the above mentioned Directors, the remaining Directors are the independent non-executive Directors.

Save as disclosed above, none of other Directors has a material interest in the Shipbuilding Transactions and was required to abstain from voting on the relevant resolution(s). Based on the reasons as stated above, the Directors (other than 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 Shipbuilding Transactions are entered into on normal commercial terms, and that the terms of the Shipbuilding Contracts are fair and reasonable and in the interests of the Shareholders as a whole.

The Shipbuilding Contracts contain certain sensitive commercial and personal information which, if disclosed, may prejudice the Group commercially and operationally, among others. The Company has therefore applied to the Stock Exchange for a waiver from strict compliance with Rule 14A.70(13) and paragraph 43(2)(c) of Appendix 1B to the Hong Kong Listing Rules, so that the sensitive commercial and personal information may be redacted from each of the Shipbuilding Contracts to be published on the websites of the Stock Exchange and the Company. Subject to the Stock Exchange's approval, the Company will make further announcement(s) as appropriate.

LETTER FROM THE BOARD

D. EGM

The EGM will be held at Conference Room, 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong and Ocean Hall, 5th Floor, Shanghai Ocean Hotel, No. 1171, Dong Da Ming Road, Shanghai, the PRC on Wednesday, 23 November 2022 at 10:00 a.m for the Independent Shareholders to consider and, if thought fit, approve the resolutions contained in the Original Notice of EGM and the Supplemental Notice of EGM.

The Original Notice of EGM was despatched to the Shareholders on Friday, 21 October 2022. The Supplemental Notice of EGM, which contains additional resolutions to be proposed at the EGM, is set out on pages SEGM-1 to SEGM-3 of this circular. The aforesaid resolutions contained in the Supplemental Notice of EGM will be proposed by way of ordinary resolutions at the EGM to be approved by the Independent Shareholders.

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 transactions under the Acquisition of Listed Securities and the Shipbuilding Transactions, 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 Acquisition of Listed Securities and the Shipbuilding Transactions.

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 0.01% 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 Acquisition of Listed Securities and the Shipbuilding Contracts 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.

A Shareholder who has not yet lodged the Original Form of Proxy in accordance with the instructions printed thereon with Computershare Hong Kong Investor Services Limited is requested to complete and return the Revised Form of Proxy in accordance with the instructions printed thereon to Computershare Hong Kong Investor Services Limited not less

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than 24 hours before the time for holding the EGM or any adjournment thereof, if he or she wishes to appoint proxies to attend the EGM on his or her behalf. In this case, the Original Form of Proxy should not be lodged to Computershare Hong Kong Investor Services Limited.

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

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

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

E. RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on page 32 of this circular and the letter of advice from Gram Capital to the Independent Board Committee and the Independent Shareholders set out on pages 33 to 57 of this circular in

LETTER FROM THE BOARD

connection with (i) the connected transactions in respect of the Acquisition of Listed Securities, and (ii) the connected transactions contemplated under the Shipbuilding Contracts, 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 connected transactions in respect of the Acquisition of Listed Securities, and the connected transactions contemplated under the Shipbuilding Contracts, and the advice of Gram Capital, are of the opinion that: (i) the Acquisition of Listed Securities and the Shipbuilding Transactions are entered into in the ordinary and usual course of business of the Company on normal commercial terms; and (ii) the terms of the Acquisition of Listed Securities, and the terms of the Shipbuilding Contracts are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of all the resolutions in respect of the Acquisition of Listed Securities, and the Shipbuilding Transactions to be proposed at the EGM to approve the aforementioned matters.

F. 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)

9 November 2022

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE TRANSACTIONS AND CONNECTED TRANSACTIONS

We refer to the circular of the Company dated 9 November 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 Acquisition of Listed Securities, and the Shipbuilding Transactions are entered into in the ordinary and usual course of business of the Company on normal commercial terms; and (ii) the terms of the Acquisition of Listed Securities, and the terms of the Shipbuilding Contracts are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the terms of the Acquisition of Listed Securities, and the terms of the Shipbuilding Contracts, and the advice of Gram Capital, we are of the opinion that (i) the Acquisition of Listed Securities, and the Shipbuilding Transactions are entered into in the ordinary and usual course of business of the Company on normal commercial terms; and (ii) the terms of the Acquisition of Listed Securities, and the terms of the Shipbuilding Contracts 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 Acquisition of Listed Securities, and the Shipbuilding Transactions.

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

9 November 2022

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

Dear Sir/Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS REGARDING
(A) ACQUISITION OF LISTED SECURITIES; AND
(B) THE SHIPBUILDING CONTRACTS**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of discloseable and connected transactions regarding (A) Acquisition of Listed Securities; and (B) the Shipbuilding Transactions (together with the Acquisition of Listed Securities, the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 9 November 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 28 October 2022 (the “**Acquisition Agreements Date**”), the Company entered into (i) the SIPG Share Transfer Agreement with COSCO SHIPPING, pursuant to which the Company has agreed to purchase and COSCO SHIPPING has agreed to sell 3,476,051,198 SIPG Shares (representing approximately 14.93% of equity interest in SIPG as at the Latest Practicable Date) at the total consideration of RMB18,944,479,029.10; and (ii) the Guangzhou Port Share Transfer Agreement with COSCO, pursuant to which the Company has agreed to purchase and COSCO has agreed to sell 244,105,940 Guangzhou Port Shares (representing approximately 3.24% of equity interest in Guangzhou Port as at the Latest Practicable Date) at the total consideration of RMB778,697,948.60.

LETTER FROM GRAM CAPITAL

On 28 October, 2022, the COSCO MERCURY (a wholly-owned subsidiary of the Company), as the buyer, entered into the five COSCO MERCURY Shipbuilding Contracts on substantially the same terms with Dalian COSCO KHI, as the builder, for the construction of five units of COSCO MERCURY Vessels for a consideration of US\$239.85 million (equivalent to approximately HK\$1,870.83 million) for each COSCO MERCURY Vessel and for an aggregate consideration of US\$1,199.25 million (equivalent to approximately HK\$9,354.15 million) for all five COSCO MERCURY Vessels.

On 28 October 2022, the OOIL Buyers (seven indirect wholly-owned subsidiaries of OOIL, and therefore indirect subsidiaries of the Company), as the buyers, respectively entered into the seven OOIL Shipbuilding Contracts on substantially the same terms with Nantong COSCO KHI, as the builder, for the construction of seven units of OOIL Vessels for a consideration of US\$239.85 million (equivalent to approximately HK\$1,870.83 million) for each OOIL Vessel and for an aggregate consideration of US\$1,678.95 million (equivalent to approximately HK\$13,095.81 million) for all the OOIL Vessels.

With reference to the Board Letter, the Transactions are subject to the requirements of reporting, announcement and Independent Shareholders' approval under Chapter 14A of the Hong Kong Listing Rules.

The Independent Board Committee comprising Mr. WU Dawei, Mr. ZHOU Zhonghui, Mr. TEO Siong Seng and Prof. MA Si-hang Frederick (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a 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 (i) the major and continuing connected transactions as contained in the Company's circular dated 24 September 2021; and (ii) the major and continuing connected transactions as contained in the Company's circular dated 21 October 2022. Notwithstanding the aforesaid past engagements, 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.

LETTER FROM GRAM CAPITAL

BASIS OF OUR OPINION

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

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Hong Kong Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

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, SIPG, Guangzhou Port, the Builders 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.

LETTER FROM GRAM CAPITAL

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 is a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange and the A shares of which are listed on the Shanghai Stock Exchange. The Group provides a wide range of container shipping and terminal services covering the whole shipping value chain for both international and domestic customers.

Set out below are the consolidated financial information of the Group for the two years ended 31 December 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 <i>RMB'000</i> <i>(unaudited)</i>	For the year ended 31 December 2021 <i>RMB'000</i> <i>(audited)</i>	For the year ended 31 December 2020 <i>RMB'000</i> <i>(audited)</i>	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 <i>RMB'000</i> <i>(unaudited)</i>	As at 31 December 2021 <i>RMB'000</i> <i>(audited)</i>	As at 31 December 2020 <i>RMB'000</i> <i>(audited)</i>	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

LETTER FROM GRAM CAPITAL

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. The 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.

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. The 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.

A. The Acquisition of Listed Securities

Information on COSCO SHIPPING

With reference to the Board Letter, COSCO SHIPPING is a company incorporated under the laws of the PRC, and is a state-owned enterprise controlled by the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (the “**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.

LETTER FROM GRAM CAPITAL

Information on COSCO

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

Information on SIPG and SIPG Group

With reference to the Board Letter, SIPG is a joint stock company established under the laws of the PRC with limited liability, and was listed on the Shanghai Stock Exchange (stock code: 600018.SH). It is mainly engaged in port-related business including container services, bulk cargo services, port logistics and port services.

Set out below are the consolidated financial information of SIPG Group for the two years ended 31 December 2021 and for 1H2022, which were prepared in accordance with the PRC Accounting Standard for Enterprises, as extracted from SIPG's annual report for FY2021 and SIPG's interim report for 1H2022:

	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 %
Total operating income	20,094,438	34,288,697	26,119,461	31.28
Net profit attributable to shareholders of SIPG	10,813,600	14,682,049	8,307,143	76.74
	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 %
Total assets	175,957,235	170,787,479	155,924,750	9.53
Net assets attributable to shareholders of SIPG	105,899,083	99,790,796	87,517,865	14.02

LETTER FROM GRAM CAPITAL

Information on Guangzhou Port and Guangzhou Port Group

With reference to the Board Letter, Guangzhou Port is a joint stock company established under the laws of the PRC with limited liability, and was listed on the Shanghai Stock Exchange (stock code: 601228.SH). It is mainly engaged in port-related business including container services, bulk cargo services, port logistics and port services, and trading business.

Set out below are the consolidated financial information of Guangzhou Port Group for the two years ended 31 December 2021 and for 1H2022, which were prepared in accordance with the PRC Accounting Standard for Enterprises, as extracted from Guangzhou Port's annual report for FY2021 and Guangzhou Port's interim report for 1H2022

	For the six months ended 30 June 2022	For the year ended 31 December 2021	For the year ended 31 December 2020	Change from 2020 to 2021
	<i>Approximately RMB'000 (unaudited)</i>	<i>Approximately RMB'000 (audited)</i>	<i>Approximately RMB'000 (audited)</i>	<i>%</i>
Total operating income	6,207,164	12,020,347	11,252,752	6.82
Net profit attributable to shareholders of Guangzhou Port	682,990	1,135,227	872,861	30.06

	As at 30 June 2022	As at 31 December 2021	As at 31 December 2020	Change from 2020 to 2021
	<i>Approximately RMB'000 (unaudited)</i>	<i>Approximately RMB'000 (audited)</i>	<i>Approximately RMB'000 (audited)</i>	<i>%</i>
Total assets	41,164,706	40,013,023	33,826,170	18.29
Net assets attributable to shareholders of Guangzhou Port	15,032,428	14,680,864	13,803,110	6.36

LETTER FROM GRAM CAPITAL

Reasons for and benefits of the Acquisition of Listed Securities

With reference to the Board Letter, the Company is committed to providing customers with a supply chain solution of integrated container shipping + port + related logistics services and building a more resilient, globalized and digital supply chain service system. Port and port-related services constitute an important and indispensable part of the supply chain in shipping industry, and both the SIPG and Guangzhou Port are the leading market players in relation to port-related services. Therefore, the Acquisition of SIPG Shares and the Acquisition of Guangzhou Port Shares are an important measure for the Company to build a global digital supply chain for its customers, which could enable it to strengthen its role as an investment platform, and promote its transformation from shipping lane operations to full supply chain operations. After the completion of the Acquisition of SIPG Shares and the Acquisition of Guangzhou Port Shares, the Company will be able to further deepen the strategic partnership with SIPG and Guangzhou Port, and strengthen the integration and synergy of different links in supply chain, promote the participation of all parties in the construction of digital shipping with capital investment, and contribute to the construction of a new development pattern regarding the inbound digital shipping, and the mutual flow of inbound and outbound digital shipping.

SIPG and Guangzhou Port are high-quality enterprises in the port industry. SIPG is a leading enterprise in the port industry in the PRC. Its home port has ranked the first in the world in terms of container throughput for many years, and its operating income and net profit scale have been at the top of the list. Guangzhou Port is also a high standard port in southern PRC with comprehensive advantages of both domestic and foreign trade, and maintained a stable operating income and net profit in recent years. The Acquisition of SIPG Shares and the Acquisition of Guangzhou Port Shares through direct equity investment in the two major port conglomerates are beneficial to the Company's consolidation of port industry resources, and optimization of business deployment, improvement of the quality of operations and earnings, effective inhibition of cyclical risks, and enhancement of core competitiveness of full chain services.

We noted that both SIPG and Guangzhou Port had been paying out dividend to their shareholders since their listing with dividend pay-out ratio (based on the dividend per share declared/paid and the basic earnings per share) ranged from approximately 30.13% to 61.36% for SIPG and approximately 30.16% to 31.10% for Guangzhou Port. Since both the SIPG and Guangzhou Port will not become subsidiaries of the Company upon completion of the Acquisition of Listed Securities and their financial statements will not be consolidated into the Group's financial statements, the Acquisition of Listed Securities enables the Group to enjoy future dividends from both SIPG and Guangzhou Port.

LETTER FROM GRAM CAPITAL

Overview of the port industry

Cargo throughput in major coastal ports in the PRC (including Shanghai and Guangzhou)

Set out below are the cargo throughput in major coastal ports in the PRC (including Shanghai and Guangzhou) during the four years ended 31 December 2021 and for the period from January 2022 to September 2022 published by the Ministry of Transport of the PRC:

					January to September 2022
	2018	2019	2020	2021	
Cargo throughput in major coastal ports in the PRC (approximate million tons)	9,223.92	9,187.74	9,480.02	9,972.59	7,528.24
Cargo throughput in Shanghai (approximate million tons)	683.92	663.51	651.05	698.27	490.55
Cargo throughput in Guangzhou (approximate million tons)	593.96	606.16	612.39	623.67	469.08

As shown in the above table, there was year-on-year increase in cargo throughput in major coastal ports in the PRC for each of the year 2020 and 2021. The cargo throughput in major coastal ports in the PRC increased from approximately 9,223.92 million tons for the year 2018 to approximately 9,972.59 million tons for the year 2021, representing a compound annual growth rate (“CAGR”) of approximately 1.97%.

Container throughput in major coastal ports in the PRC (including Shanghai and Guangzhou)

Set out below are the container throughput in major coastal ports in the PRC (including Shanghai and Guangzhou) during the four years ended 31 December 2021 and for the period from January 2022 to September 2022 published by the Ministry of Transport of the PRC:

					January to September 2022
	2018	2019	2020	2021	
Container throughput in major coastal ports in the PRC (approximate million TEUs)	221.18	230.92	234.29	249.33	193.38
Container throughput in Shanghai (approximate million TEUs)	42.01	43.30	43.50	47.03	34.89
Container throughput in Guangzhou (approximate million TEUs)	21.62	22.83	23.17	24.18	18.13

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As shown in the above table, there was year-on-year increase in the container throughput in major coastal ports in the PRC (including Shanghai and Guangzhou) for each of the year 2019, 2020 and 2021. The container throughput in major coastal ports in the PRC increased from approximately 220.30 million TEUs for the year 2018 to approximately 249.33 million TEUs for the year 2021, representing a CAGR of approximately 4.21%.

The above statistics demonstrates the continuous growth of the PRC port industry.

Having considered the above reasons for and benefits of the Acquisition of Listed Securities, we are of the view that the Acquisition of Listed Securities is conducted in the ordinary and usual course of business of the Group and is in the interest of the Company and the Shareholders as a whole.

Principal terms of the Acquisition of Listed Securities

On 28 October 2022, the Company entered into (i) the SIPG Share Transfer Agreement with COSCO SHIPPING in relation to the Acquisition of SIPG Shares; and (ii) the Guangzhou Port Share Transfer Agreement with COSCO in relation to the Acquisition of Guangzhou Port Shares.

	SIPG Share Transfer Agreement with COSCO SHIPPING	Guangzhou Port Share Transfer Agreement with COSCO
<i>Parties:</i>	(i) the Company (as purchaser); and (ii) COSCO SHIPPING (as vendor)	(i) the Company (as purchaser); and (ii) COSCO (as vendor)
<i>Nature of transaction:</i>	The Company has agreed to purchase and COSCO SHIPPING has agreed to sell 3,476,051,198 SIPG Shares (representing approximately 14.93% of the equity interest in the SIPG as at the Latest Practicable Date) at the total consideration of RMB18,944,479,029.10.	The Company has agreed to purchase and COSCO has agreed to sell 244,105,940 Guangzhou Port Shares (representing approximately 3.24% of the equity interest in Guangzhou Port as at the Latest Practicable Date) at the total consideration of RMB778,697,948.60.

Consideration

The total consideration under the SIPG Share Transfer Agreement is RMB18,944,479,029.10 (i.e. RMB5.45 per SIPG Share, the “**SIPG Consideration**”) is payable in cash by the Company in the manner as set out in the Board Letter.

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With reference to the Board Letter, the SIPG Consideration was determined after arm's length negotiations between the parties to the SIPG Share Transfer Agreement with reference to the higher of (i) the audited value of the net asset per SIPG Share for the financial year ended 31 December 2021 (i.e. RMB4.29 per SIPG Share), and (ii) the arithmetic average of the daily weighted average market prices of the SIPG Shares over thirty (30) trading days immediately prior to the holding announcement dated 29 October 2022 published by SIPG in relation to the Acquisition of SIPG Shares (i.e. RMB5.45 per SIPG Share).

The total consideration under the Guangzhou Port Share Transfer Agreement is RMB778,697,948.60 (i.e. RMB3.19 per Guangzhou Port Share, the **"Guangzhou Port Consideration"**) is payable in cash by the Company in the manner as set out in the Board Letter.

With reference to the Board Letter, the Guangzhou Port Consideration was determined after arm's length negotiations between the parties to the Guangzhou Port Share Transfer Agreement with reference to the higher of (i) the audited value of the net asset per Guangzhou Port Share for the financial year ended 31 December 2021 (i.e. RMB2.37 per Guangzhou Port Share), and (ii) the arithmetic average of the daily weighted average market prices of the Guangzhou Port Shares over thirty (30) trading days immediately prior to the holding announcement dated 29 October 2022 published by Guangzhou Port in relation to the Acquisition of Guangzhou Port Shares (i.e. RMB3.19 per Guangzhou Port Share).

With reference to the Board Letter, according to article 32 of the Order No. 36 as promulgated by the SASAC, the Ministry of Finance of the PRC and the China Securities Regulatory Commission, the price of the shares of listed companies to be non-publicly transferred by state-owned shareholders shall not be less than the higher of (i) the arithmetic average of the daily weighted average market prices of the shares of such listed company over thirty (30) trading days immediately prior to the holding announcement of such listed company; and (ii) the audited value of the net asset per share of such listed company for the recent financial year. We noted that the SIPG Consideration and the Guangzhou Port Consideration were determined in accordance to the article 32 of the Order No. 36.

The SIPG Consideration and the Guangzhou Port Consideration will be funded entirely by the owned funds or self-raised funds of the Company.

The SIPG Consideration per SIPG Share represents:

- (i) a premium of approximately 3.42% over the closing price of RMB5.27 per SIPG Share as quoted on the Shanghai Stock Exchange on the trading day immediately preceding the date of the SIPG Share Transfer Agreement;
- (ii) a premium of approximately 3.02% over the average closing price of RMB5.29 per SIPG Share as quoted on the Shanghai Stock Exchange on the last five consecutive trading days immediately preceding the date of the SIPG Share Transfer Agreement; and
- (iii) the average closing price of RMB5.45 per SIPG Share as quoted on the Shanghai Stock Exchange on the last 30 consecutive trading days immediately preceding the date of the SIPG Share Transfer Agreement.

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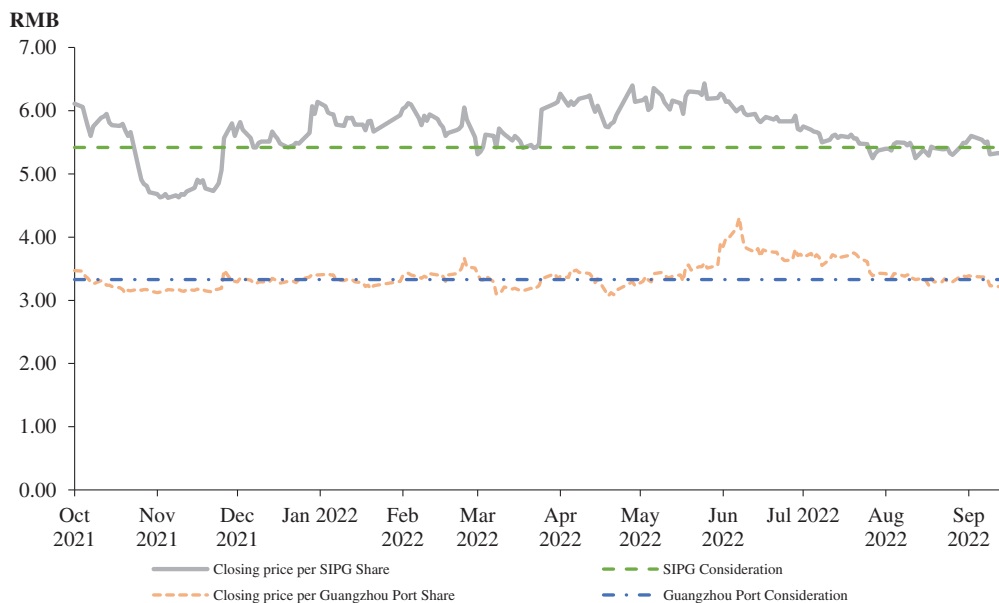
The Guangzhou Port Consideration per Guangzhou Port Share represents:

- (i) a premium of approximately 0.95% over the closing price of RMB3.16 per Guangzhou Port Share as quoted on the Shanghai Stock Exchange on the trading day immediately preceding the date of the Guangzhou Port Share Transfer Agreement;
- (ii) a premium of approximately 2.24% over the average closing price of RMB3.12 per Guangzhou Port Share as quoted on the Shanghai Stock Exchange on the last five consecutive trading days immediately preceding the date of the Guangzhou Port Share Transfer Agreement; and
- (iii) the average closing price of RMB3.19 per Guangzhou Port Share as quoted on the Shanghai Stock Exchange on the last 30 consecutive trading days immediately preceding the date of the Guangzhou Port Share Transfer Agreement.

Historical closing prices

To assess the fairness and reasonableness of the SIPG Consideration and the Guangzhou Port Consideration, we reviewed the daily closing prices of SIPG Shares and Guangzhou Port Shares as quoted on the Shanghai Stock Exchange from 1 November 2021 up to and including the Acquisition Agreements Date (the “**Review Period**”), being a period of approximately one year prior to the Acquisition Agreements Date which is commonly adopted for analysis. The comparisons of (i) the daily closing prices of SIPG Shares and the SIPG Consideration per SIPG Share; and (ii) the daily closing prices of Guangzhou Port Shares and the Guangzhou Port Consideration per Guangzhou Port Share, are illustrated as follows:

Historical daily closing price per SIPG Share and Guangzhou Port Share



Source: the cninfo website

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During the Review Period, the highest and lowest closing prices of SIPG Shares as quoted on the Shanghai Stock Exchange were RMB6.43 recorded on 1 June 2022 and RMB4.62 recorded on 12 November 2021 respectively. The SIPG Consideration of RMB5.45 per SIPG Share falls within the aforesaid closing price range and is lower than the closing price of SIPG Shares for 175 trading days out of the total of 242 trading days during the Review Period.

During the Review Period, the highest and lowest closing prices of Guangzhou Port as quoted on the Shanghai Stock Exchange were RMB4.31 recorded on 14 June 2022 and RMB3.07 recorded on 26 April 2022 respectively. The Guangzhou Port Consideration of RMB3.19 per Guangzhou Port Share falls within the aforesaid closing price range, is lower than the closing price of Guangzhou Port Shares for 183 trading days out of the total of 242 trading days and is close to the lower end of the closing prices of Guangzhou Port Shares during the Review Period.

Trading multiples analysis

In order to further assess the fairness and reasonableness of the SIPG Consideration and the Guangzhou Port Consideration, we performed the following trading ratio analyses which are commonly adopted in the market, including price-to-earnings ratio (“**PER**”), price-to-book ratio (“**PBR**”), dividend yield and dividend pay-out ratio. We searched for companies listed on the Shanghai Stock Exchange and Shenzhen Stock Exchange which have similar lines of business as SIPG and Guangzhou Port (i.e. port-related business) that are not under special treatment. To the best of our knowledge and as far as we are aware of, we found 15 companies which met the said criteria and they are exhaustive (the “**Comparable Companies**”).

Company name (Stock code)	Principal business	PER (Note 1)	PBR (Note 2)	Dividend	Dividend
				yield (%)	pay-out ratio (%)
Rizhao Port Co., Ltd. (SH600017)	Port loading, unloading, stockpiling and transshipment business	11.23	0.61	1.49	16.69
Jinzhou Port Co., Ltd. (SH600190 & SH900952)	Provision of comprehensive logistics services such as cargo handling, transportation, warehousing and other ancillary services	46.65	0.89	0.68	31.74

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Company name (Stock code)	Principal business	PER (Note 1)	PBR (Note 2)	Dividend	Dividend
				yield (Note 3) (%)	pay-out ratio (Note 4) (%)
Tianjin Port Holdings Co., Ltd. (SH600717)	Loading, unloading and handling, commodity storage, intermodal transportation, freight forwarding, commodity sales and comprehensive port services	11.78	0.64	2.55	30.05
Tangshan Port Group Co., Ltd. (SH601000)	Port integrated transportation business	7.26	0.81	13.67 (Note 5)	99.30 (Note 5)
Jiangsu Lianyungang Port Co., Ltd. (SH601008)	Cargo loading, unloading, stockpiling and related port management business	48.83	1.29	0.70	34.15
Ningbo Zhoushan Port Company Limited (SH601018)	Port loading and unloading business and other business such as integrated logistics and trading	15.72	1.22	2.57	32.84
Qingdao Port International Co., Ltd. (6198.HK & SH601298)	Port and port-related services such as stevedoring, stacking, logistics of containers, metal ores, coal, crude oil, grains, break bulk cargo, financing services business, and port supporting business such as port machinery manufacture, construction, tugboat and barging, and ocean shipping tallying	8.78	0.99	4.78	41.99

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Company name (Stock code)	Principal business	PER (Note 1)	PBR (Note 2)	Dividend	Dividend
				yield (Note 3) (%)	pay-out ratio (Note 4) (%)
Qinhuangdao Port Co., Ltd. (3369.HK & SH601326)	Provision of terminal facilities for vessels and provision of port services; other port related services; and import and export services of goods	14.10	0.88	2.14	30.13
Liaoning Port Co., Ltd. (2880.HK & SH601880)	Provision of terminal business and logistics services; tallying and tugging services for vessels sailing on international and domestic lines; port logistics and port information technology consultation services; crude oil storage in port area; refined oil products storage; and import and export of goods and technology	19.90	0.99	1.70	33.80
Shenzhen Yan Tian Port Holdings Co., Ltd. (SZ000088)	Port investment, development and operation, terminal construction project management, toll highway operation and management, customs supervision warehousing and other port supporting storage operations	22.37	1.10	0.65	14.62

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Company name (Stock code)	Principal business	PER (Note 1)	PBR (Note 2)	Dividend	Dividend
				yield (%)	pay-out ratio (%)
Zhuhai Port Co., Ltd. (SZ000507)	Inter-provincial and intra-provincial general cargo transportation business, waterway general cargo transportation business, port operation business, beverage production business, power generation, transmission and supply business and gas operation business	10.87	0.72	2.28	24.75
Beibu Gulf Port Co., Ltd. (SZ000582)	Port loading, unloading and storage business, tugboat and port management, logistics agency business and tally business	12.29	1.00	2.58	31.72
Xiamen Port Development Co., Ltd. (SZ000905)	Port integrated logistics and port trading services	22.77	1.13	0.75	14.36
Nanjing Port Co., Ltd. (SZ002040)	Port development and construction, provision of cargo loading, unloading and warehousing services, container storage, transportation and other ancillary services and the sales of related accessories in the port area	21.76	1.05	0.82	17.91
China Merchants Port Group Co., Ltd. (SZ001872 & SZ201872)	Port loading, unloading and warehousing business, bonded logistics business and port supporting business	12.86	0.84	3.11	30.78

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Company name (Stock code)	Principal business	PER (Note 1)	PBR (Note 2)	Dividend	Dividend
				yield (Note 3) (%)	pay-out ratio (Note 4) (%)
Maximum (excluding outlier)		48.83	1.29	4.78	41.99
Minimum (excluding outlier)		7.26	0.61	0.65	14.36
Average (excluding outlier)		19.14	0.94	1.91	27.54
SIPG (Note 6)		8.64	1.20	3.42	30.13
Guangzhou Port (Note 6)		21.20	1.60	1.84	31.10

Source: the cninfo website

Notes:

1. The PERs of the Comparable Companies were calculated based on their respective then latest published audited profit attributable to the shareholders for the year, their respective closing prices as quoted on the Shanghai Stock Exchange or Shenzhen Stock Exchange and total issued shares as at the Acquisition Agreements Date.
2. The PBRs of the Comparable Companies were calculated based on their respective then latest published net asset value attributable to the shareholders, their respective closing prices as quoted on the Shanghai Stock Exchange or Shenzhen Stock Exchange and total issued shares as at the Acquisition Agreements Date.
3. The dividend yield of the Comparable Companies were calculated based on their respective dividend per share (tax inclusive) declared/paid divided by their respective closing prices as quoted on the Shanghai Stock Exchange or Shenzhen Stock Exchange as at the Acquisition Agreements Date.
4. The dividend pay-out ratio of the Comparable Companies, SIPG and Guangzhou Port were calculated based on their respective dividend (tax inclusive) declared/paid for FY2021 divided by their respective net profit attributable to the shareholders of the company for FY2021.
5. The dividend yield and dividend pay-out ratio of Tangshan Port Group Co., Ltd. (SH601000) were exceptionally high and was considered to be an outlier.
6. The implied PER of the SIPG Consideration and the Guangzhou Port Consideration were calculated based on their respective then latest published audited profit attributable to the shareholders for the year, their respective total issued shares as at the Acquisition Agreements Date, the SIPG Consideration per SIPG Share and the Guangzhou Port Consideration per Guangzhou Port Share; the implied PBR of the SIPG Consideration and the Guangzhou Port Consideration were calculated based on their respective then latest published net asset value attributable to the shareholders, their respective total issued shares as at the Acquisition Agreements Date, the SIPG Consideration per SIPG Share and the Guangzhou Port Consideration per Guangzhou Port Share; and the implied dividend yield of the SIPG Consideration and the Guangzhou Port Consideration were calculated based on their respective dividend per share (tax inclusive) declared/paid divided by the SIPG Consideration per SIPG Share or the Guangzhou Port Consideration per Guangzhou Port Share.

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As illustrated in the above table, the PERs of the Comparable Companies ranged from approximately 7.26 times to 48.83 times; the PBRs of the Comparable Companies ranged from approximately 0.61 times to 1.29 times; the dividend yield of the Comparable Companies (excluding outlier) ranged from approximately 0.65% to 4.78%; and the dividend pay-out ratio of the Comparable Companies for FY2021 (excluding outlier) ranged from approximately 14.36% to 41.99%.

The implied PER of the SIPG Consideration is within the PER range of the Comparable Companies and is lower than the average of the PERs of the Comparable Companies; the implied PBR of the SIPG Consideration is within the PBR range of the Comparable Companies and is higher than the average PBRs of the Comparable Companies; the implied dividend yield of the SIPG Consideration is within the dividend yield range (excluding outlier) of the Comparable Companies and is higher than average dividend yield (excluding outlier) of the Comparable Companies; and the dividend pay-out ratio of SIPG is within the dividend pay-out ratio range (excluding outlier) of the Comparable Companies and is higher than the average dividend pay-out ratio (excluding outlier) of the Comparable Companies.

Despite that the implied PBR of the Guangzhou Port Consideration is higher than the PBR range of the Comparable Companies, the implied PER of the Guangzhou Port Consideration is within the PER range of the Comparable Companies and is higher than the average PERs of the Comparable Companies; and the implied dividend yield of the Guangzhou Port Consideration is within the dividend yield range (excluding outlier) of the Comparable Companies and is lower than the average dividend yield (excluding outlier) of the Comparable Companies; and the dividend pay-out ratio of Guangzhou Port is within the dividend pay-out ratio range (excluding outlier) of the Comparable Companies and is higher than the average dividend pay-out ratio (excluding outlier) of the Comparable Companies.

Having considered the above and that:

- (i) the SIPG Consideration of RMB5.45 per SIPG Share falls within the above-mentioned closing price range of the SIPG Shares and is lower than the closing price of SIPG Shares for 175 trading days out of the total of 242 trading days during the Review Period;
- (ii) the Guangzhou Port Consideration of RMB3.19 per Guangzhou Port Share falls within the above-mentioned closing price range of the Guangzhou Port Shares, is lower than the closing price of Guangzhou Port Shares for 183 trading days out of the total of 242 trading days and is close to the lower end of the closing prices of Guangzhou Port Shares during the Review Period;
- (iii) the implied PER, implied PBR, implied dividend yield of SIPG Consideration and the dividend pay-out ratio of SIPG for FY2021 are within their respective range of the Comparable Companies;

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- (iv) despite that the implied PBR of the Guangzhou Port Consideration is higher than the PBR range of the Comparable Companies, the implied PER and implied dividend yield of the Guangzhou Port Consideration and the dividend pay-out ratio of Guangzhou Port for FY2021 are within their respective range of the Comparable Companies; and
- (v) both of the SIPG Consideration and the Guangzhou Port Consideration was determined in accordance with the article 32 of the Order No. 36,

we are of the view that the SIPG Consideration and the Guangzhou Port Consideration are fair and reasonable.

Adjustment of consideration

With reference to the Board Letter, if SIPG or Guangzhou Port conducts any distribution of cash dividend, bonus issue, capitalization of capital reserve or any other ex-right and ex-dividend matters before the completion of the Acquisition of SIPG Shares or the Acquisition of Guangzhou Port Shares (as the case may be), (i) the number of SIPG Shares under the SIPG Share Transfer Agreement and consideration per SIPG Share for the Acquisition of SIPG Shares; and (ii) the number of Guangzhou Port Shares under the Guangzhou Port Share Transfer Agreement and consideration per Guangzhou Port Share for the Acquisition of Guangzhou Port Shares shall be adjusted accordingly in line with relevant applicable rules and regulations.

Possible financial effect of the Acquisition of Listed Securities

With reference to the Board Letter, both SIPG and Guangzhou Port will not become subsidiaries of the Company and their financial statements will not be consolidated into the financial statements of the Group upon completion of the Acquisition of SIPG Shares/the Acquisition of Guangzhou Port Shares.

With reference to the 2022 Interim Report, the unaudited consolidated net assets of the Group was approximately RMB240.6 billion as at 30 June 2022. As confirmed by the Directors, the Acquisition of Listed Securities will not have material effect on the consolidated net assets of the Group.

It should be noted that the aforesaid analysis is for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon completion of the Acquisition of Listed Securities.

Recommendation on the Acquisition of Listed Securities

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Acquisition of Listed Securities are on normal commercial terms and are fair and reasonable; and (ii) the Acquisition of Listed Securities is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company

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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 Acquisition of Listed Securities and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

B. The Shipbuilding Transactions

Information on COSCO MERCURY

With reference to the Board Letter, COSCO MERCURY is a company incorporated in the Cayman Islands with limited liability and is a wholly-owned subsidiary of COSCO SHIPPING Lines. It is principally engaged in financing, shipbuilding and leasing in respect of container vessels. COSCO SHIPPING Lines is a company established in the PRC with limited liability and is a wholly-owned subsidiary of the Company. It is principally engaged in container shipping.

Information on OOIL and OOIL Buyers

With reference to the Board Letter, OOIL is a company incorporated in Bermuda with members' limited liability and listed on the Main Board of the Stock Exchange (stock code: 316), and a non-wholly owned subsidiary of the Company. It is principally engaged in container transport and logistics services.

With reference to the Board Letter, each of the OOIL Buyers is a company incorporated in Marshall Islands, and is an indirect wholly-owned subsidiary of OOIL. Each of them is established for the purpose of entering into the respective OOIL Shipbuilding Contracts.

Information on the Builders

With reference to the Board Letter, Nantong COSCO KHI is a company established in the PRC and is an associate of COSCO SHIPPING, and in which each of COSCO SHIPPING and Kawasaki (a heavy industrial manufacturer whose shares are listed on the Tokyo Stock Exchange and Nagoya Stock Exchange) indirectly or directly holds 50% equity interest respectively. Nantong COSCO KHI is principally engaged in the business of manufacturing, sales and repairing of ships.

With reference to the Board Letter, Dalian COSCO KHI is a company established in the PRC and is owned by COSCO SHIPPING (through its wholly-owned subsidiaries), Kawasaki (a heavy industrial manufacturer whose shares are listed on the Tokyo Stock Exchange and Nagoya Stock Exchange) and Nantong COSCO KHI as to 36%, 34% and 30% respectively. Dalian COSCO KHI is principally engaged in the business of design, manufacturing, sales and repairing of ships (excluding military ships).

Reasons for and benefits of the Shipbuilding Transactions

With reference to the Board Letter, the Shipbuilding Transactions are new measures of the Group to actively promote the development of using clean fuels in the fleet in accordance with the new trend of the green, low-carbon and smart shipping industry development, which help

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the Group to continue to reinforce its position in the industry. The dual-brand fleet has achieved a leapfrog development from “global shipping” to “shipping global”. The Shipbuilding Transactions are beneficial to the Company’s comprehensive consolidation of the competitive advantages of the east and west lane of the dual-brand, and achievement of balanced development of the global service network through the tiered layout of the shipping capacity of the Company. The vessels ordered under the Shipbuilding Transactions are all 24,000 TEU container vessels. The design and construction of the vessels incorporate mainstream edge-cutting concepts and integrate many energy-saving, emission-reduction and smart vessel technologies, which will help consolidate the long-term cost advantages of the Group and enhance the core competitiveness of the Group.

With reference to the Board Letter the Builders’ offers are optimal amongst the major shipbuilders (including independent third party shipbuilders) in that they meet the factors evaluated during the quotation process, as (i) they have been well-recognised in the shipbuilding industry for their manufacturing process and quality control, which is crucial to the performance of the vessels; (ii) their vessel delivery schedule fits with the strategic plan of the Group; (iii) the Builders have previously been engaged by the Group to build twelve mega-sized 23,000 TEU class vessels and ten 16,000 TEU class NeoPanamax vessels in 2020 and 2021, therefore engaging the same Builders again in the Shipbuilding Transactions is expected to provide synergy in construction, given that the Builders have gained an improved understanding of the Group’s operational and technical specifications, requirements and standard for its new buildings compared to other shipbuilders; and (iv) their prices are comparable to that obtained during the quotation process of the Group with other major shipbuilders (including independent third-party shipbuilders).

Overview of the shipping industry

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%.

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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 for the period from January 2022 to September 2022, published by Wind Financial Terminal:

	2017	2018	2019	2020	2021	January to September 2022
Average weekly CCFI	820.08	818.43	823.98	984.42	2,626.41	3,163.95

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 to September 2022 further increased to approximately 3,163.95, representing a year-on-year increase of approximately 31.41% as compared to the corresponding period in 2021.

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

In light of the above, we are of the view that the Shipbuilding Transactions are conducted in the ordinary and usual course of business of the Group and are in the interest of the Company and the Shareholders as a whole.

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Principal terms of the Shipbuilding Transactions

Pursuant to the each of the COSCO MERCURY Shipbuilding Contracts and the OOIL Shipbuilding Contracts, COSCO MERCURY and each of the OOIL Buyers shall pay the respective consideration of US\$239.85 million (equivalent to approximately HK\$1,870.83 million) in cash in five instalments based on the progress of the construction of each the COSCO MERCURY Vessel or OOIL Vessel (as the case may be), with smaller proportion of contract price payable in the second, third and fourth instalments and the larger proportion of the consideration payable in the first and fifth instalments.

Considerations of the Shipbuilding Contracts

As advised by the Directors, (i) the Group did not enter into any comparable shipbuilding contracts (in terms of vessel type, size and specification) with independent third party shipbuilders within the past year from the date of the Shipbuilding Contracts; and (ii) as far as the Directors are aware of, the Builders did not enter into any comparable shipbuilding contracts (in terms of vessel type, size and specification) with independent third party customers within the past year from the date of the Shipbuilding Contracts.

For our due diligence purpose, we attempted to identify terms of recent shipbuilding/purchasing transactions for container vessels comparable to the COSCO MERCURY Vessels and the OOIL Vessels in the market. Nevertheless, shipbuilding and purchasing transactions and their terms are generally not public information available from official sources. Accordingly, to our best effort and on a non-exhaustive basis, we identified four shipbuilding and purchasing transactions for the construction or purchase of container vessels with over 10,000 TEUs (which are considered to be sizeable container vessels, the “**Reference Vessels**”) (with available information on the prices of such vessels) announced from 1 January 2022 up to and including the date of the Shipbuilding Contracts, being the 10-month period up to and including the date of the Shipbuilding Contracts within the current calendar year, reflecting the recent market practices for the construction or purchase of vessels comparable to those under the Shipbuilding Contracts. We consider the number of shipbuilding and purchasing transactions identified were sufficient to serve as a reference for our analysis. We noted that the price of the Reference Vessels ranged from US\$6,944 per TEU to US\$10,687 per TEU (the “**Reference Price Range**”) based on the information disclosed. Despite the size and specification of the Reference Vessels might not be the same or similar as the COSCO MERCURY Vessels and the OOIL Vessels, we considered the aforesaid referenced price range can provide a general reference of recent prices of container vessels. The consideration for each COSCO MERCURY Vessels and OOIL Vessels pursuant to the Shipbuilding Contracts of approximately US\$239.85 million implied a shipbuilding price of approximately US\$9,993.75 per TEU (the “**Implied Unit Price**”), which is within the Reference Price Range.

We also noted from the Company’s past announcements that the Group entered into various shipbuilding contracts with the Builders during 2020 and 2021 for the construction of container vessels with capacity ranged from 16,000 TEUs to 23,000 TEUs per vessel. We noted that the prices for the construction of such container vessels ranged from approximately

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US\$155.68 million to US\$157.71 million per vessel, which implied shipbuilding price ranged from approximately US\$6,768.70 to US\$6,856.91 per TEU for those shipbuilding contracts entered into during 2020 and approximately US\$9,848.75 per TEU for those shipbuilding contracts entered into during 2021 (the “**2021 Implied Unit Price**”). The Implied Unit Price does not deviate much from the 2021 Implied Unit Price.

Given that the Implied Unit Price is at the higher end of the Reference Price Range, for our due diligence purpose, we searched for factors that affect the price of container vessels. We noted from a report titled “Shipbuilding market developments, first semester 2022 – Monitoring developments in ship supply, demand, prices and costs” published by the Organisation for Economic Co-operation and Development on 7 July 2022 (the “**OECD Report**”) that, prices of newbuilding ships are influenced by, among other things, second-hand prices, shipping freight rates, trade volume through maritime transportation and the relevant construction costs of vessels.

In respect of the second-hand prices of vessels, we noted from the OECD Report that the price index for second-hand ships increased sharply since 2020 which affected the price of new ships, and the price index for new ships also increased substantially following the aforesaid increase in price index for second-hand ships in 2020, driven by strong demand for ships.

In respect of shipping freight rates and trade volume through maritime transportation, as detailed in the section headed “Reasons for and benefits of the Shipbuilding Transactions” above, there were continuous growth in the volume of freight transported through maritime transportation of the PRC, the freight turnover of maritime transport of the PRC and the average weekly CCFI for the past years.

In respect of the construction costs, we noted from Wind Financial Terminal that the monthly international steel composite price index fluctuated between 139.30 to 195.70 for the period from January 2017 to December 2020. Thereafter, the monthly international steel composite price index increased significantly and reached the highest of 353.90 for April 2022.

Having considered the above, in particular that (i) the Implied Unit Price is within the Reference Price Range; (ii) the Implied Unit Price does not deviate much from the 2021 Implied Unit Price; and (iii) the factors which affect the price for newbuilding ships as noted from the OECD Report and the recent development of these factors, we consider the Implied Unit Price to be fair and reasonable.

Payment terms under the Shipbuilding Contracts

As aforementioned, the considerations of the Shipbuilding Contracts shall be paid in five instalments based on the progress of the construction of each COSCO MERCURY Vessel or OOIL Vessel (as the case may be), with smaller proportion of contract price payable in the second, third and fourth instalments and the larger proportion of the consideration payable in the first and fifth instalments.

LETTER FROM GRAM CAPITAL

For our due diligence purpose, we identified six notifiable and/or connected transactions in relation to the construction of vessels (including but not limited to container vessels) as announced by listed companies on the Stock Exchange (other than the Company and OOIL) from 1 January 2022 up to and including the date of the Shipbuilding Contracts, being the 10-month period up to and including the date of the Shipbuilding Contracts within the current calendar year, reflecting the recent market practices regarding the payment arrangement for the construction of vessels. To the best of our knowledge, the aforesaid transactions are exhaustive and we consider that they are sufficient for us to assess the fairness and reasonableness of the payment terms. We noted that the payment terms of the aforesaid transactions were generally in four or five instalments based on the shipbuilding progress, with a substantial portion of the total consideration being paid upon the physical delivery of such vessels. We consider the payment terms under the Shipbuilding Contracts are comparable to the payment terms of the aforesaid identified transactions.

In case of delay in delivery of the COSCO MERCURY Vessel(s) or the OOIL Vessel(s) (as the case may be), the liquidated damages payable by Dalian COSCO KHI or Nantong COSCO KHI (as the case may be) shall be deducted from the fifth instalment of the consideration, of which the amount shall be assessed on the length of delayed period after the expiration of the original delivery date. If the length of the delayed period exceeds a certain number of days, the relevant buyer may, at its option, terminate the relevant Shipbuilding Contracts without any incurrence of penalty payable by the relevant buyer.

In the event that any of the Shipbuilding Contracts is terminated by the relevant buyer in accordance with the specific terms thereof, Dalian COSCO KHI or Nantong COSCO KHI (as the case may be) shall refund to the relevant buyer in US Dollars the full amount already paid by the buyer to Dalian COSCO KHI or Nantong COSCO KHI (as the case may be), together with interest incurred thereof.

Having considered the principal terms of the Shipbuilding Contracts as set out above, we are of the view that the terms of the Shipbuilding Transactions are on normal commercial terms and are fair and reasonable.

Recommendation on the Shipbuilding Transactions

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Shipbuilding Transactions are on normal commercial terms and are fair and reasonable; and (ii) the Shipbuilding 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 Shipbuilding 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. 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	0.00955%	0.00756%
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 has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 9 November 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 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.

10. 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 "<https://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.

11. DOCUMENTS ON DISPLAY

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

- (a) the SIPG Share Transfer Agreement;
- (b) the Guangzhou Port Share Transfer Agreement;
- (c) each of the COSCO MERCURY Shipbuilding Contracts (*note*);
- (d) each of the OOIL Shipbuilding Contracts (*note*);
- (e) the letter from Gram Capital to the Independent Board Committee and the Independent Shareholders in respect of the Acquisition of the Listed Securities and the Shipbuilding Contracts; and
- (f) the written consent from Gram Capital referred to in the section headed “7. Expert and Consent” in this Appendix.

Note:

The Company has applied to the Stock Exchange for a waiver from strict compliance with Rule 14A.70(13) and paragraph 43(2)(c) of Appendix 1B to the Hong Kong Listing Rules, so that only the redacted version of each of the Shipbuilding Contracts will be available for display on the websites of the Stock Exchange and the Company.

SUPPLEMENTAL 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)

SUPPLEMENTAL NOTICE OF EGM

Reference is made to the notice of the extraordinary general meeting dated 21 October 2022 (the “**Original Notice of EGM**”) which sets out the details of the resolutions to be proposed at the extraordinary general meeting (the “**EGM**”) of COSCO SHIPPING Holdings Co., Ltd.* (中遠海運控股股份有限公司) (the “**Company**”) to be held at Conference Room, 47th Floor, COSCO Tower, 183 Queen’s Road Central, Hong Kong and Ocean Hall, 5th Floor, Shanghai Ocean Hotel, No. 1171, Dong Da Ming Road, Shanghai, the People’s Republic of China on Wednesday, 23 November 2022 at 10:00 a.m. for the Shareholders’ approval. Unless otherwise defined, capitalized terms used in this supplemental notice shall have the same meanings as those defined in the circular of the Company dated 9 November 2022 in relation to the connected transactions in respect of the Acquisition of Listed Securities and the connected transactions under the Shipbuilding Contracts (the “**Circular**”).

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

ORDINARY RESOLUTIONS

9. To consider and approve the connected transactions in respect of the Acquisition of Listed Securities:
 - 9.1 To consider and approve the connected transactions under the SIPG Share Transfer Agreement, and authorize the Board and consent to the Board’s delegation to any Director to deal with all matters relating to the implementation of the Acquisition of SIPG Shares in accordance with the laws and regulations after the Acquisition of SIPG Shares being approved at the EGM;

SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING

- 9.2 To consider and approve the connected transactions under the Guangzhou Port Share Transfer Agreement, and authorize the Board and consent to the Board's delegation to any Director to deal with all matters relating to the implementation of the Acquisition of Guangzhou Port Shares in accordance with the laws and regulations after the Acquisition of Guangzhou Port Shares being approved at the EGM.
10. To consider and approve the connected transactions under the Shipbuilding Contracts:
- 10.1 To consider and approve the connected transactions under the COSCO MERCURY Shipbuilding Contracts;
- 10.2 To consider and approve the connected transactions under the OOIL Shipbuilding Contracts.

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

Shanghai, the People's Republic of China
9 November 2022

SUPPLEMENTAL NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. Save for the inclusion of the additional proposed resolutions as set out in this supplemental notice of the EGM, there are no other changes to the resolutions set out in the Original Notice of EGM. For details of the other resolution(s) to be considered at the EGM, closure of the register of H Share members of the Company, eligibility for attending the EGM, registration procedures for attending the EGM, appointment of proxy, method of voting and other relevant matters, please refer to the Original Notice of EGM.
 2. Since the Original Form of Proxy sent together with the Original Notice of EGM does not contain the additional proposed resolutions as set out in this supplemental notice of the EGM, a revised form of proxy (the “**Revised Form of Proxy**”) has been prepared and is enclosed with this supplemental notice of the EGM.
 3. A Shareholder who has not yet lodged the Original Form of Proxy in accordance with the instructions printed thereon with Computershare Hong Kong Investor Services Limited (“**Computershare**”), the Company’s H Share registrar, is requested to complete and return the enclosed Revised Form of Proxy in accordance with the instructions printed thereon to Computershare not less than 24 hours before the time for holding the EGM or any adjournment thereof, if he or she wishes to appoint proxies to attend the EGM on his or her behalf. In this case, the Original Form of Proxy should not be lodged to Computershare. The address of Computershare is as follows: 17M Floor Hopewell Centre 183 Queen’s Road East Wanchai Hong Kong.
 4. A Shareholder who has already lodged the Original Form of Proxy in accordance with the instructions printed thereon with Computershare should note the following:
 - (i) If no Revised Form of Proxy is lodged with Computershare, the Original Form of Proxy will be treated as a valid form of proxy lodged by the Shareholder if correctly completed. The proxy appointed under the Original Form of Proxy will be entitled to vote in his or her discretion or abstain from voting on any resolutions properly put to the EGM, other than those referred to in the Original Form of Proxy, including the additional resolutions set out in this supplemental notice of the EGM.
 - (ii) If the Revised Form of Proxy is lodged with Computershare in accordance with the instructions printed thereon not less than 24 hours before the time for holding the EGM or any adjournment thereof, the Revised Form of Proxy will revoke and supersede the Original Form of Proxy previously lodged by the Shareholder. The Revised Form of Proxy will be treated as a valid form of proxy lodged by the Shareholder if correctly completed.
 - (iii) If the Revised Form of Proxy is lodged after 24 hours before the time for holding the EGM or any adjournment thereof, the Revised Form of Proxy will be deemed invalid. It will not revoke the Original Form of Proxy previously lodged by the Shareholder. The Original Form of Proxy will be treated as a valid form of proxy lodged by the Shareholder if correctly completed. The proxy appointed under the Original Form of Proxy will be entitled to vote in his or her discretion or abstain from voting on any resolutions properly put to the EGM, other than those referred to in the Original Form of Proxy, including the additional resolutions set out in this supplemental notice of the EGM.
 5. Completion and return of the Original Form of Proxy and/or the Revised Form of Proxy will not preclude a Shareholder from attending in person and voting at the EGM or any adjournment thereof should he/she so wish.
 6. As at the date 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*