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# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

If you have sold or transferred all your shares in COSCO SHIPPING International (Hong Kong) Co., Ltd., you should at once hand this circular, together with the enclosed 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 the transferee(s).

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**中遠海運國際(香港)有限公司**

COSCO SHIPPING INTERNATIONAL (HONG KONG) CO., LTD.

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00517)**

## CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTION

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

**BALLAS**  
C A P I T A L  
A subsidiary of Crosby

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A letter from the Independent Board Committee is set out on page 21 of this circular.

A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 22 to 40 of this circular.

A notice convening the SGM to be held at 47/F, COSCO Tower, 183 Queen's Road Central, Hong Kong on Monday, 5 December 2022 at 10:00 a.m. is set out on pages 46 to 48 of this circular. Whether or not you are able to attend and/or vote at the SGM in person, you are requested to complete the enclosed form of proxy and return it to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong in accordance with the instructions printed thereon as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof (as the case may be). Completion and return of the form of proxy will not preclude you from subsequently attending and voting in person at the SGM or any adjournment thereof (as the case may be) should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

### PRECAUTIONARY MEASURES FOR THE SPECIAL GENERAL MEETING

Taking into account the recent development of the epidemic caused by novel coronavirus pneumonia (COVID-19), the Company will implement the following prevention and control measures at the SGM against the epidemic to protect the Shareholders from the risk of infection:

- (i) Compulsory body temperature check will be conducted;
- (ii) Every Shareholder or proxy is required to wear surgical face mask throughout the SGM;
- (iii) Every Shareholder or proxy is required to submit the health declaration form, which may be used for close contact tracing, if required;
- (iv) No refreshment will be served and no corporate gift will be distributed; and
- (v) Every Shareholder or proxy will be assigned a designated seat at the time of registration to ensure an appropriate social distancing.

A Shareholder or proxy (a) who does not comply with any of the precautionary measures referred to in (i) to (iii) above; or (b) with a body temperature of over 37.3 degrees Celsius; or (c) who is subject to health quarantine prescribed by the Government of Hong Kong will not be given access to the meeting venue. The Company reminds the Shareholders or proxies that they should carefully consider the risks of attending the SGM, taking into account their own personal circumstances. For the health and safety of Shareholders, the Shareholders are strongly encouraged to exercise their right to vote at the SGM by appointing the Chairman of the SGM as their proxy and to return their forms of proxy by the time specified above, instead of attending the SGM in person.

The Company will keep the constantly evolving COVID-19 pandemic situation under review. Subject to the development of the COVID-19 pandemic situation and the requirements or guidelines of the Government and/or regulatory authorities, the Company may be required to make changes to the arrangements relating to the SGM and implement additional measures at short notice. Shareholders should check the Company's website at [hk.coscoshipping.com](http://hk.coscoshipping.com) or the HKEXnews website at [www.hkexnews.hk](http://www.hkexnews.hk) for any future announcements and updates on the SGM arrangements.

14 November 2022

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## DEFINITIONS

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

“associate(s)”	the meaning ascribed to it in the Listing Rules;
“Board”	the board of Directors;
“Bye-laws”	the bye-laws of the Company as may be amended from time to time;
“Caps”	for the purpose of Chapter 14A of the Listing Rules, means the proposed annual caps of the New Agreements (except the annual caps for the loan services contemplated under the New Financial Services Master Agreement) for each of the three financial years ending 31 December 2025 set out under the section headed “CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTION” in the “LETTER FROM THE BOARD” in this circular;
“CBIRC”	China Banking and Insurance Regulatory Commission;
“close associate(s)”	the meaning ascribed to it in the Listing Rules;
“Company”	COSCO SHIPPING International (Hong Kong) Co., Ltd., a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange;
“connected person(s)”	the meaning ascribed to it in the Listing Rules;
“Continuing Connected Transactions”	the New Master Supply Agreement, the New Financial Services Master Agreement and the transactions contemplated thereunder (except the loan services contemplated under the New Financial Services Master Agreement);
“COSCO SHIPPING”	中國遠洋海運集團有限公司 (China COSCO Shipping Corporation Limited*), a company established in the PRC which is a PRC state-owned enterprise and the ultimate holding company of COSCO SHIPPING (Hong Kong) and the Company;
“COSCO SHIPPING Finance”	中遠海運集團財務有限責任公司 (COSCO Shipping Finance Co. Limited*), a company established in the PRC and a subsidiary of COSCO SHIPPING;

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## DEFINITIONS

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“COSCO SHIPPING Group”	COSCO SHIPPING, COSCO SHIPPING (Hong Kong) and their subsidiaries and associates (other than the Group);
“COSCO SHIPPING (Hong Kong)”	COSCO SHIPPING (Hong Kong) Co., Limited, a company incorporated in Hong Kong with limited liability and the immediate holding company of the Company which is wholly-owned by COSCO SHIPPING;
“Directors”	the directors of the Company;
“Existing Agreements”	collectively, the Existing Master Supply Agreement and the Existing Financial Services Master Agreement;
“Existing Financial Services Master Agreement”	the master agreement entered into between the Company and COSCO SHIPPING Finance dated 25 May 2020 in respect of the provision of a range of financial services by COSCO SHIPPING Finance to the Group;
“Existing Master Supply Agreement”	the master agreement entered into between the Company and COSCO SHIPPING (Hong Kong) dated 18 November 2019 in respect of the provision of marine and general insurance brokerage services and other services and the provision of shipping services, sale of shipping related materials and products and sale of other materials and products in connection with the general trading business of the Group by the Group to the COSCO SHIPPING Group for the three financial years ending 31 December 2022 as amended and supplemented by the supplemental agreement entered into between the Company and COSCO SHIPPING (Hong Kong) dated 6 September 2021 in respect of the revised annual caps of the Existing Master Supply Agreement for the financial years ending 31 December 2021 and 2022;
“Group”	the Company and its subsidiaries;
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China;
“Independent Board Committee”	an independent board committee of the Company comprising Messrs. Tsui Yiu Wa, Alec, Jiang, Simon X. and Kwong Che Keung, Gordon to advise the Independent Shareholders in relation to the Continuing Connected Transactions and the Caps;

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## DEFINITIONS

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“Independent Financial Adviser”	Ballas Capital Limited, being a licensed corporation to carry out Type 1 (Dealing in Securities) and Type 6 (Advising on Corporate Finance) regulated activities as defined under the SFO;
“Independent Shareholder(s)”	Shareholder(s) other than COSCO SHIPPING, COSCO SHIPPING (Hong Kong) and any of their respective associates;
“Latest Practicable Date”	9 November 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information included in this circular;
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange;
“New Agreements”	collectively, the New Master Supply Agreement and the New Financial Services Master Agreement;
“New Financial Services Master Agreement”	the master agreement entered into between the Company and COSCO SHIPPING Finance dated 18 October 2022 in respect of the provision of a range of financial services by COSCO SHIPPING Finance to the Group, particulars of which are set out in the sub-section headed “CONTINUING CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION — THE NEW FINANCIAL SERVICES MASTER AGREEMENT” in the section headed “CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTION” in the “LETTER FROM THE BOARD” in this circular;
“New Master Supply Agreement”	the master agreement entered into between the Company and COSCO SHIPPING (Hong Kong) dated 18 October 2022 in respect of the provision of marine and general insurance brokerage services and other services and the provision of shipping services, sale of shipping related materials and products and sale of other materials and products in connection with the general trading business of the Group by the Group to COSCO SHIPPING Group, particulars of which are set out in the sub-section headed “CONTINUING CONNECTED TRANSACTION — THE NEW MASTER SUPPLY AGREEMENT” in the section headed “CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTION” in the “LETTER FROM THE BOARD” in this circular;

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## DEFINITIONS

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“PRC”	the People’s Republic of China (for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region and Taiwan);
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong);
“SGM”	the special general meeting of the Company to be held to approve the Continuing Connected Transactions and the Caps;
“Share(s)”	the share(s) of the Company;
“Shareholder(s)”	the holder(s) of the Shares;
“Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong;
“RMB”	Renminbi, the lawful currency of the PRC;
“US\$”	United States dollars, the lawful currency of the United States of America; and
“%”	per cent.

\* *for identification purposes only*

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## LETTER FROM THE BOARD

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中遠海運國際(香港)有限公司

COSCO SHIPPING INTERNATIONAL (HONG KONG) CO., LTD.

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00517)**

*Executive Directors:*

Mr. Zhu Jianhui

*(Chairman and Managing Director)*

Mr. Ma Jianhua

*Non-executive Director:*

Mr. Chen Dong

*Independent non-executive Directors:*

Mr. Tsui Yiu Wa, Alec

Mr. Jiang, Simon X.

Mr. Kwong Che Keung, Gordon

*Registered office:*

Clarendon House

2 Church Street

Hamilton HM 11

Bermuda

*Head office and*

*Principal Place of Business:*

47th Floor, COSCO Tower

183 Queen's Road Central

Hong Kong

14 November 2022

*To the Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTION**

#### **BACKGROUND**

Reference is made to the announcement of the Company dated 18 October 2022 in relation to, among other things, the Continuing Connected Transactions and the Caps.

The Group has been carrying on transactions pursuant to the Existing Agreements which constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules as disclosed in the following announcements and circulars of the Company:

- (a) the announcement dated 18 November 2019 and the circular dated 9 December 2019 both in relation to, among other things, the Existing Master Supply Agreement;
- (b) the announcement dated 25 May 2020 and the circular dated 15 June 2020 both in relation to the Existing Financial Services Master Agreement; and
- (c) the announcement dated 6 September 2021 and the circular dated 28 September 2021 both in relation to the revised annual caps of the Existing Master Supply Agreement for the financial years ending 31 December 2021 and 2022.

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## LETTER FROM THE BOARD

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The Existing Agreements will expire on 31 December 2022 and it is expected that the Group will continue to enter into transactions of a nature similar to the transactions under those agreements from time to time thereafter. In view of the above, on 18 October 2022, the Company entered into the New Master Supply Agreement and the New Financial Services Master Agreement.

The purpose of this circular is to provide you with, among other things, (a) further information on the Continuing Connected Transactions and the Caps; (b) the recommendation from the Independent Board Committee; (c) the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (d) a notice of the SGM.

### CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTION

#### (A) Continuing Connected Transaction — The New Master Supply Agreement

On 18 October 2022, the Company entered into the New Master Supply Agreement which constitutes a continuing connected transaction of the Company subject to the reporting, announcement, shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules:

The principal terms of the New Master Supply Agreement are set out below:

**Date:** 18 October 2022

**Parties:** The Company; and  
COSCO SHIPPING (Hong Kong)

**Subject matter:** (1) Provision of marine and general insurance brokerage services and other services<sup>(Note)</sup> by the relevant member(s) of the Group to the relevant member(s) of the COSCO SHIPPING Group; and

*Note: Such other services, if any, are not expected to be significant.*

(2) Provision of shipping services, sale of shipping related materials and products and sale of other materials and products in connection with the general trading business of the Group by the relevant member(s) of the Group to the relevant member(s) of the COSCO SHIPPING Group, including without limitation:

(a) the provision of ship agency services in relation to shipbuilding, ship trading, chartering businesses and the sale and purchase of marine equipment and other related services;

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## LETTER FROM THE BOARD

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- (b) the provision of supply and installation, repair, logistics and agency services in relation to (i) ship facilities and accessories, which include equipment, materials, spare parts for vessels, oil drills, projects at sea or on land and ports, (ii) radio communication, satellite communication, navigation equipment and other materials, and (iii) construction materials and facilities, chemicals and information management systems; and
- (c) the sale of coatings.

**Duration:** From 1 January 2023 to 31 December 2025 (both dates inclusive)

**Terms and fees:** The transactions contemplated under the New Master Supply Agreement shall be conducted on normal commercial terms and negotiated on arm's length basis and the service fees, commission, brokerage income and the consideration for the sale of materials and products shall be at market rates or rates no less favourable to the relevant member(s) of the Group than those available to or from (as appropriate) independent third parties.

Please refer to the sub-section headed "Pricing policies" for details of the pricing policies.

**Others:** The New Master Supply Agreement is conditional upon the approval by the Independent Shareholders of the New Master Supply Agreement and the Caps in relation thereto.

At any time during the term of the New Master Supply Agreement, the relevant member(s) of the COSCO SHIPPING Group and the relevant member(s) of the Group may from time to time enter into individual agreement(s), or purchase order(s) may be issued by the relevant member(s) of the COSCO SHIPPING Group to the relevant member(s) of the Group and approved by the latter, or invoice(s) or sales order(s) may be issued by the relevant member(s) of the Group to the relevant member(s) of the COSCO SHIPPING Group and approved by the latter (as appropriate) from time to time in relation to any of the products, services or other subject matters contemplated under the New Master Supply Agreement upon and subject to the terms and conditions in compliance with those of the New Master Supply Agreement as may be agreed between the relevant parties.

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## LETTER FROM THE BOARD

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### **Pricing policies:**

The amount of service fees payable by the COSCO SHIPPING Group under the New Master Supply Agreement will be mainly determined by pre-determined formulae adopted by the Group (for example, insurance brokerage services and shipping agency services will be charged at certain fixed percentages of the value of the subject matter with reference to the relevant fixed percentages at which the provision of comparable services to independent third party customers will be charged). At present, it is not contemplated that any pricing policies other than pre-determined formulae will be used for determining the amount of service fees. The amount of service fees adopting other pricing policies, even if any, is expected to be minimal.

The prices offered to the COSCO SHIPPING Group for services provided by the Group and the sale of shipping related materials and products and sale of other materials and products in connection with the general trading business of the Group shall be at market rates or rates no less favourable to the relevant member(s) of the Group than those available to independent third party customers for comparable services and similar materials and products (based on similar amount and similar specifications) respectively.

For the purpose of determining the market rates for services fees and the prices for sale of materials and products, the Group will consider the certain fixed percentages of the value of the subject matter and prices offered to independent third party customers of comparable services and similar materials and products (based on similar amount and similar specifications) respectively and compare to those offered to the COSCO SHIPPING Group. In particular, the relevant sales department of the related companies within the Group will compare (for services fees) the fixed percentages of the value of the subject matter and (for prices for sale of materials and products) the selling price, in each case, offered to different customers (including the COSCO SHIPPING Group and at least three independent third party customers) in respect of comparable service or a similar type of materials or products (based on similar amount and similar specifications) (as the case may be).

### **Historical amounts:**

The aggregate amounts recognised by the Group for the transactions contemplated under the Existing Master Supply Agreement in respect of each of the financial years ended 31 December 2020 and 31 December 2021 and the nine months ended 30 September 2022 were HK\$1,554,506,726, HK\$2,039,077,584 and HK\$1,341,522,872 respectively.

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## LETTER FROM THE BOARD

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### Caps and basis of determination of such Caps:

The Caps of the transactions contemplated under the New Master Supply Agreement and the basis of determination of such Caps are set out as follows:

	Caps for the year ending 31 December		
	2023	2024	2025
	HK\$	HK\$	HK\$
Aggregate amount receivable by the Group for transactions contemplated under the New Master Supply Agreement	2,513,000,000	2,723,000,000	2,950,000,000

In determining the above Caps, apart from considering the historical amounts in respect of each of the financial years ended 31 December 2020 and 31 December 2021 and the nine months ended 30 September 2022 as set out above, the Company has also (a) examined and compared the recent performance of the relevant member(s) of the Group for the two financial years ended 31 December 2020 and 31 December 2021 and the nine months ended 30 September 2022; (b) interviewed the management of the relevant member(s) of the Group to obtain opinion on the forecasts of the transactions contemplated under the New Master Supply Agreement for the financial years of 2023 to 2025; (c) considered the growth trend of the relevant businesses and the market conditions; and (d) taken into account the impact of previous preventive measures of the novel coronavirus pneumonia (COVID-19) pandemic which led to temporary business fluctuation and in particular the following factors:

- (i) the recent price movements and trend of the vessels;
- (ii) the premium rate movements and trend quoted by insurance underwriters;
- (iii) the trend of shipping market in the forthcoming years;
- (iv) the expected increase in demand for ship trading agency services, marine equipment and spare parts for new build and existing vessels;
- (v) the expected increase in demand for insurance brokerage services including members of COSCO SHIPPING and from re-insurance business in the forthcoming years; and
- (vi) the expected periodic fluctuations and growth in demand for coatings from container manufacturers within the COSCO SHIPPING Group based on historical and forecast data published by industry researchers on the number of containers (usually measured in TEU) manufactured in the PRC (which in turn affects the demand for container coatings) and the number of old containers being disposed.

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## LETTER FROM THE BOARD

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There was a worldwide shortage of containers in late 2020 and early 2021 due to the congestion at various ports and strained supply chains arisen from the COVID-19 pandemic lockdown and prevention and control measures. The number of containers manufactured in the PRC reached a record high in 2021 but has fallen from the peak in 2022 according to the market's latest estimates and is expected to further drop in 2023 according to the latest market forecast. Based on data published by market researchers, the price indexes of newbuilding vessels and second-hand vessels had been relatively stable from 2012 to 2020. There was a surge in both price indexes during 2021 and 2022, varying from more or less 25% to 40% across different types of vessels for newbuilding.

The relevant businesses of the Group, which have experienced steady growth over the past few years, have grown along with the growth in the number of vessels and fleet size globally as well as for the COSCO SHIPPING Group. Based on statistics published by researchers on shipyards' new shipbuilding order book, the global number of ocean-going vessels and total fleet size will continue to grow moderately in the next two years. Furthermore, the global trend of acceleration of green transformation and decarbonization in the shipping industry will bring about evolution of new types of ships using green fuel. Given the above, it is expected that the growth of relevant businesses will sustain in the forthcoming years.

### **Relationship between the Company and the connected persons:**

Being the ultimate holding company and immediate holding company of the Company respectively, COSCO SHIPPING and COSCO SHIPPING (Hong Kong) together with their respective associates are connected persons of the Company. Accordingly, the New Master Supply Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

### **Listing Rules implications:**

As the applicable percentage ratios for the Caps of the transactions contemplated under the New Master Supply Agreement are expected to be higher than 5% on an annual basis, such transactions are subject to the reporting, announcement, shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

### **(B) Continuing Connected Transaction and Discloseable Transaction — The New Financial Services Master Agreement**

On 18 October 2022, the Company entered into the New Financial Services Master Agreement which constitutes a continuing connected transaction of the Company subject to the reporting, announcement, shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules (except for the loan services contemplated under the New Financial Services Master Agreement, which are fully exempt pursuant to Rule 14A.90 of the Listing Rules). The provision of deposit services and the other financial services (except loan services) under the New Financial Services Master Agreement also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

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## LETTER FROM THE BOARD

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The principal terms of the New Financial Services Master Agreement are set out below:

**Date:** 18 October 2022

**Parties:** The Company; and  
COSCO SHIPPING Finance

**Subject matter:** Provision of a range of financial services, including the deposits services, loan services (except for loans to be secured by the assets of the relevant member(s) of the Group), settlement services, remittance services, entrusted loan services (as lending agent in entrusted loan arrangements among members of the Group), acceptance bill issuance services, foreign exchange services, and other services which may be provided by COSCO SHIPPING Finance as approved by CBIRC, by COSCO SHIPPING Finance to the Group.

**Duration:** From 1 January 2023 to 31 December 2025 (both dates inclusive)

**Terms and fees:** The transactions contemplated under the New Financial Services Master Agreement shall be conducted on normal commercial terms and negotiated on arm's length basis and the terms of the transactions (including the interest receivable by the Group and the fees (including the service fees and handling charges) payable under the financial services to COSCO SHIPPING Finance) shall be at market rates or rates no less favourable than those offered by COSCO SHIPPING Finance to independent third parties or those offered to the relevant member(s) of the Group by independent third parties (as appropriate).

Please refer to the sub-section headed "Pricing policies" for details of the pricing policies.

**Others:** The New Financial Services Master Agreement is conditional upon the approval by the Independent Shareholders of the New Financial Services Master Agreement (except the loan services contemplated thereunder) and the Caps in relation thereto.

At any time during the term of the New Financial Services Master Agreement, COSCO SHIPPING Finance and the relevant member(s) of the Group may from time to time enter into individual agreement(s), or invoice(s) may be issued by COSCO SHIPPING Finance to the relevant member(s) of the Group and approved by the latter (as appropriate) in relation to any of the services contemplated under the New Financial Services Master Agreement upon and subject to the terms and conditions in compliance with those of the New Financial Services Master Agreement as may be agreed between the relevant parties.

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## LETTER FROM THE BOARD

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### **Pricing policies:**

Pricing policies to be adopted by COSCO SHIPPING Finance in determining the interest receivable by the Group or service fees payable by the Group for the services (except the loan services contemplated under the New Financial Services Master Agreement) are set out below:

### **Service nature:**

### **Pricing principles:**

Deposit services

The interest rate for such deposit services shall be no lower than:

- (i) the floor rate for the same category of deposit services stipulated by the People's Bank of China from time to time;
- (ii) the rate for the same category of deposit services offered by independent commercial banks in the PRC; and
- (iii) the rate for the same category and same term(s) of deposit services offered by COSCO SHIPPING Finance to other member company(ies) of COSCO SHIPPING Group.

To ascertain the rate referred to in paragraph (ii) above, the Group will obtain quotations from at least three independent commercial banks for the same category of deposit services and compare to those obtained by the Group from COSCO SHIPPING Finance.

Other services

Service fees of services other than deposit services and loan services shall be determined in accordance with the following pricing principles:

- (i) the price to be complied with the fee standards prescribed by the People's Bank of China or CBIRC;
- (ii) no higher than those charged by independent commercial banks in the PRC for services of similar nature; and
- (iii) no higher than those charged by COSCO SHIPPING Finance to other member company(ies) of the COSCO SHIPPING Group for similar services.

To ascertain the service fees referred to in paragraph (ii) above, the Group will obtain quotations from at least three independent commercial banks for services of similar nature to the relevant category of other financial services and compare to those obtained by the Group from COSCO SHIPPING Finance.

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## LETTER FROM THE BOARD

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### Historical amounts:

The aggregate of the highest daily cash balance(s) of all cash deposits accounts of member(s) of the Group maintained with COSCO SHIPPING Finance (together with interests accrued thereon) and all fees (including service fees and handling charges for the settlement services, remittance services, entrusted loan services, acceptance bill issuance services, foreign exchange services and other financial services payable by the Group to COSCO SHIPPING Finance for transactions (except transactions in connection with the provision of loan services) contemplated under the Existing Financial Services Master Agreement in respect of each of the financial years ended 31 December 2020 (including the transitional period before the signing of the Existing Financial Services Master Agreement on 25 May 2020) and 31 December 2021 and the nine months ended 30 September 2022 were RMB301,933,537 (out of which RMB194,515 was the total amount of the aforesaid fees), RMB438,870,692 (out of which RMB1,986,156 was the total amount of the aforesaid fees) and RMB586,516,361 (out of which RMB226,755 was the total amount of the aforesaid fees) respectively.

### Caps and basis of determination of such Caps:

The Caps of the transactions contemplated under the New Financial Services Master Agreement and the basis of determination of such Caps are set out as follows:

	Caps for the year ending 31 December		
	2023	2024	2025
	RMB	RMB	RMB
Amount of daily cash balance(s) of all cash deposits accounts of member(s) of the Group maintained with COSCO SHIPPING Finance (together with interests accrued thereon) <sup>(Note)</sup> and all fees (including service fees and handling charges for the settlement services, remittance services, entrusted loan services, acceptance bill issuance services, foreign exchange services, and other services which may be provided by COSCO SHIPPING Finance as approved by CBIRC) payable by the Group to COSCO SHIPPING Finance for transactions (except transactions in connection with the provision of loan services) contemplated under the New Financial Services Master Agreement	716,000,000	721,000,000	726,000,000

*Note: There is no restriction on the withdrawal of the deposits placed with COSCO SHIPPING Finance.*

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## LETTER FROM THE BOARD

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In determining the above Caps, the Company has (a) examined and compared the recent transactions amounts of the relevant member(s) of the Group for the two financial years ended 31 December 2020 and 31 December 2021 and the nine months ended 30 September 2022; (b) interviewed the management of the relevant member(s) of the Group to obtain opinion on the anticipated cash flow demand based on current scale and daily operation of the relevant businesses and the forecasts of the transactions contemplated under the New Financial Services Master Agreement for the financial years of 2023 to 2025; (c) considered the impact of the COVID-19 pandemic and the expected macroeconomic environment of the relevant businesses and in particular the strategies of the treasury management of the Group taking into account the business development plans, financial needs and anticipated cash flows of the Group as well as the sustainable business development of the Group, including the funding requirement for operation of asphalt business; and (d) considered the expected demand of the Group for deposit services provided by COSCO SHIPPING Finance as a result of its competitive edge over other financial services providers becoming more apparent arising from continuing improvement in its services which can better serve the development needs of the Group.

Since the historical amounts of the service fees and handling charges for the financial services are immaterial and the Board currently expects that such service fees and handling charges will be immaterial during the term of the New Financial Services Master Agreement, the Company considers that there is no need to set separate caps solely for such service fees and handling charges.

### **Relationship between the Company and the connected persons:**

COSCO SHIPPING Finance is a subsidiary of COSCO SHIPPING, the ultimate holding company of the Company. Therefore, COSCO SHIPPING Finance is an associate of COSCO SHIPPING and a connected person of the Company. Accordingly, the New Financial Services Master Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

### **Listing Rules implications:**

As the applicable percentage ratios for the Caps of the transactions contemplated under the New Financial Services Master Agreement (except the loan services to be provided by COSCO SHIPPING Finance) are expected to be higher than 5% on an annual basis, such transactions and the Caps in relation thereto are subject to the reporting, announcement, shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

The provision of deposit services to the Group under the New Financial Services Master Agreement also constitutes the provision of financial assistance by the Group to COSCO SHIPPING Finance under Rule 14.04(1)(e) of the Listing Rules. Since the highest applicable percentage ratio for the provision of such deposit services and the other financial services

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## LETTER FROM THE BOARD

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(except loan services) under the New Financial Services Master Agreement exceeds 5% but is less than 25%, it constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules and is subject to the reporting and announcement requirements thereunder.

The provision of loan services to the Group under the New Financial Services Master Agreement also constitutes the provision of financial assistance to the Group by COSCO SHIPPING Finance. As the loan transactions will be conducted on normal commercial terms or better and they will not be secured by the assets of the Group, the loan transactions contemplated under the New Financial Services Master Agreement are fully exempt from shareholders' approval, annual review and all disclosure requirements pursuant to Rule 14A.90 of the Listing Rules.

### **Capital Risk Control Measures under the New Financial Services Master Agreement:**

Under the New Financial Services Master Agreement, COSCO SHIPPING Finance shall:

- (i) in order to ensure the security of the funds of the member(s) of the Group, ensure that the funds management information system (a) operates safely, (b) has attained the security standards for commercial banks in the PRC, and (c) has adopted the certification authority security certificate mode;
- (ii) operate strictly in compliance with the risk monitoring indicator guidelines for finance companies issued by the CBIRC from time to time, and ensure that its main regulatory indicators such as gearing ratio and liquidity ratio comply with the requirements of the CBIRC and other relevant PRC laws and regulations; and
- (iii) submit monthly financial statements to the Company by the fifth business day of the following month.

Further, under the New Financial Services Master Agreement, if any member of the Group cannot withdraw all or any of the deposits placed with COSCO SHIPPING Finance, the Group has the right to offset the deposit amounts owing by COSCO SHIPPING Finance to the relevant member(s) of the Group against the loans advanced by COSCO SHIPPING Finance to the relevant member(s) of the Group. On the other hand, if any member of the Group is unable to repay all or any of the loan advanced by COSCO SHIPPING Finance to the relevant member(s) of the Group, COSCO SHIPPING Finance has the right to offset the deposits placed by the relevant member(s) of the Group with COSCO SHIPPING Finance against the outstanding loan amounts owing by the relevant member(s) of the Group to COSCO SHIPPING Finance.

In practice, the Group usually diversifies the cash deposits with a number of banks and financial institutions in order to obtain more competitive deposit interest rates for securing higher yields. The finance & accounting division of the Company will monitor the interest rates on deposits as well as service fees charged for other financial services by the People's Bank of China and other major commercial banks in the PRC as shown on their respective official websites from time to time.

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## LETTER FROM THE BOARD

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In respect of the deposits placed by the Group with COSCO SHIPPING Finance, the articles of association of COSCO SHIPPING Finance states that COSCO SHIPPING (being the ultimate holding company of the Company) has undertaken to increase the capital of COSCO SHIPPING Finance in the event that COSCO SHIPPING Finance has difficulty in fulfilling its payment obligation. This provides an assurance to the Group on the safety and liquidity of the Group's deposited funds with COSCO SHIPPING Finance.

The finance & accounting division of the Company will closely monitor the transactions under the New Financial Services Master Agreement and will report to the management of the Company on a regular basis.

The aforesaid capital risk control measures will be able to mitigate the financial risks which may be exposed to the Company to the largest extent, and safeguard the interests of the Company and its shareholders. The Directors are of the view that the above capital risk control measures are reasonable and effective in monitoring the relevant transactions in all material respects.

### **PAYMENT TERMS**

For the transactions contemplated under the New Master Supply Agreement, payment terms will vary from 30 days to 120 days credits depending on the market practices for different categories of services and transactions contemplated thereunder.

For the transactions contemplated under the New Financial Services Master Agreement, payment terms will be agreed with reference to customary business practices.

Given that the payment terms with various trading parties including COSCO SHIPPING Group and other independent third parties are determined after considering certain applicable factors including the types of the respective trading parties' transaction and payment history, market position and creditworthiness, and all payment terms under the New Agreements will be negotiated on arm's length basis which are in line with prevailing market practices and are no less favourable to the Group than those available to or from independent third party, the Board is of the view that the payment terms of the New Agreements are on normal commercial terms and are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### **INFORMATION ON THE GROUP AND THE CONNECTED PERSONS**

The Group is principally engaged in the provision of shipping services and general trading.

The COSCO SHIPPING Group is one of the largest shipowners in the world.

COSCO SHIPPING is principally engaged in shipping, terminal, logistics, shipping finance, equipment manufacturing and shipping services etc..

COSCO SHIPPING (Hong Kong) is principally engaged in shipping services, expressways investment, property investment and management, information technology and industrial manufacturing, etc..

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## LETTER FROM THE BOARD

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COSCO SHIPPING Finance is a non-bank financial institution approved and regulated by the People's Bank of China and CBIRC and is principally engaged in providing financial services to the COSCO SHIPPING Group.

### **REASONS FOR AND BENEFITS OF THE CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTION**

By entering into the New Master Supply Agreement and the transactions contemplated thereunder, the Group will benefit in securing the market share and be facilitated to develop further business in relation to the shipping services businesses.

By entering into the New Financial Services Master Agreement and the transactions contemplated thereunder, the Group will benefit in negotiating more favourable terms with COSCO SHIPPING Finance, an intra-group service provider, as compared with other commercial banks or financial institutions. In view of the cooperation history between COSCO SHIPPING Finance and the Company, the Group is expected to benefit from COSCO SHIPPING Finance's better understanding of the operations of the Group which should allow more expedient and efficient service provision than those offered by PRC commercial banks.

The Directors (including the independent non-executive Directors) are of the view that the Continuing Connected Transactions are and will be entered into in the ordinary and usual course of business of the Group and are and will be on normal commercial terms and the terms thereof and the Caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

While Mr. Zhu Jianhui and Mr. Chen Dong, being Directors, are also directors of COSCO SHIPPING (Hong Kong), none of the Directors is a party to the New Agreements or a shareholder of COSCO SHIPPING (Hong Kong) and none of the Directors will be involved in the negotiation of the individual agreements contemplated under the New Agreements nor derive personal gains from the Group entering into the transactions contemplated under the New Agreements. As such, none of the Directors has a material interest in the New Agreements. Accordingly, none of them is required to abstain from voting on the relevant board resolutions to approve the execution of the New Agreements, transactions contemplated thereunder and the Caps under the Bye-laws or the Listing Rules. For the reasons stated above and also in view of COSCO SHIPPING (Hong Kong) having confirmed that (a) Mr. Zhu Jianhui and Mr. Chen Dong are not required to deal with, review or approve the New Agreements on behalf of COSCO SHIPPING (Hong Kong) or advise COSCO SHIPPING (Hong Kong) on the New Agreements; and (b) COSCO SHIPPING (Hong Kong) has consented to their acting in the best interest of the Company in respect of the New Agreements as Directors, these Directors do not have any conflict of interest in respect of the New Agreements.

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## LETTER FROM THE BOARD

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### INTERNAL CONTROL PROCEDURES FOR THE GROUP

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

- (a) The Company has formulated "Connected Transaction Management Method" which was incorporated into the rules and regulations of the Company. All divisions of the Company and its subsidiaries must follow the requirements under "Connected Transaction Management Method".
- (b) The internal audit team of the Company will regularly examine the pricing of transactions under the New Agreements including reviewing the transaction records of the Company for the purchase or provision of similar goods or services from or to independent third parties.
- (c) Connected transaction coordination working team (the "**Working Team**"), comprising, among others, responsible persons of various functional divisions of the Company, was set up. Any proposed new connected transaction(s) would be reported to the Working Team in order to carry out all necessary compliance procedures before entering into such connected transaction(s). The main responsibilities of the Working Team are:
  - (i) to study, formulate and revise the "Connected Transaction Management Method" and put forward to the General Manager Meeting for approval;
  - (ii) to review the recommended annual caps for continuing connected transactions;
  - (iii) to submit significant issues in relation to connected transactions to the General Manager Meeting and/or the Board for approval;
  - (iv) to report the management situation of continuing connected transactions to the Managing Director and/or Deputy General Manager(s) of the Company;
  - (v) to study and recommend proposed potential solutions for the major issues of connected transactions; and
  - (vi) to report any possible exceeding of the annual caps of continuing connected transactions and recommend follow-up proposals to the Managing Director and/or Deputy General Manager(s) of the Company before processing the relevant approval procedures.

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## LETTER FROM THE BOARD

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- (d) Connected transaction amounts incurred with 2 months forecast would be updated on monthly basis by the colleagues of subsidiaries of the Company and various functional divisions through an intranet system. Members of the Working Team are responsible for overseeing the connected transaction amounts incurred in a timely manner such that the transactions can be conducted within the annual caps.

The Directors are of the view that the above methods and procedures can ensure that the pricing and other contract terms for the Group's continuing connected transactions are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders and that the continuing connected transactions are conducted as agreed in the relevant New Agreements and in compliance with Chapter 14A of the Listing Rules.

### SGM

The SGM will be convened for the Independent Shareholders to approve the Continuing Connected Transactions and the Caps by poll.

In view of the interests of COSCO SHIPPING and COSCO SHIPPING (Hong Kong) in the Company, COSCO SHIPPING and COSCO SHIPPING (Hong Kong) and their respective associates will abstain from voting in relation to the resolutions to approve the Continuing Connected Transactions and the Caps.

As at the Latest Practicable Date, COSCO SHIPPING, COSCO SHIPPING (Hong Kong) and their respective associates were interested in, controlled and were entitled to exercise control over 1,051,183,486 Shares, representing approximately 69.91% of the total number of issued Shares.

There is set out on pages 46 to 48 of this circular a notice convening the SGM to be held at 47/F, COSCO Tower, 183 Queen's Road Central, Hong Kong on Monday, 5 December 2022 at 10:00 a.m. at which ordinary resolutions will be proposed for the approval of the Continuing Connected Transactions and the Caps by the Independent Shareholders.

Whether or not you are able to attend the SGM in person, you are requested to complete and return the enclosed form of proxy in accordance with the instructions printed thereon to the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong but in any event not later than forty-eight (48) hours before the time appointed for the holding of the SGM or any adjournment thereof. The completion and return of the enclosed form of proxy will not preclude you from attending and voting at the SGM or any adjournment should you so wish and in such event, the instrument appointing a proxy shall be deemed to be revoked.

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## LETTER FROM THE BOARD

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Shareholders whose names appear in the register of members of the Company as at the close of business on Tuesday, 29 November 2022 are entitled to attend and vote at the SGM. In order to be eligible to attend and vote at the meeting, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 29 November 2022.

In compliance with the Listing Rules and pursuant to the Bye-laws, the votes to be taken at the SGM in respect of the Continuing Connected Transactions and the Caps will be taken by poll, the results of which will be announced after the SGM.

Tricor Abacus Limited, the Company's branch share registrar and transfer office in Hong Kong, will serve as the scrutineer for the vote-taking.

### RECOMMENDATION

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, considers that the Continuing Connected Transactions and the Caps are in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. The Independent Board Committee therefore recommends the Independent Shareholders to vote in favour of the resolutions to be proposed in the SGM to approve the Continuing Connected Transactions and the Caps.

### ADDITIONAL INFORMATION

Your attention is drawn to the letters from the Independent Board Committee and from the Independent Financial Adviser which are respectively set out on page 21 and pages 22 to 40 of this circular. Additional information is also set out in the Appendix to this circular for your information.

By Order of the Board  
**COSCO SHIPPING International (Hong Kong) Co., Ltd.**  
**Zhu Jianhui**  
*Chairman and Managing Director*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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**中遠海運國際(香港)有限公司**

COSCO SHIPPING INTERNATIONAL (HONG KONG) CO., LTD.

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00517)**

14 November 2022

*To the Independent Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS AND DISCLOSEABLE TRANSACTION**

We refer to the circular dated 14 November 2022 issued by the Company (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed as the members of the Independent Board Committee to consider the Continuing Connected Transactions and the Caps and to advise the Independent Shareholders as to the fairness and reasonableness of the same. The Independent Financial Adviser, Ballas Capital Limited, has been appointed to advise the Independent Board Committee and the Independent Shareholders in this regard.

### **RECOMMENDATION**

We wish to draw your attention to the letter from the Board, as set out on pages 5 to 20 of the Circular, and the letter from the Independent Financial Adviser which contains its advice to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions and the Caps as set out on pages 22 to 40 of the Circular.

After taking into consideration the advice from the Independent Financial Adviser, we concur with the views of the Independent Financial Adviser and consider that, as far as the Independent Shareholders are concerned, the terms of the Continuing Connected Transaction and the Caps are fair and reasonable, and the Continuing Connected Transactions and the Caps are in the interests of the Company and the Shareholders as a whole and are on normal commercial terms and in the ordinary and usual course of business of the Company. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to be proposed in the SGM to approve the Continuing Connected Transactions and the Caps.

Yours faithfully,  
**Tsui Yiu Wa, Alec**  
**Jiang, Simon X.**  
**Kwong Che Keung, Gordon**  
*Independent Board Committee*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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# BALLAS

C A P I T A L

A subsidiary of Crosby

5/F Capital Centre  
151 Gloucester Road  
Wanchai  
Hong Kong

14 November 2022

*To the Independent Board Committee and  
the Independent Shareholders*

Dear Sir or Madam,

### CONTINUING CONNECTED TRANSACTIONS

#### INTRODUCTION

We refer to our engagement (the “**Engagement**”) as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions and the Caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company (the “**Circular**”) to the Shareholders dated 14 November 2022, of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

The Group has been carrying on transactions pursuant to the Existing Agreements which constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules. The Existing Agreements will expire on 31 December 2022 and it is expected that the Group will continue to enter into transactions of nature similar to the transactions under those agreements from time to time thereafter. In view of the above, on 18 October 2022, the New Master Supply Agreement and the New Financial Services Master Agreement were entered into by the Company.

Being the ultimate holding company and immediate holding company of the Company respectively, COSCO SHIPPING and COSCO SHIPPING (Hong Kong) together with their respective associates are connected persons of the Company. Accordingly, the New Master Supply Agreement and the New Financial Services Master Agreement and the transactions contemplated thereunder constitute continuing connected transactions of the Company.

As the applicable percentage ratios for the Caps in relation to the Continuing Connected Transactions are expected to be higher than 5% on an annual basis, the Continuing Connected Transactions and the Caps in relation thereto are subject to the reporting, announcement, shareholders’ approval and annual review requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The independent board committee comprising all independent non-executive Directors, namely Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Kwong Che Keung, Gordon, has been appointed to advise the Independent Shareholders on, among other things, whether or not the Continuing Connected Transactions and the Caps are in the interest of the Company and are fair and reasonable so far as the Independent Shareholders are concerned.

### **BASIS OF OUR OPINION**

In formulating our recommendation, we have relied on the information and facts contained or referred to in the Circular as well as the representations made or provided by the Directors and the senior management of the Company. The Directors have declared in a responsibility statement set out in the Appendix to the Circular that they collectively and individually accept full responsibility for the accuracy of the information contained and representations made in the Circular. We have also assumed that the information and the representations made by the Directors as contained or referred to in the Circular were true and accurate at the time they were made and continue to be so up to the date of the SGM. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Directors and the senior management of the Company. We have also been advised by the Directors and believe that no material facts have been omitted from the Circular.

We have reviewed documents including but not limited to the Company's internal procedures on continuing connected transactions, transaction documents of the Group's historical transactions with COSCO SHIPPING Group and independent third parties and underlying calculations of the Caps. We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, conducted an independent verification of the information nor have we conducted any form of in-depth investigation into the businesses and affairs or the prospects of the Company, COSCO SHIPPING (Hong Kong) or COSCO SHIPPING or any of their respective subsidiaries or associates.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, the sole responsibility of Ballas Capital Limited ("**Ballas Capital**") is to ensure that such information has been correctly extracted from the relevant sources.

### **INDEPENDENCE DECLARATION**

Within two years prior to the Engagement, Ballas Capital was engaged as the independent financial adviser of the Company in respect of the continuing connected transactions as set out in the circular of the Company dated 28 September 2021 (the "**Previous Engagement**"). Other than the professional fees received under the Previous Engagement which were negotiated between the Company and Ballas Capital on an arm's length basis, Ballas Capital has not received any other professional fees from the Company within two years prior to the Engagement.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As the Previous Engagement was for the role of an independent financial adviser to the Company, the Previous Engagement would not affect the independence of Ballas Capital for acting as the independent financial adviser to the Company in respect of the New Agreements and the Caps. As at the Latest Practicable Date, we are not aware of any relationships or interests between Ballas Capital and the Company or any other parties that could be reasonably regarded as a hindrance to Ballas Capital's independence as defined under Rule 13.84 of the Listing Rules to act as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions and the Caps.

### **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion and advice, we have considered the following principal factors and reasons:

#### **A. Background and reasons for entering into the New Agreements**

##### *Information on the Group and the connected persons*

The Group is principally engaged in the provision of shipping services and general trading. The Company operates through six segments. Coatings segment is engaged in the production and sale of coatings. Marine equipment and spare parts segment is engaged in the trading and supply of marine equipment and spare parts. Ship trading agency segment is engaged in the provision of agency services relating to shipbuilding, ship trading and chartering businesses. Insurance brokerage segment is engaged in the provision of insurance brokerage services. Marine fuel and other products segment is engaged in the trading and supply of marine fuel and other related products. General trading segment is engaged in the trading, storage, processing and supply of asphalt and other products.

COSCO SHIPPING Group is one of the largest ship owners in the world.

COSCO SHIPPING is principally engaged in shipping, terminal, logistics, shipping finance, equipment manufacturing and shipping services etc..

COSCO SHIPPING (Hong Kong) is principally engaged in shipping services, expressways investment, property investment and management, information technology and industrial manufacturing, etc..

##### *The New Master Supply Agreement*

Pursuant to the New Master Supply Agreement, the Group will supply products and provide services to COSCO SHIPPING Group as set out below from 1 January 2023 to 31 December 2025 (both dates inclusive):

1. provision of marine and general insurance brokerage services and other services by the relevant member(s) of the Group to the relevant member(s) of COSCO SHIPPING Group; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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2. provision of shipping services, sale of shipping related materials and products and sale of other materials and products in connection with the general trading business of the Group by the relevant member(s) of the Group to the relevant member(s) of COSCO SHIPPING Group, including without limitation:
  - (a) the provision of ship trading agency services in relation to shipbuilding, ship trading, chartering businesses and the sale and purchase of marine equipment and other related services;
  - (b) the provision of supply and installation, repair, logistics and agency services in relation to (i) ship facilities and accessories, which include equipment, materials, spare parts for vessels, oil drills, projects at sea or on land and ports, (ii) radio communication, satellite communication, navigation equipment and other materials, and (iii) construction materials and facilities, chemicals and information management systems; and
  - (c) the sale of coatings.

Given the above, in particular the nature of the transactions as contemplated under the New Master Supply Agreement, the principal business of the Group as stated above and our analysis on the major terms of the said agreement (as elaborated below), we concur with the view of the management of the Company that the entering into of the New Master Supply Agreement falls within the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

### *The New Financial Services Master Agreement*

Pursuant to the New Financial Services Master Agreement, COSCO SHIPPING Finance shall provide a range of financial services, including the deposits services, loan services (except for loans to be secured by the assets of relevant member(s) of the Group), settlement services, remittance services, entrusted loan services (as lending agent in entrusted loan arrangements among members of the Group), acceptance bill issuance services, foreign exchange services, and other services which may be provided by COSCO SHIPPING Finance as approved by CBIRC, by COSCO SHIPPING Finance to the Group, from 1 January 2023 to 31 December 2025 (both dates inclusive).

COSCO SHIPPING Finance is a non-bank financial institution established with the approval of the People's Bank of China ("PBOC") and operates under the relevant guidelines and requirements of CBIRC, which, pursuant to the relevant guidelines and requirements of 企業集團財務公司管理辦法 (translated as the Administration of the Finance Companies of Enterprises Groups Measures) (the "Measures") issued by the China Banking Regulatory Commission ("CBRC"), which was subsequently merged to form CBIRC in April 2018, and effective on 28 December 2006, is allowed to provide treasury and other financial services to member companies of COSCO SHIPPING Group and the Group. Pursuant to the Measures, finance companies (including COSCO SHIPPING Finance) are subject to supervision and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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administration by CBIRC. The regulations on such finance companies are more stringent than those on commercial banks in certain respects, for example the capital adequacy ratio for finance companies of enterprise groups shall not be lower than 10% whereas such threshold for commercial banks is 8% as stipulated in 商業銀行資本管理辦法(試行) (translated as the Administrative Measures for the Capital of Commercial Banks (for Trial Implementation)) issued by CBRC and effective on 1 January 2013. We also noted from the articles of association of COSCO SHIPPING Finance that, COSCO SHIPPING (being the ultimate holding company of the Company) undertakes to increase the capital of COSCO SHIPPING Finance in the event that COSCO SHIPPING Finance has difficulty in fulfilling its payment obligation. Under the New Financial Services Master Agreement, COSCO SHIPPING Finance agrees to deliver monthly financial statements to the Company by the fifth business day of the following month. We consider that such information right granted to the Company would facilitate the Group's better understanding and monitoring of the risk profile of COSCO SHIPPING Finance.

Furthermore, as advised by the Company, COSCO SHIPPING Finance, as an intra-group service provider, is more familiar with the business development of the Group and COSCO SHIPPING Group, and generally has better and more efficient communication with the Group and better understanding of the Group's operations and needs for financial services as compared to independent commercial banks and financial institutions. The Group may be able to negotiate more favourable terms with COSCO SHIPPING Finance as compared with independent commercial banks and financial institutions. As such, we concur with the view of the Directors that as compared with independent commercial banks in the PRC, COSCO SHIPPING Finance shall be in a better position to provide the Group with more expedient and efficient financial services.

Given the above and our analysis on major terms of the said agreement (as elaborated below), we are of the view that the entering into of the New Financial Services Master Agreement falls within the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

### **B. Major terms of the New Agreements**

#### *The New Master Supply Agreement*

As disclosed in the Letter from the Board, the amount of service fees payable by COSCO SHIPPING Group under the New Master Supply Agreement will be mainly determined by pre-determined formulae adopted by the Group (for example, insurance brokerage services and shipping agency services will be charged at certain fixed percentages of the value of the subject matter with reference to the relevant fixed percentages at which the provision of comparable services to independent third party customers will be charged). At present, it is not contemplated that any pricing policies other than pre-determined formulae will be used for determining the amount of service fees. The amount of service fees adopting other pricing policies, even if any, is expected to be minimal. As advised by the Company, the services fees for insurance brokerage services would be certain fixed percentages of the fee received by the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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insurance company, and the services fees for the shipping agency services would be certain fixed percentages of the selling price of the vessel. We understand from the Company that these fixed percentages are determined based on the prevailing market rates, and is applicable to all customers of the Group including both COSCO SHIPPING Group and the independent third parties. Taking into account the fact that the same pricing policy applicable to COSCO SHIPPING Group and the independent third parties, and our other analysis below, we consider that the pricing policy is fair and reasonable, on the normal commercial terms and in the interest of the Company and its Shareholders as a whole.

The prices offered to COSCO SHIPPING Group for services provided by the Group and the sale of shipping related materials and products and sale of other materials and products in connection with the general trading business of the Group shall be at market rates or rates no less favourable to the relevant member(s) of the Group than those available to independent third party customers for comparable services and similar materials and products (based on similar amount and similar specifications) respectively.

For the purpose of determining the market rates for services fees and the prices for sale of materials and products, the Group will consider certain fixed percentages of the value of the subject matter and prices offered to independent third party customers of comparable services and similar materials and products (based on similar amount and similar specifications) respectively and compare to those offered to COSCO SHIPPING Group. In particular, the relevant sales department of the related companies within the Group will compare (for services fees) the fixed percentages of the value of the subject matter and (for prices for sale of materials and products) the selling price, in each case, offered to different customers (including COSCO SHIPPING Group and at least three independent third party customers) in respect of comparable service or a similar type of materials or products (based on similar amount and similar specifications) (as the case may be).

We have discussed with the Company and understood that the Group has in place internal procedures to ensure the relevant continuing connected transactions as contemplated under the New Master Supply Agreement will be (i) conducted on normal commercial terms; (ii) negotiated on an arm's length basis; and (iii) at market rates or rates no less favourable to the relevant member(s) of the Group than those available to or from (as appropriate) independent third parties. We have obtained and reviewed the written internal policies of the Company with respect to the continuing connected transactions of the Company. Based on our the review of the written internal policies, we note that it is stipulated that all continuing connected transactions shall be conducted on normal commercial terms and at market rates or rates no less favourable to the relevant member(s) of the Group than those available to or from (as appropriate) independent third parties; and thus are of the view that the Group has in place appropriate procedures to ensure that the pricings are determined on normal commercial terms. In addition, we have obtained from the Company and reviewed the transaction documents of nine selected samples (being the top 3 transactions in terms of transaction amounts for each of the year ending 31 December 2020 and 2021 and the nine months ended 30 September 2022) relating to the Group's historical transactions for each of (i) the provision of supply and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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installation, repair, logistics and agency services in relation to (a) ship facilities and accessories, which include equipment, materials, spare parts for vessels, oil drills, projects at sea or on land and ports, (b) radio communication, satellite communication, navigation equipment and other materials, and (c) construction materials and facilities, chemicals and information management systems; (ii) the sale of coatings; (iii) the provision of ship trading agency services; and (iv) the provision of insurance brokerage services, for the financial years ended 31 December 2020 and 2021 and the nine months ended 30 September 2022 (the “**Review Period**”) and those with independent third parties for the comparable services or products. Based on our review, we note that there was a market reference to determine the pricing terms offered by the Group to COSCO SHIPPING Group being fair and reasonable to the Group and on normal commercial terms. Given that (i) the selected samples covered all categories of services under the New Master Supply Agreement; and (ii) the Review Period covered the entire historical term of the Existing Master Supply Agreement, we consider that the coverage of the selected samples is sufficient for our due diligence purpose.

Given the above, we concur with the view of the Directors that the terms of the New Master Supply Agreement are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

### *The New Financial Services Master Agreement*

The New Financial Services Master Agreement sets out the general terms and conditions governing the relevant continuing connected transactions, and at any time during the term of the New Financial Services Master Agreement, COSCO SHIPPING Finance and the relevant member(s) of the Group may from time to time enter into individual agreement(s), or invoice(s) may be issued by COSCO SHIPPING Finance to the relevant member(s) of the Group and approved by the latter (as appropriate) in relation to any of the services contemplated under the New Financial Services Master Agreement upon and subject to the terms and conditions in compliance with those of the New Financial Services Master Agreement as may be agreed between the relevant parties. The New Financial Services Master Agreement also provides that the Company has the right to, based on its business requirements, choose any financial institutions to provide the most appropriate financial services to the Group.

According to the New Financial Services Master Agreement, the transactions contemplated under the New Financial Services Master Agreement shall be conducted on normal commercial terms and negotiated on arm’s length basis and the terms of the transactions (including the interest receivable by the Group and the fees (including the service fees and handling charges) payable under the financial services to COSCO SHIPPING Finance) shall be at market rates or rates no less favourable than those offered by COSCO SHIPPING Finance to independent third parties or those offered to the relevant member(s) of the Group by independent third parties (as appropriate).

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We have discussed with the Company and understood that the Group has in place internal procedures to ensure the relevant continuing connected transactions as contemplated under the New Financial Services Master Agreement will be (i) conducted on normal commercial terms; (ii) negotiated on an arm's length basis; and (iii) at market rates or rates no less favourable than those offered by COSCO SHIPPING Finance to independent third parties or those offered to the relevant member(s) of the Group by independent third parties (as appropriate). We have obtained and reviewed the internal procedures of the Company with respect to the continuing connected transactions of the Company. Based on our review of the internal policies, we are of the view that the Group has in place appropriate procedures to ensure that the pricings are determined on normal commercial terms.

Based on the information provided by the Company, the pricing principles for the financial services to be provided by COSCO SHIPPING Finance to the Group are as follows:

**Service nature: Pricing principle:**

Deposit services    The interest rate for such deposit services shall be no lower than:

- (i) the floor rate for the same category of deposit services stipulated by the People's Bank of China from time to time;
- (ii) the rate for the same category of deposit services offered by independent commercial banks in the PRC; and
- (iii) the rate for the same category and same term(s) of deposit services offered by COSCO SHIPPING Finance to other member company(ies) of COSCO SHIPPING Group.

To ascertain the rate referred to in paragraph (ii) above, the Group will obtain quotations from at least three independent commercial banks for the same category of deposit services and compare to those obtained by the Group from COSCO SHIPPING Finance.

Other services    Service fees of services other than deposit services and loan services shall be determined in accordance with the following pricing principles:

- (i) the price to be complied with the fee standards prescribed by the People's Bank of China or CBIRC;
- (ii) no higher than those charged by independent commercial banks in the PRC for services of similar nature; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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(iii) no higher than those charged by COSCO SHIPPING Finance to other member company(ies) of the COSCO SHIPPING Group for similar services.

To ascertain the service fees referred to in paragraph (ii) above, the Group will obtain quotations from at least three independent commercial banks for services of similar nature to the relevant category of other financial services and compare to those obtained by the Group from COSCO SHIPPING Finance.

During the term of the Existing Financial Services Master Agreement, COSCO SHIPPING Finance provided deposit services to the Group. We have obtained from the Company and reviewed the historical deposit interest rates offered by COSCO SHIPPING Finance and those offered by independent commercial banks to the Group during the Review Period. We note that the deposit interest rates offered by COSCO SHIPPING Finance were no less favourable to the Group than those offered by independent commercial banks.

Further, the New Financial Services Master Agreement provides that in the event that the Group cannot withdraw all or any of its deposits placed with COSCO SHIPPING Finance, the Group shall have the right to offset the deposit amounts due to the Group from COSCO SHIPPING Finance against the loans advanced by COSCO SHIPPING Finance to the Group. On the other hand, in the event that the Group cannot repay all or any of the loans advanced by COSCO SHIPPING Finance to the Group, COSCO SHIPPING Finance shall have the right to offset the outstanding loan amounts due from the Group to COSCO SHIPPING Finance against the deposits placed by the Group with COSCO SHIPPING Finance.

Given the above, in particular, (i) the pricing principle as stipulated in the New Financial Services Master Agreement and the Group's internal policies are set to ensure that the terms offered by COSCO SHIPPING Finance to the Group are no less favourable than those offered by independent commercial banks; and (ii) based on our review, the historical deposit rates offered by COSCO SHIPPING Finance were no less favourable to the Group than those offered by independent commercial banks, we concur with the view of the Directors that the terms of the New Financial Services Master Agreement are on normal commercial terms, fair and reasonable so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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**C. The Caps**

*The caps for the New Master Supply Agreement*

Set out below are the details of (i) the historical transaction amounts of the transactions contemplated under the Existing Master Supply Agreement for each of the financial years ended 31 December 2020 and 31 December 2021 and the nine months ended 30 September 2022; and (ii) the proposed caps for the transactions contemplated under the New Master Supply Agreement (the “**Master Supply Caps**”) for each of the three financial years ending 31 December 2025:

(i) *Historical transaction amounts*

	<b>For the financial year ended 31 December 2020 HK\$</b>	<b>For the financial year ended 31 December 2021 HK\$</b>	<b>For the nine months ended 30 September 2022 HK\$</b>
Aggregate amount recognised by the Group for the transactions contemplated under the Existing Master Supply Agreement	1,554,506,726	2,039,077,584	1,341,522,872

(ii) *Master Supply Caps*

	<b>For the financial year ending 31 December</b>		
	<b>2023 HK\$</b>	<b>2024 HK\$</b>	<b>2025 HK\$</b>
Aggregate amount receivable by the Group for transactions contemplated under the New Master Supply Agreement	2,513,000,000	2,723,000,000	2,950,000,000

As stated in the Letter from the Board, in determining the above Master Supply Caps, apart from considering the historical amounts in respect of each of the financial years ended 31 December 2020 and 31 December 2021 and the nine months ended 30 September 2022 as set out above, the Company has also (a) examined and compared the recent performance of the relevant member(s) of the Group for the two financial years ended 31 December 2020 and 31 December 2021 and the nine months ended 30 September 2022; (b) interviewed the management of the relevant member(s) of the Group to obtain opinion on the forecasts of the transactions contemplated under the New Master Supply Agreement for the financial years of 2023 to 2025; (c) considered the growth trend of the relevant businesses and the market

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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conditions; and (d) taken into account the impact of previous preventive measures of the COVID-19 pandemic which led to temporary business fluctuation and in particular the following factors:

- i. the recent price movements and trend of the vessels;
- ii. the premium rate movements and trend quoted by insurance underwriters;
- iii. the trend of shipping market in the forthcoming years;
- iv. the expected increase in demand for ship trading agency services, marine equipment and spare parts for new build and existing vessels;
- v. the expected increase in demand for insurance brokerage services including members of COSCO SHIPPING and from re-insurance business in the forthcoming years; and
- vi. the expected periodic fluctuations and growth in demand for coatings from container manufacturers within the COSCO SHIPPING Group based on historical and forecast data published by industry researchers on the number of containers (usually measured in TEU) manufactured in the PRC (which in turn affects the demand for container coatings) and the number of old containers being disposed.

There was a worldwide shortage of containers in late 2020 and early 2021 due to the congestion at various ports and strained supply chains arisen from the COVID-19 pandemic lockdown and prevention and control measures. The number of containers manufactured in the PRC reached a record high in 2021 but has fallen from the peak in 2022 according to the market's latest estimates and is expected to further drop in 2023 according to the latest market forecast. Based on data published by market researchers, the price indexes of newbuilding vessels and second-hand vessels had been relatively stable from 2012 to 2020. There was a surge in both price indexes during 2021 and 2022, varying from more or less 25% to 40% across different types of vessels for newbuilding.

The relevant businesses of the Group, which have experienced steady growth over the past few years, have grown along with the growth in the number of vessels and fleet size globally as well as for the COSCO SHIPPING Group. Based on statistics published by researchers on shipyards' new shipbuilding orders books, the global number of ocean-going vessels and total fleet size will continue to grow moderately in the next two years. Furthermore, the global trend of acceleration of green transformation and decarbonization in the shipping industry will bring about evolution of new types of ships using green fuel. Given the above, it is expected that the growth of relevant businesses will sustain in the forthcoming years.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In assessing the fairness and reasonableness of the Master Supply Caps, we have discussed with the management of the Company to understand the principal basis and assumptions in the determination of the relevant caps, and reviewed the calculations of the caps provided by the Company. We understand that the Master Supply Caps are arrived at mainly based on the aggregate estimated income mainly generated from (i) the provision of supply and installation, repair, logistics and agency services in relation to (a) ship facilities and accessories, which include equipment, materials, spare parts for vessels, oil drills, projects at sea or on land and ports, (b) radio communication, satellite communication, navigation equipment and other materials, and (c) construction materials and facilities, chemicals and information management systems; (ii) the sale of coatings (items (i) and (ii) collectively the “Main Services”); (iii) the provision of ship trading agency services; and (iv) the provision of insurance brokerage services. In addition to the aggregate estimated income from the aforesaid services, the Company also included a buffer in the Master Supply Caps for contingencies.

Based on the cap calculations provided by the Company, we note that among the four categories of transactions as described above, the proposed caps for 2023, 2024 and 2025 relating to the provision of the Main Services by the Group amounted to approximately RMB2,151.1 million, RMB2,328.1 million and RMB2,521.1 million and represent approximately 85.6%, 85.5% and 85.5% of the Master Supply Caps for 2023, 2024 and 2025 respectively.

We note that the cap amount in relation to the provision of the Main Services by the Group in 2023 represents an increase of 14.1% as compared with the historical transaction amount for 2021 (being the year which recorded the highest annual transaction amount during the Review Period). The cap amount for 2024 and 2025 for the provision of the Main Services is estimated to increase by approximately 8.2% and 8.3%, respectively. We have discussed with the Company and were advised that the aforesaid caps were determined after taking into account (i) the historical transaction amount of the Main Services; (ii) the expected increase in demand from Orient Overseas (International) Limited (“OOIL”) which was acquired as to 50.46% by COSCO SHIPPING in late 2018; and (iii) organic business growth. In this respect, we note that the highest annual growth rate for the transaction amount for Main Services during the Review Period was 33.0%, which is higher than the assumed growth rate for 2023, 2024 and 2025. Moreover, we understand from the Company that the purchase from OOIL in the past few years was minimal as OOIL and COSCO SHIPPING took time to carry out the process of strategic integration and cooperation, and the Company only commenced developing business relationship with OOIL during this period. The Company expects the demand from OOIL to significantly increase in the coming years. Furthermore, we note from the interim report of the Company for the first six months ended 30 June 2022 that, the overall sound momentum of the international shipping market is expected to continue, coupled with factors such as low-carbon shipping and the needs for ship model renewal; and it is expected that the shipbuilding industry will develop steadily.

Based on the above, we are satisfied that the basis and assumptions used in determining the proposed caps for the provision of the Main Services by the Group is fair and reasonable.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Approximately RMB94.0 million or 3.7% of the Master Supply Caps for 2023 is attributable to the estimated income generated from provision of insurance brokerage services by the Group. We note that the proposed cap for insurance brokerage income for 2023 represents an increase of approximately 21.6% as compared to the annualized amount for 2022 (being the year which recorded the highest annual transaction amount during the Review Period). We understand from the Company that the assumed growth rate is determined mainly taking into account organic business growth, the growth in demand from OOIL and the expansion of the operation of the Group's subsidiary in Shenzhen to capture more insurance brokerage business denominated in renminbi from the COSCO SHIPPING Group.

The cap amount for 2024 and 2025 for the provision of insurance brokerage services by the Group is estimated to increase by approximately 5.8% and 5.9 % as compared to the cap for the preceding year, which, as advised by the Company, has mainly taken into account organic business growth and inflation. We note that the assumed growth rate of around 6% for 2024 and 2025 respectively is in line with the growth rate of the estimated gross domestic product amounts of the PRC in current prices in 2024 (being approximately RMB138.8 trillion) as compared to 2023 (being approximately RMB130.0 trillion), and that of 2025 (being approximately RMB148.4 trillion) as compared to 2024 (being approximately RMB138.8 trillion) based on the statistics set out in the October 2022 edition of the International Monetary Fund's World Economic Outlook Database.

Based on the above, we are satisfied that the basis and assumptions used in determining the proposed caps for the provision of insurance brokerage services by the Group is justifiable.

Approximately RMB81.5 million or 3.2% of the Master Supply Caps for 2023 is attributable to the estimated commission income from the provision of ship trading agency services by the Group. We note that the proposed cap for 2023 represents an increase of approximately 4.5% of the Company's estimated transaction amount for ship trading agency services for 2022, which is higher than the historical transaction amount for 2020 and 2021 and represents the sum of the historical transaction amount for the nine months ended 30 September 2022 and the estimated transaction amount for last quarter of 2022 based on the latest orders on hand for new vessels and the corresponding estimated delivery schedule of vessels. In this regard, we obtained and reviewed the estimated delivery schedule of vessels based on the Company's latest negotiations with COSCO SHIPPING Group on potential orders of new vessels and note that the number of new vessels expected to be ordered by and be delivered to COSCO SHIPPING Group in the last quarter of 2022 is more than that for the first three quarters of 2022 on a pro-rata basis.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The cap amount for 2024 and 2025 for the commission income from the provision of ship trading agency services by the Group is estimated to increase by approximately 14.3% and 12.5% respectively, as compared to the cap for the preceding year, taking into account the expected increase in demand of trading of new vessels or transformed vessels as a result of the global trend for the green transformation of the shipping industry. In this respect, we note that the International Maritime Organization (IMO) has mandated emission reductions of 50 percent for all vessels by 2050, recognizing the need for climate action. As stated in an article of World Bank dated 1 July 2021 with the title “Zero-carbon shipping: A sea of opportunities for developing countries”, according to estimates, decarbonizing shipping represents a more than US\$1 trillion investment opportunity for business and development. Furthermore, we note that in PRC’s “14th Five-Year Plan”, the green and low-carbon development of the shipping industry is promoted by the PRC government. All these initiatives will add to the potential growth of the industry in the coming years.

Based on the above, we are satisfied that the basis and assumptions used in determining the proposed caps for the provision of ship trading agency services by the Group is fair and reasonable.

We further note that a buffer of around 8% has been provided before arriving at the Master Supply Caps in order to accommodate any market and price fluctuations and/or unexpected increase in demand from the COSCO SHIPPING for the services to be provided under the New Master Supply Agreement. We understand from the Company that the buffer of 8% was determined taking into account historical fluctuations in transaction amounts. We have conducted an independent research on the range of buffer built in the annual caps of continuing connected transactions of companies listed on main board of the Hong Kong Stock Exchange as extracted from their respective latest circulars published in the past three months and note that the buffer percentage ranges from nil to 12%. Given that the 8% buffer proposed by the Company falls within the range, we are of the view that the buffer adopted is reasonable.

Given the above, we are of the view that the basis for determining the Master Supply Caps for each of the three financial years ending 31 December 2025 is fair and reasonable.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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*The Caps for the New Financial Services Master Agreement*

Set out below are the details of (i) the highest historical daily cash balance(s) of all cash deposits accounts of the Group maintained with COSCO SHIPPING Finance and all fees payable by the Group to COSCO SHIPPING Finance for transactions contemplated under the Existing Financial Services Master Agreement for the Review Period; and (ii) the proposed caps for the transactions contemplated under the New Financial Services Master Agreement (the “**Deposit Caps**”) for each of the three financial years ending 31 December 2025:

(i) *Historical transaction amounts*

	<b>For the financial year ended 31 December 2020 RMB</b>	<b>For the financial year ended 31 December 2021 RMB</b>	<b>For the nine months ended 30 September 2022 RMB</b>
Amount of daily cash balance(s) of all cash deposits accounts of member(s) of the Group maintained with COSCO SHIPPING Finance (together with interests accrued thereon) and all fees (including service fees and handling charges for the settlement services, remittance services, entrusted loan services, acceptance bill issuance services, foreign exchange services and other financial services) payable by the Group to COSCO SHIPPING Finance for the transactions (except transactions in connection with the provision of loan services) contemplated under the Existing Financial Services Master Agreement	301,933,537	438,870,692	586,516,361

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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(ii) *Deposit Caps*

	<b>For the financial year ending 31 December</b>		
	<b>2023</b>	<b>2024</b>	<b>2025</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
Amount of daily cash balance(s) of all cash deposits accounts of member(s) of the Group maintained with COSCO SHIPPING Finance (together with interests accrued thereon) <sup>(Note)</sup> and all fees (including service fees and handling charges for the settlement services, remittance services, entrusted loan services, acceptance bill issuance services, foreign exchange services and other services which may be provided by COSCO SHIPPING Finance as approved by CBIRC) payable by the Group to COSCO SHIPPING Finance for the transactions (except transactions in connection with the provision of loan services) contemplated under the New Financial Services Master Agreement	716,000,000	721,000,000	726,000,000

*Note: There is no restriction on the withdrawal of the deposits placed with COSCO SHIPPING Finance.*

As stated in the Letter from the Board, in determining the Deposit Caps, the Company has (a) examined and compared the recent transactions amounts of the relevant member(s) of the Group for the two financial years ended 31 December 2020 and 31 December 2021 and the nine months ended 30 September 2022; (b) interviewed the management of the relevant member(s) of the Group to obtain opinion on the anticipated cash flow demand based on current scale and daily operation of the relevant businesses and the forecasts of the transactions contemplated under the New Financial Services Master Agreement for the financial years of 2023 to 2025; (c) considered the impact of the COVID-19 pandemic and the expected macroeconomic environment of the relevant businesses and in particular the strategies of the treasury management of the Group taking into account the business development plans, financial needs and anticipated cash flows of the Group as well as the sustainable business development of the Group, including the funding requirement for operation of asphalt business; and (d) considered the expected demand of the Group for deposit services provided by COSCO SHIPPING Finance as a result of its competitive edge over other financial services providers becoming more apparent arising from continuing improvement in its services which can better serve the development needs of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As advised by the Company, the Group receives cash deposit from (i) ship buyers under the ship trading agency services business; (ii) buyers under the coating business; (iii) buyers under the trading business (including asphalt trading); and (iv) insurance policy holders under the insurance brokerage services. We have obtained the respective highest deposit amounts placed by the members of the Group with COSCO SHIPPING Finance during the Review Period and note that these deposit amounts which were placed at different time added up to RMB859.0 million.

Approximately 36.3%, or RMB260 million, of the Deposit Caps for 2023 is attributable to the deposit for the ship trading agency services business by the Group. The relevant cap amount remains the same as that for 2023, 2024 and 2025. In relation to the ship trading agency services business, as advised by the Company, the Company expects that the vessel value of ships traded by the Group will be between around US\$10 million to US\$20 million per ship. Therefore, assuming the Company receives deposits from ship buyers for two vessels around the same period of time, it is possible for the Group to have occasional inflow of substantial amount of cash deposit. In this regard, we note that the highest daily deposit balance for the ship trading agency services business amounted to approximately RMB259.2 million during the Review Period, which is almost the same as the relevant cap amount for 2023, 2024 and 2025.

Approximately 28.6%, or RMB205 million, of the Deposit Caps for 2023 is attributable to the deposit for the trading business (including asphalt trading) by the Group. The relevant cap amount remains the same as that for 2023, 2024 and 2025. In determining the relevant cap for the deposits from trading business (including asphalt trading), the management has taken into account (i) the concentrated payback period in asphalt trading; (ii) the growth of the trading business; and (iii) large amount of prepayment received for marine equipment trading, which means the Group may suddenly have a significant increase in cash balance on a given day. Furthermore, we note that highest daily deposit balance from trading business during the Review Period of approximately RMB316.3 million is higher than the relevant cap amount for 2023, 2024 and 2025.

Approximately 21.1%, or RMB151 million, of the Deposit Caps for 2023 is attributable to the deposit for the coating business by the Group. The relevant cap amount remains the same as that for 2023, 2024 and 2025. In determining the relevant cap for the deposits from the coating business, the management has taken into account the deposit stored with COSCO SHIPPING Finance during the Review Period. We note that highest daily deposit balance from coating business during the Review Period which amounted to approximately RMB207.6 million is higher than the relevant cap amount for 2023, 2024 and 2025.

Approximately 14.0%, or RMB100 million, is of the Deposit Caps for 2023 is attributable to the deposit for the insurance brokerage services by the Group. The cap amount for each of 2024 and 2025 for the deposit for the insurance brokerage services is estimated to increase by approximately 5.0% and 4.8%, is respectively, as compared to the preceding year. In relation to the insurance brokerage services, the management has taken into account (i) the

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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deposits stored with COSCO SHIPPING Finance during the Review Period; and (ii) the expected business growth as a result of the expansion of the operation of the Group's subsidiary in Shenzhen to capture more insurance brokerage business as mentioned above. We note that the highest daily deposit balance for the insurance brokerage services amounted to approximately RMB75.9 million is during the Review Period.

Furthermore, we note that the Deposit Caps for each of the three financial years represent only approximately 13.9%, 14.0% and 14.1% of the Group's total current deposits and cash and cash equivalents of approximately HK\$6,035 million as at 30 June 2022, respectively.

Given the above, we are of the view that the basis for determining the Deposit Caps for each of the three financial years ending 31 December 2025 is fair and reasonable.

Notwithstanding the above, we would like to highlight that as the Caps relate to future events and are based upon assumptions that may or may not remain valid for the whole period up to 31 December 2025, we express no opinion as to how closely the actual transaction amounts pursuant to the New Agreements shall correspond to the Caps.

### **D. Requirements by the Listing Rules regarding the transactions contemplated under the New Agreements**

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, the transactions contemplated under the New Agreements are subject to the following annual review requirements:

- (a) each year the independent non-executive Directors must review the transactions contemplated under the New Agreements and confirm in the annual report that the transactions have been entered into:
  - in the ordinary and usual course of business of the Company;
  - on normal commercial terms or better; and
  - according to the agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.
- (b) each year the auditors of the Company must provide a letter to the Board (with a copy provided to the Stock exchange at least 10 business days prior to the bulk printing of the Company's annual report) confirming that the transactions contemplated under the New Agreements:
  - have received the approval of the Board;
  - are, in all material respects, in accordance with the pricing policies of the Company if the transactions involve provision of goods or services by the Company;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- have been entered into, in all material respects, in accordance with the relevant agreement governing the continuing connected transactions; and
  - have not exceeded the Caps.
- (c) the Company must allow, and ensure that the relevant counterparty to the New Agreements allow, the Company's auditors sufficient access to their records for the purpose of reporting on the continuing connected transactions. The Board must state in the annual report whether its auditors have confirmed the matters stated in paragraph (b) above; and
- (d) the Company must promptly notify the Stock Exchange and publish an announcement in accordance with the Listing Rules if it knows or has reason to believe that the independent non-executive Directors and/or the auditors of the Company cannot confirm the matters set out in paragraphs (a) and/or (b) above respectively.

In light of the reporting requirements attached to the New Agreements, in particular, (i) the restriction of the value of the relevant transactions by way of the Caps; and (ii) the ongoing review by the independent non-executive Directors and the auditors of the Company on the terms of the New Agreements and the Caps not being exceeded, we are of the view that appropriate measures are in place to govern the conduct of the New Agreements (and safeguard the interests of the Independent Shareholders.

### RECOMMENDATION

Having considered the principal factors and reasons referred to above, we are of the opinion that the transactions contemplated under the New Agreements are on normal commercial terms, in the ordinary and usual course of business of the Group and in the interests of the Group and the Shareholders as a whole, and the terms thereof as well as the Caps are fair and reasonable so far as the Group and the Independent Shareholders are concerned.

Accordingly, we advise the Independent Shareholders and the Independent Board Committee to recommend the Independent Shareholders to vote in favor of the resolution to be proposed at the SGM to approve the New Agreements and the Caps.

Yours faithfully,  
For and on behalf of  
**Ballas Capital Limited**

**Alex Lau**                      **Cathy Leung**  
*Managing Director*                      *Director*

*Note:* Mr. Alex Lau of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2004, and Ms. Cathy Leung of Ballas Capital Limited has been a responsible officer of Type 6 (advising on corporate finance) regulated activities since 2019.

## 1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

## 2. DISCLOSURE OF INTERESTS

As at the Latest Practicable Date, the interests and short positions of each Director and 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 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 and short positions which the Director or chief executive of the Company was taken or deemed to have under such provisions of the SFO) or 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, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers of the Listing Rules (the “**Model Code**”), to be notified to the Company and the Stock Exchange were as follows:

(i) **Director’s interests in the long position in the underlying shares of equity derivatives of the Company**

*Share Options*

Name of Director	Capacity	Nature of interest	Exercise price (HK\$)	Aggregate long position in the underlying shares of the Company as at the Latest Practicable Date	Approximate percentage of total number of issued shares of the Company as at the Latest Practicable Date
Mr. Zhu Jianhui	Beneficial owner	Personal	2.26	1,000,000	0.06%
Mr. Ma Jianhua	Beneficial owner	Personal	2.26	1,000,000	0.06%

*Notes:*

These share options were granted by the Company on 28 April 2020 (the “**Date of Grant**”) pursuant to the share option incentive scheme adopted by the Company on 9 April 2020 (the “**Share Option Incentive Scheme**”). Pursuant to the Share Option Incentive Scheme, these share options are exercisable at HK\$2.26 per share from 28 April 2022 to 27 April 2026 subject to the fulfillment of the relevant conditions in the stipulated proportion as following:

- (a) 33.3% of the share options can be exercised during the period from the first trading day after 24 months (the second anniversary) from the Date of Grant to the last trading day of the 36 months from the Date of Grant.
- (b) 33.3% of the share options can be exercised during the period from the first trading day after 36 months (the third anniversary) from the Date of Grant to the last trading day of the 48 months from the Date of Grant.
- (c) 33.4% of the share options can be exercised during the period from the first trading day after 48 months (the fourth anniversary) from the Date of Grant to the last trading day of the 72 months from the Date of Grant.

**(ii) Directors’ interests in the long positions in the shares of associated corporations**

Name of Director	Name of associated corporation	Capacity	Nature of interest	Number of ordinary shares of associated corporation held as at the Latest Practicable Date	Approximate percentage of the relevant class of the total issued shares of associated corporation as at the Latest Practicable Date
Mr. Zhu Jianhui	COSCO SHIPPING Holdings Co., Ltd.	Interest of spouse	Family	26,000 (A shares)	0.0002%
	China Shipping Container Lines Company Limited (now known as COSCO SHIPPING Development Co., Ltd.)	Interest of spouse	Family	10,000 (A shares)	0.0001%
Mr. Kwong Che Keung, Gordon	COSCO SHIPPING Ports Limited	Beneficial owner	Personal	250,000	0.0075%

Save as disclosed herein, as at the Latest Practicable Date:

- (i) none of the Directors nor chief executive of the Company had any interests or short positions 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 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 and short positions which the Director or chief executive of the Company was taken or deemed to have

under such provisions of the SFO) or were required, pursuant to section 352 of the SFO, to be entered in the register of the Company referred to therein or were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange;

- (ii) none of the Directors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date which was significant in relation to the business of the Group taken as a whole;
- (iii) none of the Directors had any direct or indirect interest in any assets which have been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up; and
- (iv) Mr. Zhu Jianhui, being a Director, is also a director and chairman of COSCO SHIPPING (Hong Kong). Mr. Chen Dong being a Director, is also the general manager of Finance and Accounting Division of COSCO SHIPPING and a director of COSCO SHIPPING (Hong Kong). COSCO SHIPPING (Hong Kong) has and COSCO SHIPPING is deemed to have, an interest in the Shares 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' SERVICE CONTRACTS

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

#### 4. DIRECTORS' INTERESTS IN COMPETING BUSINESSES

As at the Latest Practicable Date, the following Directors (including their respective close associates) were considered to have interests in businesses which competed or were likely to compete, either directly or indirectly, with the businesses of the Group pursuant to the Listing Rules, particulars of which are set out below:

<b>Name of Directors</b>	<b>Name of the entities which were considered to compete or likely to compete with the businesses of the Group</b>	<b>Description of businesses of the entities which were considered to compete or likely to compete with the businesses of the Group</b>	<b>Nature of Director's interest in the entities</b>
Mr. Zhu Jianhui	Company controlled by COSCO SHIPPING	Shipping services	director
Mr. Chen Dong	Companies controlled by COSCO SHIPPING	Shipping services	director

As the Board is independent from the board of directors of the aforesaid companies, and as none of the above Directors control the Board, the Group is capable of carrying on its businesses independently of, and at arm's length from, the businesses of these companies.

Save as disclosed herein, none of the Directors and their respective close associates had any interest in a business which competed or may compete with the business of the Group as at the Latest Practicable Date.

#### 5. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors are 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 Group were made up.

**6. EXPERT**

The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

<b>Name</b>	<b>Qualification</b>
Ballas Capital Limited	A licensed corporation to carry out Type 1 (Dealing in Securities) and Type 6 (Advising on Corporate Finance) regulated activities as defined under the SFO

As at the Latest Practicable Date, the Independent Financial Adviser:

- (a) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group;
- (b) did not have any direct or indirect interest in any assets which have been acquired or disposed of by or leased to, or which were proposed to be acquired or disposed of by or leased to, any member of the Group since 31 December 2021, the date up to which the latest published audited consolidated financial statements of the Group were made up; and
- (c) has given and has not withdrawn its written consent to the issue of this circular with the inclusion of and references to its name and letter in the form and context in which they respectively appear.

The letter of advice given by the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders was made on 14 November 2022 for incorporation in this circular.

**7. MISCELLANEOUS**

The English text of this circular shall prevail over the Chinese text in the case of inconsistency.

**8. DOCUMENTS ON DISPLAY**

Copy of the following documents will be published on the Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and the Company's website at [hk.coscoshipping.com](http://hk.coscoshipping.com) from the date of this circular up to and including the date of SGM:

- (i) the New Master Supply Agreement; and
- (ii) the New Financial Services Master Agreement.

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## NOTICE OF THE SGM

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**中遠海運國際(香港)有限公司**

COSCO SHIPPING INTERNATIONAL (HONG KONG) CO., LTD.

*(Incorporated in Bermuda with limited liability)*

**(Stock Code: 00517)**

### NOTICE OF THE SPECIAL GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that a special general meeting (“SGM”) of COSCO SHIPPING International (Hong Kong) Co., Ltd. (the “**Company**”) will be held on Monday, 5 December 2022 at 10:00 a.m. at 47/F, COSCO Tower, 183 Queen’s Road Central, Hong Kong or at any adjournment thereof for the purpose of considering and, if thought fit, to pass with or without amendments, the following resolutions as ordinary resolutions of the Company:

#### ORDINARY RESOLUTIONS

1. “**THAT** the New Master Supply Agreement and the Caps in relation thereto, each as defined and described in the circular of the Company dated 14 November 2022 (the “**Circular**”) (a copy of the Circular marked “A” together with a copy of the New Master Supply Agreement marked “B” being tabled before the meeting and initialed by the chairman of the meeting for identification purpose), and all transactions contemplated thereunder and in connection therewith and any other ancillary documents be and are hereby approved, confirmed and ratified and any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such other documents and agreements and to do all such acts or things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated under the New Master Supply Agreement.”
2. “**THAT** the New Financial Services Master Agreement and the Caps in relation thereto, each as defined and described in the Circular (a copy of the New Financial Services Master Agreement marked “C” being tabled before the meeting and initialed by the chairman of the meeting for identification purpose), and all transactions contemplated thereunder (except the loan services contemplated thereunder) and in connection therewith and any other ancillary documents be and are hereby approved, confirmed and ratified and any one director of the Company be and is hereby authorised for and on behalf of the Company to execute all such other documents and agreements and to do all such acts or things deemed by him to be incidental to, ancillary to or in connection with the matters contemplated under the New Financial Services Master Agreement.”

By Order of the Board

**COSCO SHIPPING International (Hong Kong) Co., Ltd.**

**Chiu Shui Suet**

*Company Secretary*

14 November 2022

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## NOTICE OF THE SGM

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*Notes:*

1. Taking into account the recent development of the epidemic caused by novel coronavirus pneumonia (COVID-19), the Company will implement the following prevention and control measures at the SGM against the epidemic to protect the shareholders of the Company (the “Shareholders”) from the risk of infection:
  - (i) Compulsory body temperature check will be conducted;
  - (ii) Every Shareholder or proxy is required to wear surgical face mask throughout the SGM;
  - (iii) Every Shareholder or proxy is required to submit the health declaration form, which may be used for close contact tracing, if required;
  - (iv) No refreshment will be served and no corporate gift will be distributed; and
  - (v) Every Shareholder or proxy will be assigned a designated seat at the time of registration to ensure appropriate social distancing.

A Shareholder or proxy (a) who does not comply with any of the precautionary measures referred to in (i) to (iii) above; or (b) with a body temperature of over 37.3 degrees Celsius; or (c) who is subject to health quarantine prescribed by the Government of Hong Kong will not be given access to the meeting venue. The Company reminds the Shareholders or proxies that they should carefully consider the risks of attending the SGM, taking into account their own personal circumstances. For the health and safety of Shareholders, the Shareholders are strongly encouraged to exercise their right to vote at the SGM by appointing the Chairman of the SGM as their proxy and to return their forms of proxy by the time specified below, instead of attending the SGM in person.

The Company will keep the constantly evolving COVID-19 pandemic situation under review. Subject to the development of the COVID-19 pandemic situation and the requirements or guidelines of the Government and/or regulatory authorities, the Company may be required to make changes to the arrangements relating to the SGM and implement additional measures at short notice. Shareholders should check the Company’s website at [hk.coscoshopping.com](http://hk.coscoshopping.com) or the HKEXnews website at [www.hkexnews.hk](http://www.hkexnews.hk) for any future announcements and updates on the SGM arrangements.

2. The ordinary resolutions to be considered at the SGM will be determined by poll. On voting by poll, each member shall have one vote for each fully paid or credited as fully paid share held in the Company.
3. A member of the Company who is entitled to attend and vote at the SGM is entitled to appoint another person as his proxy to attend and vote instead of him. A member who is the holder of two or more shares of the Company may appoint more than one proxy. A proxy need not be a member of the Company.
4. A form of proxy for use at the SGM of the Company is enclosed herewith. Whether or not a member of the Company intends to attend the SGM in person, he or she is urged to complete and return the form of proxy in accordance with the instruction printed thereon.
5. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his or her attorney duly authorised in writing, or if the appointor is a corporation, either under seal or under the hand of an officer or attorney duly authorised.
6. To be valid, the form of proxy, together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be returned to the Company’s branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong, not less than 48 hours before the time appointed for holding the SGM or any adjourned meeting thereof (as the case maybe) and in default thereof the form of proxy shall not be treated as valid.

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## NOTICE OF THE SGM

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7. Shareholders whose names appear in the register of members of the Company as at the close of business on Tuesday, 29 November 2022 are entitled to attend and vote at the SGM. In order to be eligible to attend and vote at the SGM, all completed transfer documents accompanied by the relevant share certificate(s) must be lodged with the Company's branch share registrar and transfer office in Hong Kong, Tricor Abacus Limited at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for registration not later than 4:30 p.m. on Tuesday, 29 November 2022.
8. Completion and return of form of proxy appointing a proxy shall not preclude a member of the Company from attending and voting in person at the SGM or on the poll concerned and in such event, the instrument appointing a proxy shall be deemed to be revoked.
9. Where there are joint holders of any share of the Company, any one of such joint holders may vote at the SGM, either personally or by proxy, in respect of such share as if he or she were solely entitled thereto, but if more than one of such joint holders is present at the SGM personally or by proxy, that one of the said joint holders so present whose name stands first on the register of members of the Company in respect of such share shall alone be entitled to vote in respect thereof.
10. The Chinese version of the resolutions set out in this notice is for reference only. If there is any inconsistency between the English and Chinese versions, the English version shall prevail.
11. As at the date of this notice, the board of the Company comprises six directors with Mr. Zhu Jianhui (Chairman and Managing Director) and Mr. Ma Jianhua as executive directors, Mr. Chen Dong as non-executive director and Mr. Tsui Yiu Wa, Alec, Mr. Jiang, Simon X. and Mr. Kwong Che Keung, Gordon as independent non-executive directors.