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If you have sold or transferred all your shares in COSCO SHIPPING Development Co., Ltd.*, you should at once hand this circular, the form of proxy and the reply slip to the purchaser or transferee or to licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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中遠海運發展股份有限公司
COSCO SHIPPING Development Co., Ltd.*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 02866)

**(1) DISCLOSEABLE AND CONNECTED TRANSACTIONS
ASSIGNMENT AND NOVATION AGREEMENTS
AND
SHIPBUILDING CONTRACTS
AND
(2) NOTICE OF EGM**

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



Capitalised terms used in this cover shall have the same meanings as those defined in this circular.

A letter from the Board is set out on pages 7 to 21 of this circular and the letter from the Independent Board Committee is set out on pages 22 to 23 of this circular. A letter from Messis Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 45 of this circular.

A notice convening the EGM to be held at 1:30 p.m. on Monday, 16 November 2020 at Level 3, Ocean Hotel Shanghai, 1171 Dong Da Ming Road, Hong Kou District, Shanghai, the PRC is set out on pages EGM-1 to EGM-3 of this circular.

* *The Company is a registered non-Hong Kong company as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and it is registered under its Chinese name and under the English name "COSCO SHIPPING Development Co., Ltd."*

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DEFINITIONS

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

“62,000 DWT Multi-Purpose Vessels”	collectively, the 62,000 DWT Multi-Purpose Vessels under Construction, the 62,000 DWT HK Multi-Purpose Vessels and the 62,000 DWT PRC Multi-Purpose Vessels
“62,000 DWT HK Multi-Purpose Vessels”	four 62,000 DWT multi-purpose vessels (Hull No. N1039, N1040, N1041 and N1042) to be constructed by COSCO SHIPPING Heavy Industry and to be registered under the laws of Hong Kong
“62,000 DWT Multi-Purpose Vessels under Construction”	two 62,000 DWT multi-purpose vessels (Hull No. N1006 and N1007) under construction by COSCO SHIPPING Heavy Industry and to be registered under the laws of Hong Kong pursuant to the Existing Shipbuilding Contracts
“62,000 DWT PRC Multi-Purpose Vessels”	four 62,000 DWT multi-purpose vessels (Hull No. N1043, N1044, N1045 and N1046) to be constructed by COSCO SHIPPING Heavy Industry and to be registered under the laws of the PRC
“A Share(s)”	the domestic share(s) in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on the Shanghai Stock Exchange
“Assessment Price”	the assessed value, being US\$31,000,000, of each of the 62,000 DWT Multi-Purpose Vessels under Construction (on the basis of the completed status) as at 31 August 2020 as set out in the Assessment Report
“Assessment Report”	the assessment report issued by Shanghai Orient in respect of the two 62,000 DWT Multi-Purpose Vessels under Construction
“Assignment and Novation Agreements”	collectively, the Memoranda of Agreement and the Deeds of Novation
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company

DEFINITIONS

“China Shipping”	China Shipping (Group) Company Limited* (中國海運集團有限公司), a PRC state-owned enterprise and the controlling shareholder of the Company
“Company”	COSCO SHIPPING Development Co., Ltd.* (中遠海運發展股份有限公司), a joint stock limited company established in the PRC, the H Shares and the A Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 02866) and the Shanghai Stock Exchange (Stock Code: 601866), respectively
“Computershare”	Computershare Hong Kong Investor Services Limited, the H Share registrar of the Company
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“COSCO SHIPPING”	China COSCO SHIPPING Corporation Limited* (中國遠洋海運集團有限公司), a PRC state-owned enterprise and an indirect controlling shareholder of the Company
“COSCO SHIPPING Heavy Industry”	COSCO SHIPPING Heavy Industry (Dalian) Co., Ltd. (大連中遠海運重工有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of COSCO SHIPPING
“COSCO SHIPPING Specialized Carriers”	COSCO SHIPPING Specialized Carriers Co., Ltd.* (中遠海運特種運輸股份有限公司), a joint stock company established under the laws of the PRC with limited liability and the A shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600428)
“COSCO SHIPPING Specialized Carriers Group”	COSCO SHIPPING Specialized Carriers and its subsidiaries
“COSCOL HK”	COSCOL (HK) Investment & Development Co., Ltd., a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of COSCO SHIPPING Specialized Carriers

DEFINITIONS

“CS Development Hainan”	COSCO SHIPPING Development (Hainan) Co., Ltd. (海南中遠海運發展有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Deeds of Novation”	collectively, the two deeds of novation dated 21 October 2020 entered into among COSCOL HK, Oriental Fleet Pulp 01 and COSCO SHIPPING Heavy Industry in relation to the novation of the Existing Shipbuilding Contracts in accordance with the Memoranda of Agreement
“Director(s)”	director(s) of the Company
“DWT”	deadweight tonnage, a standard unit of measurement of the maximum weight a ship can carry
“EGM”	the extraordinary general meeting of the Company to be convened at 1:30 p.m. on Monday, 16 November 2020 at Level 3, Ocean Hotel Shanghai, 1171 Dong Da Ming Road, Hong Kou District, Shanghai, the PRC (or any adjournment thereof) to consider and, if thought fit, approve, among other things, the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder
“Existing Shipbuilding Contracts”	collectively, the two shipbuilding contracts dated 1 March 2019 entered into between COSCOL HK (as buyer) and COSCO SHIPPING Heavy Industry (as seller) in relation to the construction of the two 62,000 DWT Multi-Purpose Vessels under Construction
“Group”	the Company and its subsidiaries
“H Share(s)”	the overseas listed foreign shares in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange
“HK Shipbuilding Contracts”	collectively, the four shipbuilding contracts dated 21 October 2020 entered into between Oriental Fleet Pulp 01 (as buyer) and COSCO SHIPPING Heavy Industry (as seller) in relation to the construction of the four 62,000 DWT HK Multi-Purpose Vessels

DEFINITIONS

“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent board committee of the Company comprising Mr. Cai Hongping, Ms. Hai Chi Yuet, Mr. Graeme Jack, Mr. Lu Jianzhong and Ms. Zhang Weihua, being all the independent non-executive Directors, which is formed to advise the Independent Shareholders on the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder in accordance with the Listing Rules
“Independent Financial Adviser” or “Messis Capital”	Messis Capital Limited, a licensed corporation to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders other than (i) COSCO SHIPPING and its associates and (ii) all other parties (if any) who are involved or interested in the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder
“Latest Practicable Date”	29 October 2020, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Master Vessel Charter Agreement”	the master vessel charter agreement dated 5 December 2016 entered into between the Company and COSCO SHIPPING in respect of the provision of vessel chartering services by the Company, its subsidiaries and/or its associates to COSCO SHIPPING, its subsidiaries and/or its associates (excluding the Company, its subsidiaries and/or its associates), further details of which are set out in the circular of the Company dated 6 December 2019

DEFINITIONS

“Memoranda of Agreement”	collectively, the two memoranda of agreement dated 21 October 2020 entered into between COSCOL HK and Oriental Fleet Pulp 01 in relation to the assignment and novation of the Existing Shipbuilding Contracts
“Oriental Fleet Pulp 01”	Oriental Fleet Pulp 01 Limited, a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Original Shipbuilding Contracts”	collectively, the eight shipbuilding contracts entered into between the COSCO SHIPPING Specialized Carriers Group and COSCO SHIPPING Heavy Industry in respect of the construction of the four 62,000 DWT HK Multi-Purpose Vessels and the four 62,000 DWT PRC Multi-Purpose Vessels
“percentage ratios”	has the meaning ascribed to such term under the Listing Rules
“PRC”	the People’s Republic of China, and for the purpose of this circular only, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC Shipbuilding Contracts”	collectively, the four shipbuilding contracts dated 21 October 2020 entered into between CS Development Hainan (as buyer) and COSCO SHIPPING Heavy Industry (as seller) in relation to the construction of the four 62,000 DWT PRC Multi-Purpose Vessels
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai Orient”	Shanghai Orient Appraisal Co., Ltd., an independent valuer
“Share(s)”	A Share(s) and H Shares(s)
“Shareholder(s)”	holder(s) of the Share(s)
“Shipbuilding Contracts”	collectively, the HK Shipbuilding Contracts and the PRC Shipbuilding Contracts

DEFINITIONS

“US\$” United States dollar, the lawful currency of the United States of America

“%” per cent

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For identification purpose only.

LETTER FROM THE BOARD



中遠海運發展股份有限公司
COSCO SHIPPING Development Co., Ltd.*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 02866)

Executive Directors

Mr. Wang Daxiong
Mr. Liu Chong
Mr. Xu Hui

Non-executive Directors

Mr. Huang Jian
Mr. Liang Yanfeng
Mr. Ip Sing Chi

Independent non-executive Directors

Mr. Cai Hongping
Ms. Hai Chi Yuet
Mr. Graeme Jack
Mr. Lu Jianzhong
Ms. Zhang Weihua

Legal address in the PRC

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Principal place of business in the PRC

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Principal place of business in Hong Kong

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183 Queen's Road Central
Hong Kong

30 October 2020

To the Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE AND CONNECTED TRANSACTIONS
ASSIGNMENT AND NOVATION AGREEMENTS
AND
SHIPBUILDING CONTRACTS
AND
(2) NOTICE OF EGM**

I. INTRODUCTION

Reference is made to the announcement dated 21 October 2020 in relation to, among other things, the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder.

LETTER FROM THE BOARD

The COSCO SHIPPING Specialized Carriers Group has conducted a tender in respect of the operating lease arrangements of the ten 62,000 DWT Multi-Purpose Vessels and the Group was selected as the successful tenderer. Accordingly, the Group proposes to enter into operating lease arrangements with the COSCO SHIPPING Specialized Carriers Group in respect of the ten 62,000 DWT Multi-Purpose Vessels, pursuant to the aforementioned operating lease arrangements, the Group will acquire the ten 62,000 DWT Multi-Purpose Vessels and immediately after delivery of which, the COSCO SHIPPING Specialized Group will charter-in the ten 62,000 DWT Multi-Purpose Vessels from the Group.

Among the ten 62,000 DWT Multi-Purpose Vessels, two of which (being the 62,000 DWT Multi-Purpose Vessels under Construction) are under construction and are expected to be delivered in November and December 2020, and eight of which (being the four 62,000 DWT HK Multi-Purpose Vessels and the four 62,000 DWT PRC Multi-Purpose Vessels) were the subject of the Original Shipbuilding Contracts entered into between the COSCO SHIPPING Specialized Carriers Group and COSCO SHIPPING Heavy Industry in 2020 and the construction work of which has not begun. Accordingly, it is proposed that (i) the two 62,000 DWT Multi-Purpose Vessels under Construction will be acquired by the Group from the COSCO SHIPPING Specialized Carriers Group through the Assignment and Novation Agreements; and (ii) the four 62,000 DWT HK Multi-Purpose Vessels and the four 62,000 DWT PRC Multi-Purpose Vessels will be acquired by the Group by way of (a) the termination of the Original Shipbuilding Contracts between the COSCO SHIPPING Specialized Carriers Group and COSCO SHIPPING Heavy Industry; and (b) the entering into of the Shipbuilding Contracts between the Group and COSCO SHIPPING Heavy Industry.

The purpose of this circular is to provide you with, among other things, further details of the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder, and other information reasonably necessary to enable you to make an informed decision on whether to vote for or against the resolutions to be proposed at the EGM.

At the EGM, ordinary resolutions will be proposed to approve, among other things, the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder.

II. ASSIGNMENT AND NOVATION AGREEMENTS

On 21 October 2020:

- (1) COSCOL HK and Oriental Fleet Pulp 01 entered into the Memoranda of Agreement, pursuant to which and subject to the terms thereof, COSCOL HK agrees to transfer and Oriental Fleet Pulp 01 agrees to take over all rights, responsibilities and liabilities under the Existing Shipbuilding Contracts at the aggregate consideration of US\$20,560,000 (which was determined based on the aggregate Assessment Price of the two 62,000 DWT Multi-Purpose Vessels under Construction of US\$62,000,000 and the unpaid instalment under the Existing Shipbuilding Contracts); and

LETTER FROM THE BOARD

- (2) COSCOL HK, Oriental Fleet Pulp 01 and COSCO SHIPPING Heavy Industry entered into the Deeds of Novation in relation to the novation of the Existing Shipbuilding Contracts in accordance with the Memoranda of Agreement.

The principal terms of the Memoranda of Agreement are as follows:

Date: 21 October 2020

Parties: (1) COSCOL HK, as assignor; and
(2) Oriental Fleet Pulp 01, as assignee.

Subject matter: Pursuant to the Memoranda of Agreement and subject to the terms thereof, COSCOL HK agrees to transfer and Oriental Fleet Pulp 01 agrees to take over all rights, responsibilities and liabilities under the Existing Shipbuilding Contracts in respect of the two 62,000 DWT Multi-Purpose Vessels under Construction, which are expected to be delivered by COSCO SHIPPING Heavy Industry on or around 16 November 2020 and 26 December 2020, respectively.

Purchase price: The purchase price payable under each of the Memoranda of Agreement shall be the amount of (i) the Assessment Price in, being US\$31,000,000; less (ii) the amount of the unpaid fifth instalment under the respective Existing Shipbuilding Contract, being US\$20,720,000, which will be payable upon delivery of the 62,000 DWT Multi-Purpose Vessels under Construction under the Existing Shipbuilding Contracts.

While the Existing Shipbuilding Contracts provide for adjustments to the contract price of the two 62,000 DWT Multi-Purpose Vessels under Construction in the event of modifications of specifications, construction elements of the 62,000 DWT Multi-Purpose Vessels under Construction falling below certain agreed benchmarks and/or delay in delivery, as the construction work of the two 62,000 DWT Multi-Purpose Vessels under Construction has been substantially completed and the two 62,000 DWT Multi-Purpose Vessels will be delivered as scheduled, there has not been and will not be any adjustment to the contract price and therefore the amount of the unpaid fifth instalment under the Existing Shipbuilding Contracts.

LETTER FROM THE BOARD

Taking into account the abovementioned status of the construction of the two 62,000 DWT Multi-Purpose Vessels under Construction, the Board considers that the terms of the Assignment and Novation Agreement are fair and reasonable.

Accordingly, the aggregate purchase price payable under the two Memoranda of Agreement is US\$20,560,000, which was determined after arm's length negotiation between COSCOL HK and Oriental Fleet Pulp 01 with reference to the Assessment Report issued by Shanghai Orient, an independent valuer, and the unpaid instalment under the Existing Shipbuilding Contracts. According to the Assessment Report, the aggregate Assessment Price of the two 62,000 DWT Multi-Purpose Vessels under Construction as at the benchmark date of 31 August 2020 was US\$62,000,000, which was determined based on the cost approach by calculating the cost of replacing the vessels. The full text of the Assessment Report is set out in Appendix II to this circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The purchase price payable by Oriental Fleet Pulp 01 under the Memoranda of Agreement will be funded by the internal resources of the Group.

Payment:

Within five banking days from the effective date of the Memoranda of Agreement, the purchase price shall be remitted free of bank charges, withholdings or any other deductions whatsoever by Oriental Fleet Pulp 01 to COSCOL HK.

**Transfer of rights
and obligations:**

All the rights of COSCOL HK under or in relation to the Existing Shipbuilding Contracts shall be assigned and transferred to, and enjoyed by Oriental Fleet Pulp 01 from the actual receipt date of the purchase price, except that the rights, costs, obligations and liabilities of supervision and inspection under the Existing Shipbuilding Contracts shall not be transferred to Oriental Fleet Pulp 01 but still be undertaken by COSCOL HK.

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As COSCOL HK has been undertaking the supervision and inspection of the construction of the two 62,000 DWT Multi-Purpose Vessels under Construction, taking also into account (i) the construction work of the two 62,000 DWT Multi-Purpose Vessels under Construction having been substantially completed; and (ii) the imminent delivery of the two 62,000 DWT Multi-Purpose Vessels under Construction, it was agreed that the rights, costs, obligations and liabilities of supervision and inspection under the Existing Shipbuilding Contracts shall still be undertaken by COSCOL HK in view of continuity and efficiency. Further, as COSCOL HK will be the charterer of the 62,000 DWT Multi-Purpose Vessels under Construction upon delivery, the arrangement will also ensure that the 62,000 DWT Multi-Purpose Vessels under Construction will have the necessary specifications for the purpose of the time charter party.

Time charter party: COSCOL HK will charter-in the 62,000 DWT Multi-Purpose Vessels under Construction from Oriental Fleet Pulp 01 immediately after the delivery of the 62,000 DWT Multi-Purpose Vessels under Construction by COSCO SHIPPING Heavy Industry to Oriental Fleet Pulp 01, and the fees which shall be paid for COSCOL HK's use and hire of each of the 62,000 DWT Multi-Purpose Vessels under Construction shall be US\$11,530 per day pro rata, which was determined with reference to the construction price and costs of each of the 62,000 DWT Multi-Purpose Vessels under Construction and in accordance with the general pricing principles and the general pricing determination procedures under the Master Vessel Charter Agreement approved by the Independent Shareholders at the extraordinary general meeting of the Company dated 23 December 2019.

Effectiveness: Unless otherwise agreed in writing between the parties, the Memoranda of Agreement shall come into effect provided all the conditions below are satisfied:

- (1) the authorized representative of COSCOL HK having signed the Memoranda of Agreement;
- (2) the authorized representative of Oriental Fleet Pulp 01 having signed the Memoranda of Agreement;

LETTER FROM THE BOARD

- (3) the approval of the Memoranda of Agreement and the transactions thereunder from the board of directors of COSCOL HK having been obtained;
- (4) the approval of the Memoranda of Agreement and the transactions thereunder at a general meeting of COSCO SHIPPING Specialized Carriers having been obtained; and
- (5) the approval of the Memoranda of Agreement and the transactions thereunder from the Independent Shareholders at an extraordinary general meeting of the Company having been obtained.

As at the Latest Practicable Date, the conditions set out in sub-paragraphs (1), (2) and (3) above have been satisfied.

The principal terms of the Deeds of Novation are as follows:

Date: 21 October 2020

Parties:

- (1) COSCOL HK, as original buyer;
- (2) Oriental Fleet Pulp 01, as new buyer; and
- (3) COSCO SHIPPING Heavy Industry, as seller.

Subject matter: Pursuant to the Deeds of Novation, the parties agree that all rights, benefits, obligations and liabilities of COSCOL HK under the Existing Shipbuilding Contracts shall be transferred to Oriental Fleet Pulp 01 as if Oriental Fleet Pulp 01 had originally been a party thereto, provided that: (i) the Deeds of Novation come into effect; and (ii) the full amount of the purchase price in relation to the novation of the Existing Shipbuilding Contracts in accordance with the Memoranda of Agreement between COSCOL HK and Oriental Fleet Pulp 01 is received by COSCOL HK from Oriental Fleet Pulp 01.

Effectiveness: The Deeds of Novation shall become effective when the following conditions have been duly fulfilled:

- (1) the due execution of the Deeds of Novation by the authorized representatives of the parties thereto;

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- (2) the approval of the Deeds of Novation and the transactions thereunder from the board of directors of COSCOL HK having been obtained; and
- (3) the obtaining of approval of the Deeds of Novation and the transactions contemplated thereunder from the Independent Shareholders at an extraordinary general meeting of the Company and the obtaining of approval of the Deeds of Novation and the transactions contemplated thereunder from the shareholders at a general meeting of COSCO SHIPPING Specialized Carriers, respectively.

As at the Latest Practicable Date, the conditions set out in sub-paragraphs (1) and (2) above have been satisfied.

III. SHIPBUILDING CONTRACTS

On 21 October 2020, Oriental Fleet Pulp 01 and COSCO SHIPPING Heavy Industry entered into the HK Shipbuilding Contracts in relation to the construction of four 62,000 DWT HK Multi-Purpose Vessels, and CS Development Hainan and COSCO SHIPPING Heavy Industry entered into the PRC Shipbuilding Contracts in relation to the construction of four 62,000 DWT PRC Multi-Purpose Vessels. The terms of the Shipbuilding Contracts are, in principle, on the same terms as the Original Shipbuilding Contracts as part of the operating lease arrangements between the Group and the COSCO SHIPPING Specialized Carriers Group.

The principal terms of the Shipbuilding Contracts are as follows:

Date: 21 October 2020

Parties: With respect to the HK Shipbuilding Contracts:

- (1) Oriental Fleet Pulp 01, as buyer; and
- (2) COSCO SHIPPING Heavy Industry, as seller.

With respect to the PRC Shipbuilding Contracts:

- (1) CS Development Hainan, as buyer; and
- (2) COSCO SHIPPING Heavy Industry, as seller.

LETTER FROM THE BOARD

Subject matter:

Pursuant to the Shipbuilding Contracts:

- (1) COSCO SHIPPING Heavy Industry agrees to build, launch, equip and complete at its shipyard and to sell and deliver to Oriental Fleet Pulp 01, and Oriental Fleet Pulp 01 agrees to purchase and take delivery of, four 62,000 DWT HK Multi-Purpose Vessels, which are expected to be delivered on or before 31 March 2022, 31 May 2022, 15 August 2022 and 20 October 2022, respectively; and
- (2) COSCO SHIPPING Heavy Industry agrees to build, launch, equip and complete at its shipyard and to sell and deliver to CS Development Hainan, and CS Development Hainan agrees to purchase and take delivery of, four 62,000 DWT PRC Multi-Purpose Vessels, which are expected to be delivered on or before 25 December 2022, 25 February 2023, 15 April 2023 and 31 May 2023, respectively.

Contract price and payment:

The aggregate contract price for the four 62,000 DWT HK Multi-Purpose Vessels is US\$134,720,000 and the aggregate contract price for the four 62,000 DWT PRC Multi-Purpose Vessels is RMB1,072,000,000 (inclusive of applicable value-added tax), subject to adjustments in accordance with the terms of the Shipbuilding Contracts as set out below.

The abovementioned contract price was determined after arm's length negotiation between Oriental Fleet Pulp 01, CS Development Hainan and COSCO SHIPPING Heavy Industry with reference to the result of tender conducted by the COSCO SHIPPING Specialized Carriers Group for the construction of the 62,000 DWT HK Multi-Purpose Vessels and the 62,000 DWT PRC Multi-Purpose Vessels under the Original Shipbuilding Contracts, where two independent third party shipbuilders were involved and COSCO SHIPPING Heavy Industry was selected as the successful tenderer based on its competitive terms as to price and delivery. As part of the operating lease arrangements between the Group and the COSCO SHIPPING Specialized Carriers Group, the contract price under the Shipbuilding Contracts is the same as that under the Original Shipbuilding Contracts.

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The contract price of the 62,000 DWT HK Multi-Purpose Vessels and the 62,000 DWT PRC Multi-Purpose Vessels shall be payable in five instalments, being approximately 5%, 5%, 10%, 10% and 70% of the contract price, at the relevant stages of their construction, respectively.

The contract price payable by Oriental Fleet Pulp 01 and CS Development Hainan under the Shipbuilding Contracts will be funded by the internal resources and/or external debt financing of the Group.

**Adjustment to
contract price:**

The contract price payable under the Shipbuilding Contracts is subject to downward adjustments, or Oriental Fleet Pulp 01 and CS Development Hainan shall be entitled to reject the vessel(s) and rescind the relevant Shipbuilding Contracts, in the event that (i) the construction elements of the relevant vessel, being its speed, DWTs and fuel consumption rate, fall below certain agreed benchmarks under the relevant Shipbuilding Contract; or (ii) the delay in delivery of the relevant vessel exceeds certain agreed time limits under the relevant Shipbuilding Contract.

In the event that Oriental Fleet Pulp 01 and/or CS Development Hainan reject the vessel(s) and rescind the Shipbuilding Contracts, COSCO SHIPPING Heavy Industry shall refund the full amount of all sums already paid by Oriental Fleet Pulp 01 or CS Development Hainan (as the case may be) under the Shipbuilding Contracts, together with interest accrued at the rate of 5% per annum, from the respective payment date to the date of such refund.

The abovementioned interest rate of 5% per annum was determined with reference to the estimated loss of the Group as a result of the rescission of the Shipbuilding Contracts which includes, among other things, the finance costs associated with any instalment(s) paid and the cost of supervision and inspection of the construction incurred by the Group.

**Supervision and
inspection:**

Oriental Fleet Pulp 01 or CS Development Hainan (as the case may be) shall send in good time to and maintain at COSCO SHIPPING Heavy Industry's shipyard, at its own cost and expense, one or more representative(s) to supervise and survey the construction by COSCO SHIPPING Heavy Industry of the vessels, their engines and accessories.

LETTER FROM THE BOARD

Modifications: The specifications and plans in accordance with which the vessel is constructed, may be modified and/or changed at any time after the date of the Shipbuilding Contracts by written agreement of the parties hereto, provided that such modifications and/or changes or an accumulation thereof will not, in the COSCO SHIPPING Heavy Industry's reasonable judgment, adversely affect its other commitments and provided further that Oriental Fleet Pulp 01 or CS Development Hainan (as the case may be) shall assent to adjustment of the contract price (whether increase or decrease), time of delivery of the vessel and other terms of the Shipbuilding Contracts, if any.

Effectiveness: The Shipbuilding Contracts shall only take effect upon:

- (1) the due execution of the Shipbuilding Contracts by the authorized representatives of the parties thereto; and
- (2) the obtaining of approval of the Shipbuilding Contracts and the transactions contemplated thereunder from the Independent Shareholders at an extraordinary general meeting of the Company.

As at the Latest Practicable Date, the condition set out in sub-paragraph (1) above has been satisfied.

IV. REASONS FOR AND BENEFITS OF THE ASSIGNMENT AND NOVATION AGREEMENTS AND THE SHIPBUILDING CONTRACTS

The Group is principally engaged in shipping and industry-related leasing businesses, manufacturing of containers and provision of investment and financial services.

The acquisition of the 62,000 DWT Multi-Purpose Vessels by the Group pursuant to the Assignment and Novation Agreements and the Shipbuilding Contracts and the subsequent leasing of the 62,000 DWT Multi-Purpose Vessels by the Group to the COSCO SHIPPING Specialized Carriers Group are part and parcel of the overall operating lease arrangements between the Group and the COSCO SHIPPING Specialized Carriers Group.

As the Group strives to develop its vessel leasing business in the long run in an attempt to become China's leading and the world's first-class integrated supply chain financial service provider with distinct shipping logistics features, the entering into of the Assignment and Novation Agreements and the Shipbuilding Contracts will expand the scale of the vessel leasing business and increase the proportion of the self-owned vessels of the Group. The proposed time charter party of the vessels between the Group and the COSCO SHIPPING Specialized Carriers Group following delivery of the vessels will also provide a stable income stream for the Group.

LETTER FROM THE BOARD

It is proposed that immediately after the delivery of the 62,000 DWT Multi-Purpose Vessels to be constructed under the Existing Shipbuilding Contracts and the Shipbuilding Contracts, the COSCO SHIPPING Specialized Group will charter-in the 62,000 DWT Multi-Purpose Vessels from the Group pursuant to the Master Vessel Charter Agreement. The proposed term of the time charter party in respect of the 62,000 DWT Multi-Purpose Vessels is 15 years and the fees for the use and hire of the 62,000 DWT Multi-Purpose Vessels were determined with reference to the construction price and costs of the 62,000 DWT Multi-Purpose Vessels under the Assignment and Novation Agreements and the Shipbuilding Contracts and in accordance with the general pricing principles and the general pricing determination procedures under the Master Vessel Charter Agreement approved by the Independent Shareholders at the extraordinary general meeting of the Company dated 23 December 2019. In particular, the Group participated in the tender conducted by the COSCO SHIPPING Specialized Carriers Group in respect of operating lease arrangements of the 62,000 DWT Multi-Purpose Vessels, where three independent third party lease companies were involved, and the Group was selected as the successful tenderer based on factors including overall qualification, proposed charter hire rate and other terms of service. In determining the relevant charter hire rate, the Group took into account the construction price and costs of the 62,000 DWT Multi-Purpose Vessels plus an appropriate profit margin (which is in line with the general pricing principles, being in the range from 0% to 12.25%) and sought to establish the market price by collecting applicable data and market information in accordance with the general pricing principles and the general pricing determination procedures. As set out in the sub-section headed “II. Assignment and Novation Agreements – Time charter party”, the fees payable by COSCOL HK for its use and hire of each of the 62,000 DWT Multi-Purpose Vessels under Construction shall be US\$11,530 per day pro rata. The fees for the use and hire of each of the 62,000 DWT HK Multi-Purpose Vessels and each of the 62,000 DWT PRC Multi-Purpose Vessels are proposed to be US\$12,480 per day pro rata and RMB97,480 per day pro rata, respectively.

The Group will ensure that the abovementioned time charter party will be conducted within the applicable annual caps for the provision of vessel chartering services under the Master Vessel Charter Agreement as approved by the Independent Shareholders at the extraordinary general meeting of the Company dated 23 December 2019.

Following completion of the Assignment and Novation Agreements and prior to delivery of the 62,000 DWT Multi-Purpose Vessels under Construction, the purchase price paid by the Group under the Assignment and Novation Agreements will be accounted for as the property, plant and equipment in the consolidated financial statements of the Group. The instalment(s) paid in respect of the Shipbuilding Contracts will also be accounted for as the property, plant and equipment in the consolidated financial statements of the Group. Upon delivery of the 62,000 DWT Multi-Purpose Vessels, the 62,000 DWT Multi-Purpose Vessels will be accounted for as the property, plant and equipment in the consolidated financial statements of the Group based on their respective acquisition costs. The charter hire receivable by the Group for the leasing of the 62,000 DWT Multi-Purpose Vessels will be accounted for as revenue in the consolidated financial statements of the Group.

LETTER FROM THE BOARD

The Directors (including the independent non-executive Directors, after considering the advice from the Independent Financial Adviser) consider that the Assignment and Novation Agreements and the Shipbuilding Contracts were entered into in the ordinary and usual course of business of the Group and are on normal commercial terms, and that the terms of the Assignment and Novation Agreements and the Shipbuilding Contracts are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

V. INFORMATION ON THE GROUP AND PARTIES TO THE ASSIGNMENT AND NOVATION AGREEMENTS AND THE SHIPBUILDING CONTRACTS

Information on the Group

The Company is a joint stock company established under the laws of the PRC with limited liability, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange and the A Shares of which are listed on the Shanghai Stock Exchange.

The Group is principally engaged in shipping and industry-related leasing businesses, manufacturing of containers and provision of investment and financial services.

Information on Oriental Fleet Pulp 01

Oriental Fleet Pulp 01 is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company. It is principally engaged in ship holding and management, financing and leasing services.

Information on CS Development Hainan

CS Development Hainan is a company established in the PRC with limited liability and is a wholly-owned subsidiary of the Company. It is principally engaged in international container vessel and cargo ship transportation and vessel management.

Information on COSCOL HK

COSCOL HK is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of COSCO SHIPPING Specialized Carriers. It is principally engaged in offshore financing and the purchasing of offshore shipbuilding platforms.

COSCO SHIPPING Specialized Carriers is a joint stock company established under the laws of the PRC with limited liability, the A shares of which are listed on the Shanghai Stock Exchange, and a non-wholly owned subsidiary of COSCO SHIPPING. COSCO SHIPPING Specialized Carriers and its subsidiaries are principally engaged in the operation and management of vessels and carriers and cargo transportation.

Information on COSCO SHIPPING Heavy Industry

COSCO SHIPPING Heavy Industry is a company established in the PRC with limited liability and is a wholly-owned subsidiary of COSCO SHIPPING. It is principally engaged in ship and marine equipment manufacturing, repair and modifications and auxiliary services.

LETTER FROM THE BOARD

VI. IMPLICATIONS UNDER THE LISTING RULES

Pursuant to Rules 14.22 and 14A.81 of the Listing Rules, the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder should be aggregated.

As one or more of the applicable percentages ratios calculated in accordance with the Listing Rules in respect of the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder exceed 5% but are less than 25%, the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder constitute discloseable transactions of the Company which are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, 4,458,195,175 A Shares, representing approximately 38.41% of the total issued share capital of the Company, are held by China Shipping, a wholly-owned subsidiary of COSCO SHIPPING, and 100,944,000 H Shares, representing approximately 0.87% of the total issued share capital of the Company, are held by Ocean Fortune Investment Limited, an indirect wholly-owned subsidiary of COSCO SHIPPING. Therefore, COSCO SHIPPING and its associates control or are entitled to exercise control over the voting rights in respect of 4,458,195,175 A Shares and 100,944,000 H Shares, representing approximately 39.28% of the total issued share capital of the Company. Accordingly, COSCO SHIPPING is an indirect controlling shareholder of the Company and therefore a connected person of the Company.

As COSCO SHIPPING Heavy Industry is a wholly-owned subsidiary of COSCO SHIPPING and COSCO SHIPPING is the indirect controlling shareholder of COSCO SHIPPING Specialized Carriers, and COSCOL HK is a wholly-owned subsidiary of COSCO SHIPPING Specialized Carriers, each of COSCO SHIPPING Heavy Industry and COSCOL HK is an associate of COSCO SHIPPING and therefore a connected person of the Company. Accordingly, the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder constitute connected transactions of the Company which are subject to the reporting, announcement, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, all being executive Directors, and Mr. Feng Boming, the former non-executive Director, Mr. Huang Jian and Mr. Liang Yanfeng, all being non-executive Directors, hold directorship(s) or act as senior management in COSCO SHIPPING and/or its associates, and were nominated by COSCO SHIPPING to the Board. Accordingly, Mr. Wang Daxiong, Mr. Liu Chong, Mr. Xu Hui, Mr. Feng Boming, Mr. Huang Jian and Mr. Liang Yanfeng have therefore abstained from voting on the relevant Board resolution approving the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder. Save as aforementioned, none of the other Directors has a material interest in the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder. Therefore, no other Director has abstained from voting on such Board resolutions.

LETTER FROM THE BOARD

VII. INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Independent Board Committee (comprising all the independent non-executive Directors) has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder.

Messis Capital has been appointed by the Company as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder.

VIII. EGM

The EGM will be convened at 1:30 p.m. on Monday, 16 November 2020 at Level 3, Ocean Hotel Shanghai, 1171 Dong Da Ming Road, Hong Kou District, Shanghai, the PRC, for the Shareholders to consider and, if thought fit, approve the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder. The Notice of EGM is set out on pages EGM-1 to EGM-3 of this circular.

COSCO SHIPPING and its associates and those who are interested in the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder will be required to abstain from voting on the resolutions in relation to the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder. Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder had a material interest in the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder and therefore no Shareholder is required to abstain from voting at the EGM for the relevant resolutions.

If you intend to appoint a proxy to attend the EGM, you are required to complete and return the accompanying form of proxy in accordance with the instructions printed thereon. The forms of proxy must be delivered to Computershare not less than 24 hours before the time for holding the EGM or any adjourned meeting thereof in order for such documents to be valid.

For the H Shareholders, the Form of Proxy should be returned to Computershare, the H Share registrar of the Company, by hand or by post not less than 24 hours before the time appointed for holding the EGM or any adjourned meeting thereof.

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

LETTER FROM THE BOARD

IX. RECOMMENDATIONS

Your attention is drawn to the letter from the Independent Board Committee set out on pages 22 to 23 of this circular and the letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 24 to 45 of this circular in connection with the Assignment and Novation Agreements and the Shipbuilding Contracts, and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice.

The Independent Board Committee, having considered the terms of the Assignment and Novation Agreements and the Shipbuilding Contracts and the advice of the Independent Financial Adviser, are of the opinion that: (i) the Assignment and Novation Agreements and the Shipbuilding Contracts were entered into in the ordinary and usual course of business of the Company on normal commercial terms; and (ii) the terms of the Assignment and Novation Agreements and the Shipbuilding Contracts are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolutions to approve the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder.

The Board recommends the Independent Shareholders to vote in favour of the resolutions to approve the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder at the EGM.

X. ADDITIONAL INFORMATION

Your attention is also drawn to (i) the letter from the Independent Board Committee set out on pages 22 to 23 of this circular, containing its recommendation in respect of the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder; and (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 24 to 45 of this circular, containing its recommendation in respect of the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder.

The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote on the resolutions approving the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder.

By order of the Board
COSCO SHIPPING Development Co., Ltd.*
Cai Lei
Joint Company Secretary

* *The Company is a registered non-Hong Kong company as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and it is registered under its Chinese name and under the English name "COSCO SHIPPING Development Co., Ltd."*



中遠海運發展股份有限公司
COSCO SHIPPING Development Co., Ltd.*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 02866)

30 October 2020

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE AND CONNECTED TRANSACTIONS
ASSIGNMENT AND NOVATION AGREEMENTS
AND
SHIPBUILDING CONTRACTS**

We refer to the circular of the Company dated 30 October 2020 (the “**Circular**”), of which this letter forms part. Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the Circular.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder, details of which are set out in the “Letter from the Board” in the Circular. Messis Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the “Letter from the Board” set out on pages 7 to 21 of the Circular, the “Letter from Independent Financial Adviser” set out on pages 24 to 45 of the Circular and the additional information set out in Appendix I to the Circular.

Having taken into account, among other things, the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in the “Letter from the Independent Financial Adviser” in the Circular, we concur with the view of the Independent Financial Adviser and consider that the Assignment and Novation Agreements and the Shipbuilding Contracts were entered into in the ordinary and usual course of business of the Group and are on normal commercial terms. The terms of the Assignment and Novation Agreements and the Shipbuilding Contracts are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolutions in relation to the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder to be proposed at the EGM.

Yours faithfully,

Independent Board Committee

Mr. Cai Hongping

Ms. Hai Chi Yuet

Mr. Graeme Jack

Mr. Lu Jianzhong

Ms. Zhang Weihua

Independent non-executive Directors

* *The Company is a registered non-Hong Kong company as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and it is registered under its Chinese name and under the English name "COSCO SHIPPING Development Co., Ltd."*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter from Messis Capital to the Independent Board Committee and the Independent Shareholders in respect of the Assignment and Novation Agreements and Shipbuilding Contracts for the purpose of inclusion in this Circular.



30 October 2020

*To: The Independent Board Committee and the Independent Shareholders of
COSCO SHIPPING Development Co., Ltd.**

Dear Sir or Madam,

DISCLOSEABLE AND CONNECTED TRANSACTIONS ASSIGNMENT AND NOVATION AGREEMENTS AND SHIPBUILDING CONTRACTS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders to advise the Independent Board Committee and the Independent Shareholders in respect of the Assignment and Novation Agreements and Shipbuilding Contracts and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 30 October 2020 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as defined in the Circular unless the context otherwise requires.

On 21 October 2020, COSCOL HK and Oriental Fleet Pulp 01 entered into the Memoranda of Agreement, pursuant to which, COSCOL HK agrees to transfer and Oriental Fleet Pulp 01 agrees to take over all rights, responsibilities and liabilities under the Existing Shipbuilding Contracts at the aggregate consideration of US\$20,560,000; and COSCOL HK, Oriental Fleet Pulp 01 and COSCO SHIPPING Heavy Industry entered into the Deeds of Novation in relation to the novation of the Existing Shipbuilding Contracts in accordance with the Memoranda of Agreement. On the same date, Oriental Fleet Pulp 01 and COSCO SHIPPING Heavy Industry entered into the HK Shipbuilding Contracts in relation to the construction of four 62,000 DWT HK Multi-Purpose Vessels and CS Development Hainan and COSCO SHIPPING Heavy Industry entered into the PRC Shipbuilding Contracts in relation to the construction of four 62,000 DWT PRC Multi-Purpose Vessels. The aggregate contract price for the four 62,000 DWT HK Multi-Purpose Vessels is US\$134,720,000 and the aggregate contract price for the four 62,000 DWT PRC Multi-Purpose Vessels is RMB1,072,000,000 (inclusive of applicable value-added tax), subject to adjustments in accordance with the terms of the Shipbuilding Contracts as discussed below.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The COSCO SHIPPING Specialized Carriers Group has conducted a tender in respect of the operating lease arrangements of the ten 62,000 DWT Multi-Purpose Vessels and the Group was selected as the successful tenderer. Accordingly, the Group proposes to enter into operating lease arrangements with the COSCO SHIPPING Specialized Carriers Group in respect of the ten 62,000 DWT Multi-Purpose Vessels, pursuant to the aforementioned operating lease arrangements, the Group will acquire the ten 62,000 DWT Multi-Purpose Vessels and immediately after delivery of which, the COSCO SHIPPING Specialized Group will charter-in the ten 62,000 DWT Multi-Purpose Vessels from the Group.

Among the ten 62,000 DWT Multi-Purpose Vessels, two of which (being the 62,000 DWT Multi-Purpose Vessels under Construction) are under construction and are expected to be delivered in November and December 2020, and eight of which (being the four 62,000 DWT HK Multi-Purpose Vessels and the four 62,000 DWT PRC Multi-Purpose Vessels) were the subject of the Original Shipbuilding Contracts entered into between the COSCO SHIPPING Specialized Carriers Group and COSCO SHIPPING Heavy Industry in 2020 and the construction work of which has not begun. Accordingly, it is proposed that (i) the two 62,000 DWT Multi-Purpose Vessels under Construction will be acquired by the Group from the COSCO SHIPPING Specialized Carriers Group through the Assignment and Novation Agreements; and (ii) the four 62,000 DWT HK Multi-Purpose Vessels and the four 62,000 DWT PRC Multi-Purpose Vessels will be acquired by the Group by way of (a) the termination of the Original Shipbuilding Contracts between the COSCO SHIPPING Specialized Carriers Group and COSCO SHIPPING Heavy Industry; and (b) the entering into of the Shipbuilding Contracts between the Group and COSCO SHIPPING Heavy Industry.

Pursuant to Rules 14.22 and 14A.81 of the Listing Rules, the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder should be aggregated. As one or more of the applicable percentages ratios calculated in accordance with the Listing Rules in respect of the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder exceed 5% but are less than 25%, the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder constitute discloseable transactions of the Company which are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

As at the Latest Practicable Date, 4,458,195,175 A Shares, representing approximately 38.41% of the total issued share capital of the Company, is held by China Shipping, a wholly-owned subsidiary of COSCO SHIPPING, and 100,944,000 H Shares, representing approximately 0.87% of the total issued share capital of the Company, is held by Ocean Fortune Investment Limited, an indirect wholly-owned subsidiary of COSCO SHIPPING. Therefore, COSCO SHIPPING and its associates control or are entitled to exercise control over the voting rights in respect of 4,458,195,175 A Shares and 100,944,000 H Shares, representing approximately 39.28% of the total issued share capital of the Company. Accordingly, COSCO SHIPPING is an indirect controlling shareholder of the Company and therefore a connected person of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As COSCO SHIPPING Heavy Industry is a wholly-owned subsidiary of COSCO SHIPPING and COSCO SHIPPING is the indirect controlling shareholder of COSCO SHIPPING Specialized Carriers, and COSCOL HK is a wholly-owned subsidiary of COSCO SHIPPING Specialized Carriers, each of COSCO SHIPPING Heavy Industry and COSCOL HK is an associate of COSCO SHIPPING and therefore a connected person of the Company. Accordingly, the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder constitute connected transactions of the Company which are subject to the reporting, announcement, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, all being executive Directors, and Mr. Feng Boming, the former non-executive Director, Mr. Huang Jian and Mr. Liang Yanfeng, all being non-executive Directors, hold directorship(s) or act as senior management in COSCO SHIPPING and/or its associates, and were nominated by COSCO SHIPPING to the Board. Accordingly, Mr. Wang Daxiong, Mr. Liu Chong, Mr. Xu Hui, Mr. Feng Boming, Mr. Huang Jian and Mr. Liang Yanfeng have therefore abstained from voting on the relevant Board resolution approving the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder. Save as aforementioned, none of the other Directors has a material interest in the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder. Therefore, no other Director has abstained from voting on such Board resolutions.

The Independent Board Committee (comprising all independent non-executive Directors namely, Mr. Cai Hongping, Ms. Hai Chi Yuet, Mr. Graeme Jack, Mr. Lu Jianzhing and Ms. Zhang Weihua) has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder. We, Messis Capital Limited, have been appointed as the Independent Financial Adviser with the approval of the Independent Board Committee in accordance with the Listing Rules to advise the Independent Board Committee and the Independent Shareholders in these regards and to give our opinion for the Independent Board Committee's consideration when making their recommendations to the Independent Shareholders.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company and any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. During the past two years, we were appointed as an independent financial adviser for the Company on three occasions, details of which are set out in the circulars of the Company dated (i) 10 May 2019 in relation to the further extension of validity period of resolutions regarding the revised proposed non-public issuance of A Shares by the Company; (ii) 5 August 2019 in relation to the proposed revision of annual caps in respect of continuing connected transactions contemplated under the master containers services agreement; and (iii) 6 December 2019 in relation to certain continuing connected transactions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

During the past two years, we were appointed as an independent financial adviser by COSCO SHIPPING Energy Transportation Co., Ltd.* (中遠海運能源運輸股份有限公司) (the H shares of which are listed on the Main Board of the Hong Kong Stock Exchange) (Stock Code: 1138) and the A shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600026), a connected person of the Company, on four occasions, details of which are set out in its circulars dated (i) 30 November 2018 in relation to the extension resolutions in relation to the non-public issuance of A shares; (ii) 30 November 2018 in relation to major and continuing connected transactions; (iii) 5 July 2019 in relation to the amendment to the terms of the proposed non-public issuance of A shares; and (iv) 25 November 2019 in relation to extension resolutions in relation to the non-public issuance of A shares. During the past two years, we were also appointed to act as the independent financial adviser of COSCO SHIPPING Holdings Co., Ltd. (the H shares of which are listed on the Main Board of the Hong Kong Stock Exchange) (Stock Code: 1919) and the A shares of which are listed on the Shanghai Stock Exchange (Stock Code: 601919), another connected person of the Company, for one occasion as detailed in its circular dated 5 December 2019 in relation to major transaction and continuing connected transactions. Notwithstanding the above, the previous engagements with the Company and its connected persons would not affect our independence from the Company and we are independent from the Company pursuant to Rule 13.84 of the Hong Kong Listing Rules, in particular that we did not serve as a financial adviser to (i) the Company, (ii) COSCO SHIPPING Group, and (iii) any core connected person of the Company within 2 years prior to 21 October 2020, being the date of making our independence declaration to the Hong Kong Stock Exchange pursuant to Rule 13.85(1) of the Hong Kong Listing Rules.

BASIS OF OUR OPINION

In arriving at our recommendations, we have reviewed, amongst others, (i) the Assignment and Novation Agreements; (ii) the Shipbuilding Contracts; (iii) the Assessment Report; (iv) the Company's annual report for the year ended 31 December 2018 (the "**2018 Annual Report**"); (v) the Company's annual report for the year ended 31 December 2019 (the "**2019 Annual Report**"); (vi) the Company's interim report for the six months ended 30 June 2020 (the "**2020 Interim Report**"); and (vii) other information as set out in this letter.

We have relied on the statements, information and representations contained in the Circular and the information and representations provided to us by the Company, the Directors and the management of the Company. We have assumed that all information, representations and opinions contained or referred to in the Circular and all information and representations which have been provided by the Company, the Directors and the management of the Company for which they are solely and wholly responsible, are true and accurate at the time they were made and will continue to be accurate as at the Latest Practicable Date. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the management of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The 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 the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the document misleading.

We consider that we have been provided with sufficient information on which to form a reasonable basis for our opinion. We have no reason to suspect that any relevant information has been withheld, nor are we aware of any material facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading. We consider that we have performed all the necessary steps to enable us to reach an informed view and to justify our reliance on the information provided so as to provide a reasonable basis for our opinion. We have not, however, carried out any independent verification of the information provided by the Company, the Directors and the management of the Company, nor have we conducted an independent investigation into the business and affairs of the Group and any parties in relation to the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder. Except for its inclusion in the Circular, this letter is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinions and recommendations, we have taken into consideration the following principal factors and reasons:

1. Background and Reasons for the Assignment and Novation Agreements and the Shipbuilding Contracts

1.1 Background information on the Company

The Company is a joint stock company established under the laws of the PRC with limited liability, the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange and the A Shares of which are listed on the Shanghai Stock Exchange.

The Group is principally engaged in shipping and industry-related leasing businesses, manufacturing of containers and provision of investment and financial services.

1.2 Financial performance on the Group

Set out below is a summary of the consolidated statements of profit or loss of the Group for each of the three years ended 31 December 2017, 2018 and 2019 and the six months ended 30 June 2019 and 2020, which are extracted from the Company's interim report for the six months ended 30 June 2020 (the "2020 Interim Report"), the Company's annual report for the year ended 31 December 2019 (the "2019 Annual Report") and the Company's annual report for the year ended 31 December 2018 (the "2018 Annual Report").

	Six months ended		Year ended 31 December		
	30 June 2020	2019	2019	2018	2017
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(unaudited)	(unaudited)	(audited)	(audited)	(audited)
					(restated)
<i>Continuing operations</i>					
Revenue (from external customers)	7,806,600	6,833,526	14,155,859	16,242,002	15,901,155
Costs of sales	(5,851,233)	(5,438,497)	(10,615,484)	(12,342,761)	(12,745,552)
Gross profit	1,955,367	1,395,029	3,540,375	3,899,241	3,155,603
Profit for the period/year					
from continuing operations	855,018	904,362	1,744,733	1,359,397	1,361,350

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

For the year ended 31 December 2018

Revenue of the Group increased from approximately RMB15.9 billion for the year ended 31 December 2017 to approximately RMB16.2 billion for the year ended 31 December 2018, representing an increase of approximately RMB0.3 billion or 2.1%. According to the 2018 Annual Report, the increase in the revenue was mainly attributable to the combined effect of (i) the increase in the revenue from the container manufacturing business by approximately 32% to RMB7.8 billion, mainly due to the improvement in both price and volume of containers manufactured through introducing scientific production scheduling and container painting technology which improved productivity and competitiveness; and (ii) the slight decrease in revenue from the investment and service business and other businesses by approximately RMB1.9 million and RMB12.4 million, respectively, as a result of market conditions.

For the year ended 31 December 2018, the Group maintained a stable profit level from continuing operations at approximately RMB1.4 billion as compare with that for the year ended 31 December 2017.

For the year ended 31 December 2019

Revenue of the Group decreased from approximately RMB16.2 billion for the year ended 31 December 2018 to approximately RMB14.2 billion for the year ended 31 December 2019, representing a decrease of approximately RMB2.0 billion, or 13%. According to the 2019 Annual Report, the decrease in revenue was mainly attributable to the decrease in revenue in container manufacturing business of approximately RMB3.2 billion to approximately RMB4.6 billion, which was mainly due to the continued economic slowdown trend worldwide, weak performance on global trade, low demand for containers arising from changes in macro supply and demand relations and repercussions of global trade friction during the year, which resulted in significant decrease in volume and price of the container manufacturing segment as compared with last year. The Group's accumulated container sales amounted to 402,943 TEU during the year, representing a decrease of 35% as compared with 615,600 TEU of last year.

Despite the decrease in revenue and gross profit, the Group recorded an increase in profit for the year from continuing operations from approximately RMB1.4 billion for the year ended 31 December 2018 to approximately RMB1.7 billion for the year ended 31 December 2019, which was mainly due to other gain of approximately RMB835.3 million for the year ended 31 December 2019 as compared to net other losses of RMB272.7 million, which was mainly attributable to appreciation of fair value of the securities held by the Group.

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For the six months ended 30 June 2020

Revenue of the Group increased from approximately RMB6.8 billion for the six months ended 30 June 2019 to approximately RMB7.8 billion for the six months ended 30 June 2020, representing an increase of approximately RMB1.0 billion or 14.2%. According to the 2020 Interim Report, the increase in revenue was mainly due to (i) the increase in shipping and industry-related leasing business of approximately 9.6% to approximately RMB5.7 billion for the six months ended 30 June 2020, due to expansion of the vessel finance leasing business and the appreciation of the exchange rate of US\$ against RMB during the period; and (ii) increase in revenue from investment and service business of approximately 16.9% to approximately RMB28.7 million, due to better operating results of the insurance broker business for the period.

Despite the increase in revenue and hence gross profit, the Group recorded a profit of approximately RMB855.0 million for the six months ended 30 June 2020, representing a decrease of approximately RMB49.4 million or approximately 5.5% from approximately RMB904.4 million. Such decrease in profit was mainly attributable to (i) net other losses of approximately RMB104.7 million recorded for the six months ended 30 June 2020 as compared to net other gain of approximately RMB553.3 million for the six months ended 30 June 2019, which was mainly due to fair value (loss)/gain on financial assets at fair value through profit or loss as a result of the decrease in share prices of listed equity investments held by the Group; and (ii) the increase in expected credit losses of approximately RMB84.8 million to approximately RMB326.6 million for the six months ended 30 June 2020.

1.3 Financial position on the Group

	As at 30 June 2020	As at 31 December		
	2020	2019	2018	2017
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>	<i>(audited)</i>	<i>(audited)</i>
Non-Current Assets	117,894,068	114,693,373	107,595,913	99,004,264
Current Assets	33,674,448	29,800,746	30,241,509	40,033,396
Total Assets	151,568,516	144,494,119	137,837,422	139,037,660
Current Liabilities	57,415,955	54,271,559	54,892,564	52,657,566
Non-Current Liabilities	70,143,638	66,014,842	64,904,723	69,506,307
Net current liabilities	(23,741,507)	(24,470,813)	(24,651,055)	(12,624,170)
Equity attributable to owners of the parent	24,008,923	24,207,718	18,040,135	16,276,162

As at 31 December 2017, 2018, 2019 and as at 30 June 2020, property, plant and equipment, cash and cash equivalents, finance lease receivables as well as investments in associates were the major assets of the Group, which accounted for approximately 84.4%, 93.8%, 92.9% and 92.6% of the total assets of the Group as at 31 December 2017, 2018, 2019 and as at 30 June 2020, respectively. The property, plant and equipment of approximately RMB57.1 billion as at 30 June 2019 mainly comprised of containers and vessels.

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As at 31 December 2017, 2018, 2019 and as at 30 June 2020, interest-bearing bank and other borrowings and corporate bonds were the major liabilities of the Group, which accounted for approximately 81.7%, 92.5%, 91.8% and 91.1% of the total liabilities of the Group as at 31 December 2017, 2018 and 2019 and as at 30 June 2020, respectively.

As a result of the foregoing, the total equity attributable to owners of the parent as at 31 December 2017, 2018, 2019 and as at 30 June 2020 amounted to RMB16.3 billion, RMB18.0 billion, RMB24.2 billion and RMB24.0 billion respectively.

1.4 Background information on the parties to the Assignment and Novation Agreements and the Shipbuilding Contracts

Information on Oriental Fleet Pulp 01

Oriental Fleet Pulp 01 is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of the Company. It is principally engaged in ship holding and management, financing and leasing services.

Information on CS Development Hainan

CS Development Hainan is a company established in the PRC with limited liability and is a wholly-owned subsidiary of the Company. It is principally engaged in international container vessel and cargo ship transportation and vessel management.

Information on COSCOL HK

COSCOL HK is a company incorporated in Hong Kong with limited liability and is a wholly-owned subsidiary of COSCO SHIPPING Specialized Carriers. It is principally engaged in offshore financing and the purchasing of offshore shipbuilding platforms.

COSCO SHIPPING Specialized Carriers is a joint stock company established under the laws of the PRC with limited liability and the A shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600428) and a non-wholly owned subsidiary of COSCO SHIPPING. COSCO SHIPPING Specialized Carriers and its subsidiaries are principally engaged in the operation and management of vessels and carriers and cargo transportation.

Information on COSCO SHIPPING Heavy Industry

COSCO SHIPPING Heavy Industry is a company established in the PRC with limited liability and is a wholly-owned subsidiary of COSCO SHIPPING. It is principally engaged in ship and marine equipment manufacturing, repair and modifications and auxiliary services.

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1.5 Reasons for and benefits of the Assignment and Novation Agreements and the Shipbuilding Contracts

The Group is principally engaged in shipping and industry-related leasing businesses, manufacturing of containers and provision of investment and financial services.

The acquisition of the 62,000 DWT Multi-Purpose Vessels by the Group pursuant to the Assignment and Novation Agreements and the Shipbuilding Contracts and the subsequent leasing of the 62,000 DWT Multi-Purpose Vessels by the Group to the COSCO SHIPPING Specialized Carriers Group are part and parcel of the overall operating lease arrangements between the Group and the COSCO SHIPPING Specialized Carriers Group.

According to the 2020 Interim Report, the Company will, based on its existing business, gradually set up a high-level professional investment and financing team so as to become a first-class domestic ship owner leasing enterprise. In a short-term view, the Group will mobilize its current fleet resources to revive its internal business while in the long run, it will gradually increase the proportion of external business and work out a “one-stop” business model leveraging China COSCO SHIPPING Corporation Limited’s advantages of full industrial chain deployment, in an attempt to establish a unique competitive edge in the industry. It is also the Group’s intention to develop its vessel leasing business in the long run in an attempt to become China’s leading and the world’s first-class integrated supply chain financial service provider with distinct shipping logistics features. Due to the recent business expansions, revenue from shipping and industry-related leasing business increased by approximately 9.6% to approximately RMB5.7 billion for the six months ended 30 June 2020 as a result of the expansion of the vessel finance leasing business.

As advised by the management of the Company, in order to achieve the strategy of the Group by developing its vessel leasing business in the long run, the entering into of the Assignment and Novation Agreements and the Shipbuilding Contracts would expand the scale of the vessel leasing business and increase the proportion of the self-owned vessels of the Group. Further, as advised by the management of the Group, it is the Group’s intention that immediately after the delivery of the 62,000 DWT Multi-Purpose Vessels to be constructed under the Existing Shipbuilding Contracts and the Shipbuilding Contracts, the COSCO SHIPPING Specialized Group will charter-in the 62,000 DWT Multi-Purpose Vessels from the Group pursuant to the Master Vessel Charter Agreement. The proposed term of the time charter party in respect of the 62,000 DWT Multi-Purpose Vessels is 15 years and the fees for the use and hire of the 62,000 DWT Multi-Purpose Vessels were determined with reference to the construction price and costs of the 62,000 DWT Multi-Purpose Vessels under the Assignment and Novation Agreements and the Shipbuilding Contracts and in accordance with the general pricing principles and the general pricing determination procedures under the Master Vessel Charter Agreement approved by the Independent Shareholders at the extraordinary general meeting of the Company dated 23 December 2019. In particular, the Group participated in the tender conducted by the COSCO SHIPPING Specialized Carriers Group in respect of operating lease arrangements of the 62,000 DWT Multi-Purpose Vessels, where three independent third party lease companies were involved, and the Group was selected as the successful tenderer

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based on factors including overall qualification, proposed charter hire rate and other terms of service. In determining the relevant charter hire rate, the Group took into account the construction price and costs of the 62,000 DWT Multi-Purpose Vessels plus an appropriate profit margin (which is in line with the general pricing principles, being in the range from 0% to 12.25%) and sought to establish the market price by collecting applicable data and market information in accordance with the general pricing principles and the general pricing determination procedures.

Following completion of the Assignment and Novation Agreements and prior to delivery of the 62,000 DWT Multi-Purpose Vessels under Construction, the purchase price paid by the Group under the Assignment and Novation Agreements will be accounted for as property, plant and equipment in the consolidated financial statements of the Group. The instalment(s) paid in respect of the Shipbuilding Contracts will also be accounted for as the property, plant and equipment in the consolidated financial statements of the Group. Upon delivery of the 62,000 DWT Multi-Purpose Vessels, the 62,000 DWT Multi-Purpose Vessels will be accounted for as the property, plant and equipment in the consolidated financial statements of the Group based on their respective acquisition costs. The charter hire receivable by the Group for the leasing of the 62,000 DWT Multi-Purpose Vessels will be accounted for as revenue in the consolidated financial statements of the Group. The proposed time charter party of the vessels between the Group and the COSCO SHIPPING Specialized Carriers Group following delivery of the vessels will therefore provide a stable income stream for the Group.

Having considered that (i) the vessels leasing business is one of the Group's principal business; (ii) it is the Group's intention to develop its vessel leasing business in the long run; (iii) the entering into of the Assignment and Novation Agreements and Shipbuilding Contracts would expand the scale of the vessel leasing business and increase the proportion of the self-owned vessels of the Group; and (iv) the Group is expected to provide with a stable income following delivery of the vessels, we concur with the Directors' view that the Assignment and Novation Agreements and the Shipbuilding Contracts were entered into in the ordinary and usual course of business of the Group and is in the interest of the Company and the Shareholders as a whole.

2. The Terms of the Assignments and Novation Agreements and the Shipbuilding Contracts

2.1 Assignment and Novation Agreements

On 21 October 2020:

- (1) COSCOL HK and Oriental Fleet Pulp 01 entered into the Memoranda of Agreement, pursuant to which and subject to the terms thereof, COSCOL HK agrees to transfer and Oriental Fleet Pulp 01 agrees to take over all rights, responsibilities and liabilities under the Existing Shipbuilding Contracts at the aggregate consideration

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of US\$20,560,000 (which was determined based on the aggregate Assessment Price of the two 62,000 DWT Multi-Purpose Vessels under Construction of US\$62,000,000 and the unpaid instalment under the Existing Shipbuilding Contracts); and

- (2) COSCOL HK, Oriental Fleet Pulp 01 and COSCO SHIPPING Heavy Industry entered into the Deeds of Novation in relation to the novation of the Existing Shipbuilding Contracts in accordance with the Memoranda of Agreement.

Set out below is the summarised key terms of the Assignment and Novation Agreements. Please refer to the Letter from the Board for details:

Memoranda of Agreements

- Date: 21 October 2020
- Parties: (1) COSCOL HK, as assignor; and
(2) Oriental Fleet Pulp 01, as assignee.
- Subject matter: Pursuant to the Memoranda of Agreement and subject to the terms thereof, COSCOL HK agrees to transfer and Oriental Fleet Pulp 01 agrees to take over all rights, responsibilities and liabilities under the Existing Shipbuilding Contracts in respect of the two 62,000 DWT Multi-Purpose Vessels under Construction, which are expected to be delivered by COSCO SHIPPING Heavy Industry on or around 16 November 2020 and 26 December 2020, respectively.
- Transfer of rights and obligations: All the rights of COSCOL HK under or in relation to the Existing Shipbuilding Contracts shall be assigned and transferred to, and enjoyed by Oriental Fleet Pulp 01 from the actual receipt date of the purchase price, except that the rights, costs, obligations and liabilities of supervision and inspection under the Existing Shipbuilding Contracts shall not be transferred to Oriental Fleet Pulp 01 but still be undertaken by COSCOL HK.
- As COSCOL HK has been undertaking the supervision and inspection of the construction of the two 62,000 DWT Multi-Purpose Vessels under Construction, taking also into account (i) the construction work of the two 62,000 DWT Multi-Purpose Vessels under Construction having been substantially completed; and (ii) the imminent delivery of the two 62,000 DWT Multi-Purpose Vessels under Construction, it was agreed that the rights, costs, obligations and liabilities of supervision and inspection under the Existing Shipbuilding Contracts shall still be undertaken by COSCOL HK in view of continuity and efficiency. Further, as COSCOL HK will be the charterer of the 62,000 DWT Multi-Purpose Vessels under Construction upon delivery, the arrangement will also ensure that the 62,000 DWT Multi-Purpose Vessels under Construction will have the necessary specifications for the purpose of the time charter party.

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Purchase Price: The purchase price payable under each of the Memoranda of Agreement shall be the amount of (i) the Assessment Price, being US\$31,000,000; less (ii) the amount of the unpaid fifth instalment under the respective Existing Shipbuilding Contract, being US\$20,720,000, which will be payable upon delivery of the 62,000 DWT Multi-Purpose Vessels under Construction under the Existing Shipbuilding Contracts.

While the Existing Shipbuilding Contracts provide for adjustments to the contract price of the two 62,000 DWT Multi-Purpose Vessels under Construction in the event of modifications of specifications, construction elements of the 62,000 DWT Multi-Purpose Vessels under Construction falling below certain agreed benchmarks and/or delay in delivery, as the construction work of the two 62,000 DWT Multi-Purpose Vessels under Construction has been substantially completed and the two 62,000 DWT Multi-Purpose Vessels will be delivered as scheduled, there has not been and will not be any adjustment to the contract price and therefore the amount of the unpaid fifth instalment under the Existing Shipbuilding Contracts.

Taking into account the abovementioned status of the construction of the two 62,000 DWT Multi-Purpose Vessels under Construction, the Board considers that the terms of the Assignment and Novation Agreement are fair and reasonable.

Accordingly, the aggregate purchase price payable under the two Memoranda of Agreement is US\$20,560,000, which was determined after arm's length negotiation between COSCOL HK and Oriental Fleet Pulp 01 with reference to the Assessment Report issued by Shanghai Orient, an independent valuer, and the unpaid instalment under the Existing Shipbuilding Contracts. According to the Assessment Report, the aggregate Assessment Price of the two 62,000 DWT Multi-Purpose Vessels under Construction as at the benchmark date of 31 August 2020 was US\$62,000,000, which was determined based on the cost approach by calculating the cost of replacing the vessels. The full text of the Assessment Report is set out in Appendix II to this circular. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

The purchase price payable by Oriental Fleet Pulp 01 under the Memoranda of Agreement will be funded by the internal resources of the Group.

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- Time charter party: COSCOL HK will charter-in the 62,000 DWT Multi-Purpose Vessels under Construction from Oriental Fleet Pulp 01 immediately after the delivery of the 62,000 DWT Multi-Purpose Vessels under Construction by COSCO SHIPPING Heavy Industry to Oriental Fleet Pulp 01, and the fees which shall be paid for COSCOL HK's use and hire of each of the 62,000 DWT Multi-Purpose Vessels under Construction shall be US\$11,530 per day pro rata, which was determined with reference to the construction price and costs of each of the 62,000 DWT Multi-Purpose Vessels under Construction and in accordance with the general pricing principles and the general pricing determination procedures under the Master Vessel Charter Agreement approved by the Independent Shareholders at the extraordinary general meeting of the Company dated 23 December 2019.
- Payment terms: Within five banking days from the effective date of the Memoranda of Agreement, the purchase price shall be remitted free of bank charges, withholdings or any other deductions whatsoever by Oriental Fleet Pulp 01 to COSCOL HK.
- Effectiveness: Unless otherwise agreed in writing between the parties, the Memoranda of Agreement shall come into effect provided all the conditions below are satisfied:
- (1) the authorized representative of COSCOL HK having signed the Memoranda of Agreement;
 - (2) the authorized representative of Oriental Fleet Pulp 01 having signed the Memoranda of Agreement;
 - (3) the approval of the Memoranda of Agreement and the transactions thereunder from the board of directors of COSCOL HK having been obtained;
 - (4) the approval of the Memoranda of Agreement and the transactions thereunder at a general meeting of COSCO SHIPPING Specialized Carriers having been obtained; and
 - (5) the approval of the Memoranda of Agreement and the transactions thereunder from the Independent Shareholders at an extraordinary general meeting of the Company having been obtained.

As at the Latest Practicable Date, the conditions set out in sub-paragraphs (1), (2) and (3) above have been satisfied.

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The Deeds of Novation

- Date: 21 October 2020
- Parties: (a) COSCOL HK, as original buyer;
- (b) Oriental Fleet Pulp 01, as new buyer; and
- (c) COSCO SHIPPING Heavy Industry, as seller.
- Subject matter: Pursuant to the Deeds of Novation, the parties agree that all rights, benefits, obligations and liabilities of COSCOL HK under the Existing Shipbuilding Contracts shall be transferred to Oriental Fleet Pulp 01 as if Oriental Fleet Pulp 01 had originally been a party thereto, provided that: (i) the Deeds of Novation come into effect; and (ii) the full amount of the purchase price in relation to the novation of the Existing Shipbuilding Contracts in accordance with the Memoranda of Agreement between COSCOL HK and Oriental Fleet Pulp 01 is received by COSCOL HK from Oriental Fleet Pulp 01.
- Effectiveness: The Deeds of Novation shall become effective when the following conditions have been duly fulfilled:
- (1) the due execution of the Deeds of Novation by the authorized representatives of the parties thereto;
 - (2) the approval of the Deeds of Novation and the transactions thereunder from the board of directors of COSCOL HK having been obtained; and
 - (3) the obtaining of approval of the Deeds of Novation and the transactions contemplated thereunder from the independent shareholders at an extraordinary general meeting of the Company and the obtaining of approval of the Deeds of Novation and the transactions contemplated thereunder from the shareholders at a general meeting of COSCO SHIPPING Specialized Carriers, respectively.

As at the Latest Practicable Date, the conditions set out in sub-paragraphs (1) and (2) above have been satisfied.

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2.2 Fairness and reasonableness on the consideration payable under the Assignment and Novation Agreements

As stated in the Letter from the Board, in respect of the Existing Shipbuilding Contracts, the aggregate consideration payable was determined after arm's length negotiation between COSCOL HK and Oriental Fleet Pulp 01 with reference to the Assessment Price as set out in the Assessment Report prepared by Shanghai Orient Appraisal Co., Ltd., an independent valuer (the "Valuer"). While the Existing Shipbuilding Contracts provide for adjustments to the contract price of the two 62,000 DWT Multi-Purpose Vessels under Construction in the event of modifications of specifications, construction elements of the 62,000 DWT Multi-Purpose Vessels under Construction falling below certain agreed benchmarks and/or delay in delivery, as the construction work of the two 62,000 DWT Multi-Purpose Vessels under Construction has been substantially completed and the two 62,000 DWT Multi-Purpose Vessels will be delivered as scheduled, there has not been and will not be any adjustment to the contract price under the Existing Shipbuilding Contracts.

According to the Assessment Report, the assessment price of the 62,000 DWT Multi-Purpose Vessels under Construction as at the benchmark date of 31 August 2020 (the "Benchmark Date") was US\$62,000,000, which was determined based on the cost approach. The cost approach collectively refers to the valuation methodology to determine the value of the valuation target based on the idea of re-building or replacing the valuation target with the re-building or replacement cost as the basis for determining the value of the valuation target after deducting relevant depreciation. According to the Memoranda of Agreement, the purchase price payable under each of the Memoranda of Agreement shall be the amount of (i) the Assessment Price, being US\$31,000,000; less (ii) the amount of the unpaid fifth instalment under the respective Existing Shipbuilding Contract, being US\$20,720,000, which will be payable upon delivery of the 62,000 DWT Multi-Purpose Vessels under Construction under the Existing Shipbuilding Contracts. Accordingly, the aggregate purchase price payable under the Memoranda of Agreement is US\$20,560,000.

We have reviewed and enquired the qualification and experience of the Valuer in charge of the valuation of the 62,000 DWT Multi-purpose Vessels under the Existing Shipbuilding Contracts. We have also checked to the website of the State-owned Assets Supervision and Administration Commission of the State Council of the PRC (the "SASAC") and noted that the Valuer is on the SASAC's recognized list of asset appraisal companies. Furthermore, we have reviewed the Valuer's terms of engagement and its scope of work. We were not aware of any irregularities during our interview with the Valuer or in our review of the Assessment Report. The Valuer has also confirmed that they are independent to the Company, the connected persons of the Company and other parties to the transaction.

We have discussed with the Valuer and noted that the Valuer has considered three common valuation approaches, namely market approach, income approach and cost approach. As advised by the Valuer, (i) market approach is not appropriate for the valuation of the 62,000 DWT Multi-purpose Vessels under Construction given that market comparables are not readily available in the second hand market of vessels; and (ii) income approach is not appropriate for

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the valuation of the 62,000 DWT Multi-purpose Vessels under Construction given that the vessels and equipment under valuation have no independent profitability or the profitability cannot be quantified. Therefore, cost approach is adopted by the Valuer for the valuation of the 62,000 DWT Multi-purpose Vessels under the Existing Shipbuilding Contracts as there are sources of relevant data and information on the replacement cost of vessels and equipment and the depreciation caused by various depletions can be measured.

We have reviewed the Assessment Report prepared by the Valuer and noted that the valuation of each of the 62,000 DWT Multi-purpose Vessels under Construction as at the Benchmark Date was US\$31,000,000 which consisted of all relevant costs in completing the construction of each vessel. Given that (i) the 62,000 DWT Multi-purpose Vessels under Construction under the Existing Shipbuilding Contracts are at the stage of preparation and construction as at the Benchmark Date and (ii) the cost of replacing the 62,000 DWT Multi-purpose Vessels under Construction was readily available; we consider that the adoption of cost approach and hence the valuation of the 62,000 DWT Multi-purpose Vessels under Construction under the Existing Shipbuilding Contracts provide a fair and reasonable basis to derive the consideration.

Based on the above, having considered that (i) the bases and methodologies adopted for the assessment of the valuation of the 62,000 DWT Multi-purpose Vessels under Construction as at the Benchmark Date is fair and reasonable; (ii) the purchase price payable under each of the Memoranda of Agreement is equivalent to the amount of (a) the Assessment Price, being US\$31,000,000; less (b) the amount of the unpaid fifth instalment under the respective Existing Shipbuilding Contract, being US\$20,720,000, which will be payable upon delivery of the 62,000 DWT Multi-Purpose Vessels under Construction under the Existing Shipbuilding Contracts; and (iii) the abovementioned status of the construction of the two 62,000 DWT Multi-Purpose Vessels under Construction, we concur with the view of the Directors that the terms of the Assignment and Novation Agreements are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

2.3 The Shipbuilding Contracts

On 21 October 2020, Oriental Fleet Pulp 01 and COSCO SHIPPING Heavy Industry entered into the HK Shipbuilding Contracts in relation to the construction of four 62,000 DWT HK Multi-Purpose Vessels and CS Development Hainan and COSCO SHIPPING Heavy Industry entered into the PRC Shipbuilding Contracts in relation to the construction of four 62,000 DWT PRC Multi-Purpose Vessels. The terms of the Shipbuilding Contracts are, in principle, on the same terms as the Original Shipbuilding Contracts as part of the operating lease arrangements between the Group and the COSCO SHIPPING Specialized Carriers Group.

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The principal terms of the Shipbuilding Contracts are summarised as follows. Please refer to the Letter from the Board for details:

Date: 21 October 2020

Parties: With respect to the HK Shipbuilding Contracts:

- (1) Oriental Fleet Pulp 01, as buyer; and
- (2) COSCO SHIPPING Heavy Industry, as seller.

With respect to the PRC Shipbuilding Contracts:

- (1) CS Development Hainan, as buyer; and
- (2) COSCO SHIPPING Heavy Industry, as seller.

Subject matter: Pursuant to the Shipbuilding Contracts:

- (1) COSCO SHIPPING Heavy Industry agrees to build, launch, equip and complete at its shipyard and to sell and deliver to Oriental Fleet Pulp 01, and Oriental Fleet Pulp 01 agrees to purchase and take delivery of, four 62,000 DWT HK Multi-Purpose Vessels, which are expected to be delivered on or before 31 March 2022, 31 May 2022, 15 August 2022 and 20 October 2022, respectively; and
- (2) COSCO SHIPPING Heavy Industry agrees to build, launch, equip and complete at its shipyard and to sell and deliver to CS Development Hainan, and CS Development Hainan agrees to purchase and take delivery of, four 62,000 DWT PRC Multi-Purpose Vessels, which are expected to be delivered on or before 25 December 2022, 25 February 2023, 15 April 2023 and 31 May 2023, respectively.

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Contract price and payment: The aggregate contract price for the four 62,000 DWT HK Multi-Purpose Vessels is US\$134,720,000 and the aggregate contract price for the four 62,000 DWT PRC Multi-Purpose Vessels is RMB1,072,000,000 (inclusive of applicable value-added tax), subject to adjustments in accordance with the terms of the Shipbuilding Contracts as set out below.

The abovementioned contract price was determined after arm's length negotiation between Oriental Fleet Pulp 01, CS Development Hainan and COSCO SHIPPING Heavy Industry with reference to the result of tender conducted by the COSCO SHIPPING Specialized Carriers Group for the construction of the 62,000 DWT HK Multi-Purpose Vessels and the 62,000 DWT PRC Multi-Purpose Vessels under the Original Shipbuilding Contracts, where two independent third party shipbuilders were involved and COSCO SHIPPING Heavy Industry was selected as the successful tenderer based on its competitive terms as to price and delivery. As part of the operating lease arrangements between the Group and the COSCO SHIPPING Specialized Carriers Group, the contract price under the Shipbuilding Contracts is the same as that under the Original Shipbuilding Contracts.

The contract price of the 62,000 DWT HK Multi-Purpose Vessels and the 62,000 DWT PRC Multi-Purpose Vessels shall be payable in five instalments, being approximately 5%, 5%, 10%, 10% and 70% of the contract price, at the relevant stages of their construction, respectively.

The contract price payable by Oriental Fleet Pulp 01 and CS Development Hainan under the Shipbuilding Contracts will be funded by the internal resources and/or external debt financing of the Group.

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Adjustment to contract price: The contract price payable under the Shipbuilding Contracts is subject to downward adjustments, or Oriental Fleet Pulp 01 and CS Development Hainan shall be entitled to reject the vessel(s) and rescind the relevant Shipbuilding Contracts, in the event that (i) the construction elements of the relevant vessel, being its speed, DWTs and fuel consumption rate, fall below certain agreed benchmarks under the relevant Shipbuilding Contract; or (ii) the delay in delivery of the relevant vessel exceeds certain agreed time limits under the relevant Shipbuilding Contract.

In the event that Oriental Fleet Pulp 01 and/or CS Development Hainan reject the vessel(s) and rescind the Shipbuilding Contracts, COSCO SHIPPING Heavy Industry shall refund the full amount of all sums already paid by Oriental Fleet Pulp 01 or CS Development Hainan (as the case may be) under the Shipbuilding Contracts, together with interest accrued at the rate of 5% per annum, from the respective payment date to the date of such refund.

The abovementioned interest rate of 5% per annum was determined with reference to the estimated loss of the Group as a result of the rescission of the Shipbuilding Contracts which includes, among other things, the finance costs associated with any instalment(s) paid and the cost of supervision and inspection of the construction incurred by the Group.

Effectiveness: The Shipbuilding Contracts shall only take effect upon:

- (1) the due execution of the Shipbuilding Contracts by the authorized representatives of the parties thereto; and
- (2) the obtaining of approval of the Shipbuilding Contracts and the transactions contemplated thereunder from the Independent.

As at the Latest Practicable Date, the condition set out in sub-paragraph (1) above has been satisfied.

2.4 Fairness and reasonableness on the consideration payable under the Shipbuilding Contracts

As stated in the Letter from the Board, the aggregate contract price for the four 62,000 DWT HK Multi-Purpose Vessels is US\$134,720,000 and the aggregate contract price for the four 62,000 DWT PRC Multi-Purpose Vessels is RMB1,072,000,000 (inclusive of applicable value-added tax), subject to adjustments in accordance with the terms of the Shipbuilding

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Contracts. The abovementioned contract price was determined after arm's length negotiation between Oriental Fleet Pulp 01, CS Development Hainan and COSCO SHIPPING Heavy Industry with reference to the result of tender conducted by the COSCO SHIPPING Specialized Carriers Group for the construction of the 62,000 DWT HK Multi-Purpose Vessels and the 62,000 DWT PRC Multi-Purpose Vessels under the Original Shipbuilding Contracts, where two independent third party shipbuilders were involved and COSCO SHIPPING Heavy Industry was selected as the successful tenderer based on its competitive terms as to price and delivery. As part of the operating lease arrangements between the Group and the COSCO SHIPPING Specialized Carriers Group, the contract price under the Shipbuilding Contracts are the same as that under the Original Shipbuilding Contracts.

In order to assess the fairness and reasonableness of the consideration payable under the Shipbuilding Contracts, we have discussed with the management of the Company and understood the background of the Shipbuilding Contracts. We noted that COSCO SHIPPING Specialized Carriers has conducted a tender in respect of the operating lease arrangements of the ten 62,000 DWT Multi-Purpose Vessels and the Group was selected as the successful tender based on its competitive terms as to price and delivery. Accordingly, the Group proposes to enter into operating lease arrangements with the COSCO SHIPPING Specialized Carriers Group in respect of the ten 62,000 DWT Multi-Purpose Vessels, pursuant to the aforementioned operating lease arrangements, the Group will acquire the ten 62,000 DWT Multi-Purpose Vessels and immediately after delivery of which, the COSCO SHIPPING Specialized Group will charter-in the ten 62,000 DWT Multi-Purpose Vessels from the Group. Among the ten 62,000 DWT Multi-Purpose Vessels, two of which (being the 62,000 DWT Multi-Purpose Vessels under Construction) are under construction and are expected to be delivered in November and December 2020, and eight of which (being the four 62,000 DWT HK Multi-Purpose Vessels and the four 62,000 DWT PRC Multi-Purpose Vessels) were the subject of the Original Shipbuilding Contracts. The Group acquired the four 62,000 DWT HK Multi-Purpose Vessels and the four 62,000 DWT PRC Multi-Purpose Vessels by way of (a) the termination of the Original Shipbuilding Contracts between the COSCO SHIPPING Specialized Carriers Group and COSCO SHIPPING Heavy Industry; and (b) the entering into of the Shipbuilding Contracts between the Group and COSCO SHIPPING Heavy Industry.

In addition, we have reviewed the announcement published by COSCO SHIPPING Specialized Carriers on the website of the Shanghai Stock Exchange on 11 March 2020, and noted that the price of each of the 62,000 DWT HK Multi-Purpose Vessels and the 62,000 DWT PRC Multi-Purpose Vessels is US\$33,680,000 and RMB268,000,000 respectively under the Original Shipbuilding Contracts, which is the same as the contract price for each of the 62,000 DWT HK Multi-Purpose Vessels and the 62,000 DWT PRC Multi-Purpose Vessels under the Shipbuilding Contracts.

Based on the above, we concur with the view of the Directors that the terms of the Shipbuilding Contracts are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having taken into account the above-mentioned principal factors and reasons, we are of the opinion that the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder were entered into in the ordinary and usual course of business of the Group and is in the interest of the Company and the Shareholders as a whole, and the terms of the Assignment and Novation and the Shipbuilding Contracts are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the resolutions to be proposed at the AGM to approve the the Assignment and Novation Agreements and the Shipbuilding Contracts and the transactions contemplated thereunder.

* *For identification purpose only*

Yours faithfully,
For and on behalf of
Messis Capital Limited
Vincent Cheung
Managing Director

Mr. Vincent Cheung is a licensed person registered with the Securities and Futures Commission and regarded as a responsible officer of Mesis Capital Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and has over 12 years of experience in corporate finance industry.

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 document misleading.

2. DISCLOSURE OF INTERESTS

Interests and short positions of Directors, Supervisors and chief executives

Save as disclosed below, as at the Latest Practicable Date, none of the Directors, Supervisors or chief executive(s) of the Company had any interests or short positions in the Shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which any such Directors, Supervisors or chief executive(s) is taken or deemed to have under such provisions of the SFO) or which was required to be entered in the register required to be kept by the Company pursuant to Section 352 of the SFO or which was otherwise required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers adopted by the Company.

Name	Position	Class of		Number of Shares interested <i>(Note 1)</i>	Approximate	Approximate
		Shares	Capacity		percentage of the total number of the relevant class of Shares of the Company <i>(%)</i>	
Wang Daxiong	Director	A Shares	Beneficial owner	1,500,000(L) <i>(Note 2)</i>	0.02	0.01
		H Shares	Other	834,677 (L) <i>(Notes 3 and 4)</i>	0.02	0.01
Liu Chong	Director	A Shares	Beneficial owner	1,490,100 (L) <i>(Note 2)</i>	0.02	0.01
		H Shares	Other	1,112,903 (L) <i>(Notes 3 and 5)</i>	0.03	0.01

Name	Position	Class of		Number of Shares interested (Note 1)	Approximate percentage of the total number of the relevant class of Shares of the Company (%)	Approximate percentage of the issued share capital of the Company (%)
		Shares	Capacity			
Xu Hui	Director	A Shares	Beneficial owner	1,490,100(L) (Note 2)	0.02	0.01
		H Shares	Other	945,968 (L) (Notes 3 and 6)	0.03	0.01

Notes:

1. “L” means long position in the shares.
2. Such interests relate to share options granted to the Directors on 30 March 2020 pursuant to the A Share option incentive scheme of the Company approved by the Shareholders on 5 March 2020.
3. As disclosed in the announcement of the Company dated 24 November 2016, certain executive Directors, Supervisor, senior management and employees of the Company have voluntarily invested, with their own fund, in an asset management plan (the “**Asset Management Plan**”), pursuant to which the executive Directors, Supervisor, senior management and employees of the Company had subscribed to the units of the Asset Management Plan and entrusted the manager of the Asset Management Plan to manage the Asset Management Plan, which would invest in the H Shares. The manager of the Asset Management Plan shall be responsible for, among other things, the investment and re-investment of the assets under the Asset Management Plan and shall be entitled to exercise the voting rights and other relevant rights in respect of the H Shares held under the Asset Management Plan. The Company did not participate in the Asset Management Plan, and the Asset Management Plan does not constitute a share option scheme or any type of employee benefit scheme of the Company. As at the Latest Practicable Date, the Asset Management Plan has been fully funded and has acquired 6,900,000 H Shares on the market at an average price of HK\$1.749 per H Share.
4. Mr. Wang Daxiong was one of the participants of the Asset Management Plan through which he held approximately 12.10% of the total number of units of the Asset Management Plan as at the Latest Practicable Date. Accordingly, the 834,677 H Shares represent the interests derived from the units subscribed by Mr. Wang Daxiong in the Asset Management Plan as at the Latest Practicable Date. As at the Latest Practicable Date, Mr. Wang Daxiong did not hold any Shares.
5. Mr. Liu Chong was one of the participants of the Asset Management Plan through which he held approximately 16.13% of the total number of units of the Asset Management Plan as at the Latest Practicable Date. Accordingly, the 1,112,903 H Shares represent the interests derived from the units subscribed by Mr. Liu Chong in the Asset Management Plan as at the Latest Practicable Date. As at the Latest Practicable Date, Mr. Liu Chong did not hold any Shares.
6. Mr. Xu Hui was one of the participants of the Asset Management Plan through which he held approximately 13.71% of the total number of units of the Asset Management Plan as at the Latest Practicable Date. Accordingly, the 945,968 H Shares represent the interests derived from the units subscribed by Mr. Xu Hui in the Asset Management Plan as at the Latest Practicable Date. As at the Latest Practicable Date, Mr. Xu Hui did not hold any Shares.

Positions held by Directors and Supervisors in substantial Shareholder(s)

As at the Latest Practicable Date:

- (a) Mr. Huang Jian, a non-executive Director, was also a department general manager of COSCO SHIPPING; and
- (b) Mr. Ye Hongjun, a Supervisor, was also the chief legal adviser of COSCO SHIPPING.

Save as disclosed above, none of the Directors or Supervisors was, as at the Latest Practicable Date, a director or employee of a company which had an interest or short position in the Shares or underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

Interests of substantial Shareholders

As at the Latest Practicable Date, so far as was known to the Directors, Supervisors or chief executive(s) of the Company, the interests or short positions of the Shareholders who are entitled to exercise or control 5% or more of the voting power at any general meeting or other persons (other than a Director, Supervisor or chief executive(s) of the Company) in the Shares or underlying shares of the Company which were required to be notified to the Company pursuant to Divisions 2 and 3 of Part XV of the SFO, or which were required to be recorded in the register kept by the Company pursuant to Section 336 of the SFO or which have been notified to the Company and the Hong Kong Stock Exchange were as follows:

Name of Shareholder	Class of Shares	Capacity	Number of Shares interested (Note 1)	Approximate	Approximate
				percentage of the total number of the relevant class of Shares of the Company (%)	percentage of the issued share capital of the Company (%)
China Shipping	A Shares	Beneficial owner	4,458,195,175 (L) (Note 2)	56.20	38.41
	H Shares	Interest of controlled corporation	100,944,000 (L) (Note 3)	2.75	0.87
COSCO SHIPPING	A Shares	Interest of controlled corporation	4,458,195,175 (L) (Note 2)	56.20	38.41
	H Shares	Interest of controlled corporation	100,944,000 (L) (Note 3)	2.75	0.87

Notes:

1. “L” means long position in the shares.
2. Such 4,458,195,175 A Shares represent the same block of Shares.
3. Such 100,944,000 H Shares represent the same block of Shares and is held by Ocean Fortune Investment Limited, an indirectly wholly-owned subsidiary of China Shipping.

Save as disclosed above, as at the Latest Practicable Date, no other person (other than Directors, Supervisors or chief executive(s) of the Company) had any interests or short positions in any Shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or any interests or short positions recorded in the register kept by the Company pursuant to Section 336 of the SFO or any interests or short positions which have been notified to the Company and the Hong Kong Stock Exchange.

3. NO MATERIAL ADVERSE CHANGE

The Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2019, being the date to which the latest audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

4. SERVICE CONTRACTS

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

5. LITIGATION

As at the Latest Practicable Date, no litigation or claim of material importance was known to the Directors to be pending or threatened against any member of the Group.

6. MATERIAL INTERESTS

As at the Latest Practicable Date:

- (a) none of the Directors or the Supervisors had any direct or indirect interest in any assets which had been, since 31 December 2019 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) none of the Directors or the Supervisors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

7. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors, nor any of their respective close associates had any interest in other business which competes or may compete, either directly or indirectly, with the business of the Group as if each of them were treated as a controlling shareholder under Rule 8.10 of the Hong Kong Listing Rules.

8. EXPERTS' QUALIFICATIONS AND CONSENT

The following are the qualifications of the experts who have given their opinions or advice which are contained in this circular:

Name	Qualification
Messis Capital	A corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO
Shanghai Orient	Independent valuer

As at the Latest Practicable Date, each of the abovementioned experts had given and had not withdrawn its written consent to the issue of this circular with the inclusion of its letter or opinion and/or the reference to its name and opinions in the form and context in which they respectively appear.

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

As at the Latest Practicable Date, each of the abovementioned experts did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2019 (being the date to which the latest published audited statements of the Group were made up).

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 50/F, COSCO Tower, 183 Queen's Road Central, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the Assignment and Novation Agreements;
- (b) the Shipbuilding Agreements;
- (c) the Master Vessel Charter Agreement;
- (d) the letter from the Board, the text of which is set out in the section headed "Letter from the Board" in this circular;
- (e) the letter from the Independent Board Committee to the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Board Committee" in this circular;
- (f) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" in this circular;
- (g) the written consent referred to in the paragraph headed "Expert's Qualifications and Consent" in this appendix; and
- (h) this circular.

The following is the full text of the Assessment Report for the purpose of inclusion in this circular.

This Asset Assessment Report is prepared in accordance with PRC Asset Valuation Standards.

**Asset Assessment Report on the Market Value of the
Two Multi-Purpose Vessels under Construction Involved in the
Proposed Disposal by COSCOL (HK) Investment & Development Co., Ltd.
on the Basis of the Completed Status**

Dong Zhou Ping Bao Zi 2020 No. 1584-1

(Report and Annexes)

(1 of 1)



Shanghai Orient Appraisal Co., Ltd.

23 October 2020

Disclaimer

- I. This Asset Assessment Report is prepared in accordance with the Basic Standards on Asset Valuation issued by the Ministry of Finance and the Standards for Asset Appraisal and the Professional Code of Ethics for the Appraisal of Assets issued by the China Appraisal Society.
- II. The client or other users of the Asset Assessment Report shall use the Asset Assessment Report in accordance with the provisions of laws and administrative regulations and within the scopes as specified in the Asset Assessment Report. The asset valuation agency and its professional asset appraisers take no responsibility for any non-compliance with the above-mentioned requirements for the use of the Asset Assessment Report by the client or other users of the Asset Assessment Report.
- III. This Asset Assessment Report shall only be used by the client, other users of the Asset Assessment Report stipulated in the asset valuation engagement contract, and users of the Asset Assessment Report as required by laws and administrative regulations. Save for the above, no other institution or individual shall be the user of this report.
- IV. Users of the Asset Assessment Report should correctly interpret and use the valuation conclusion, which is not equivalent to the realizable value of the valuation target and should not be considered as a guarantee for the realizable value of the valuation target.
- V. Users of the Asset Assessment Report should be aware of the assumptions as the premise of the valuation conclusion, and the special notes and the restrictions on the use of the Asset Assessment Report.
- VI. The asset valuation agency and its professional asset appraisers have complied with the laws, administrative regulations and asset valuation standards, abided by the principles of independence, objectivity and impartiality, and have assumed responsibilities for the Asset Assessment Report in accordance with laws.
- VII. We have no existing or expected relationship of interests with the valuation target set out in the Asset Assessment Report or with the relevant parties, and have no prejudice against the relevant parties.
- VIII. The list of assets of the valuation target should be declared by the client and the appraised entity and certified by signature, seal or other means permitted by laws. According to the Asset Valuation Law of the People's Republic of China: "The client shall be responsible for the truthfulness, completeness and legality of the ownership certificates, financial accounting information and other information provided by it."

- IX. We have conducted on-site investigation, and given due consideration to the legal title status of the valuation target and its assets involved and conducted verification on the relevant information regarding the legal title of the relevant assets. We have duly disclosed issues that may have a significant impact on the valuation conclusion and have requested the client and other relevant parties to perfect the titles for the purpose of issuing the Asset Assessment Report. However, we only express our opinion on the value of the valuation target and its assets involved, and we are not entitled to give any form of guarantee on their legal titles. This report is also not to be used as any form of title certificates.
- X. Our inspection of physical assets such as equipment is limited to their apparent quality, use and maintenance conditions in accordance with common practice, and does not involve the covered, concealed and hardly observable parts of its interior. We do not have the capacity nor have we been commissioned to carry out professional technical test and appraisal of the quality of the interior of these assets. Our valuation is based on information provided by the client and other relevant parties. If the quality of the interior of the valuation target is defective, the valuation conclusion of this Asset Assessment Report may be affected to varying extents.

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Asset Assessment Report
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Summary

Asset Assessment Report on the Market Value of the Two Multi-Purpose Vessels under Construction Involved in the Proposed Disposal by COSCOL (HK) Investment & Development Co., Ltd. on the Basis of the Completed Status

Dong Zhou Ping Bao Zi 2020 No. 1584-1

Summary

Special note: This Asset Assessment Report is for value reference purpose in respect of the economic activity described in the report only. The following is extracted from the text of the Asset Assessment Report. You should read the text of the Assessment Report if you wish to understand the details of this appraised business and the valuation conclusion correctly.

Upon the engagement, subject to laws, administrative regulations and asset valuation standards, and on the principles of independence, objectivity and impartiality, Shanghai Orient Appraisal Co., Ltd. conducted a valuation on the corresponding valuation target of the economic activity, based on appropriate valuation approach and necessary valuation process. The summary of the Asset Assessment Report is as follows:

Client: COSCOL (HK) Investment & Development Co., Ltd.

Appraised entity: COSCOL (HK) Investment & Development Co., Ltd.

Valuation purpose: Asset disposal

Economic activity: Pursuant to related documents on the economic activity, COSCOL (HK) Investment & Development Co., Ltd. proposes to dispose part of the assets owned by it.

Valuation target: Value of part of assets

Scope of valuation: The scope of the valuation is the two multi-purpose vessels (N1006 and N1007) under construction by COSCO SHIPPING Heavy Industry (Dalian) Co., Ltd.

Value type: Market value

Valuation benchmark date: 31 August 2020

Valuation methodology: Based on the characteristics of the assets within the scope of valuation, the cost approach is adopted in the valuation.

Valuation conclusion: After the valuation, the appraised value of the two multi-purpose vessels under construction within the scope of valuation on the basis of the completed status is US\$62,000,000.00 (tax exclusive), being SIXTY-TWO MILLION US DOLLARS ONLY. (The central parity rate of USD against RMB is 6.8605:1)

Validity period of the valuation conclusion: The valuation conclusion shall be valid for one year from the valuation benchmark date, namely with a validity period till 30 August 2021.

If the valuation project involves state-owned assets, the report should be filed with the state-owned assets administration authority and be subject to approval process in accordance with the relevant regulations. The report must be filed with the state-owned assets supervision and administration authorities before it can be formally used, and the valuation conclusion applies only to the economic activities shown in this report.

SPECIAL MATTERS

The subsequent construction fees from the valuation benchmark date to the completion of the construction of the vessels shall be assumed by COSCOL (HK) Investment & Development Co., Ltd. The construction of the two multi-purpose vessels under construction under valuation has not been completed on the valuation benchmark date and the appraised value is the market value of the two multi-purpose vessels under construction on the basis of the completed status.

The abovementioned special matters may have an impact on the valuation conclusion, to which users of the Assessment Report should pay due attention when implementing the economic activity. In addition, users of the Assessment Report should also pay attention to the impact of the valuation assumptions and subsequent major events set out in the text of the Assessment Report on the valuation conclusion, and make appropriate use of this Assessment Report.

Text

Asset Assessment Report on the Market Value of the Two Multi-Purpose Vessels under Construction Involved in the Proposed Disposal by COSCOL (HK) Investment & Development Co., Ltd. on the Basis of the Completed Status

Dong Zhou Ping Bao Zi 2020 No. 1584-1

Text

To: COSCOL (HK) Investment & Development Co., Ltd.

In accordance with your engagement, we, Shanghai Orient Appraisal Co., Ltd., have appraised the market value of the part of assets involved in the proposed disposal by COSCOL (HK) Investment & Development Co., Ltd. as at 31 August 2020, by way of adopting the cost approach and carrying out necessary valuation procedures in accordance with the laws, administrative regulations and asset valuation standards while sticking to the principles of independence, objectivity and impartiality. We hereby report the details of the asset valuation as follows:

I. THE CLIENT, APPRAISED ENTITY AND OTHER USERS OF THE ASSET ASSESSMENT REPORT**(I) Overview of the Client**

Name: COSCOL (HK) Investment & Development Co., Ltd.

Company address: Room 1301 13/F Nandao Commercial Building, 359-361 Queen's Road Central, HK.

Registered capital: RMB2,120,456,100 only

Date of establishment: 4 May 2005

Scope of business: International ocean cargo transportation, shipping agency, leasing and trading, freight forwarding and import and export trade.

(II) Overview of the Appraised Entity

Same as the client.

(III) Relationship between the Client and the Appraised Entity

The client is the appraised entity.

(IV) Other users of the Asset Assessment Report

According to the asset valuation engagement contract, the users of this Asset Assessment Report shall be the client, the relevant administration and supervisory units, other users of the Asset Assessment Report as agreed in the engagement contract, and users of the Asset Assessment Report as required by national laws and administrative regulations. No other third party can become a lawful user of this Asset Assessment Report by virtue of receiving it.

II. PURPOSE OF VALUATION

Pursuant to related documents on the economic activity, COSCOL (HK) Investment & Development Co., Ltd. proposes to dispose part of the assets owned by it. The purpose of the valuation is to reflect the market value of the part of the assets proposed to be disposed by COSCOL (HK) Investment & Development Co., Ltd. on the valuation benchmark date and provide value reference for such economic activity.

III. VALUATION TARGET AND SCOPE**(I) Valuation Target**

The valuation target is the value of part of the assets and the valuation target is consistent with the economic activity proposed to be conducted.

(II) Scope of Valuation

The scope of the valuation is the two multi-purpose vessels N1006 and N1007 under construction by COSCO SHIPPING Heavy Industry (Dalian) Co., Ltd. The appraised entity is responsible for declaring such scope of valuation.

(III) Overview of the Appraised Assets

Details of the appraised assets within the scope of the valuation are as follows:

On-site inspection:

The appraisers and the management, engineering and technical staff of the enterprise understood the current status of the two multi-purpose vessels under construction proposed to be disposed during the on-site inspection and viewed relevant materials. Based on the actual conditions, the multi-purpose vessel N1006 under construction commenced construction on 6 September 2019 and is expected to be delivered on 20 November 2020 with the progress payment of US\$8,880,000.00 for the first to third phases paid. The multi-purpose vessel N1007 under construction commenced construction on 20 November 2019 and is expected to be delivered on 22 December 2020 with the progress payment of US\$5,920,000.00 for the first and second phases paid. Currently, both of them are under construction by COSCO SHIPPING Heavy Industry (Dalian) Co., Ltd.

(IV) Reference to the Types, Quantity and Carrying Amount of Assets Involved in the Conclusions of Reports Issued by Other Institutions

This Asset Assessment Report does not include references to the conclusions of reports issued by other institutions.

IV. TYPE AND DEFINITION OF VALUE

The type of value of the valuation target is the market value.

Based on the requirements of the client and the appraised entity on the two multi-purpose vessels under construction proposed to be disposed, the valuation adopted the market value.

Market value refers to the estimated value of the valuation target in an arm's length transaction made in the ordinary course of business on the valuation benchmark date between a willing buyer and a willing seller who has each acted rationally and without compulsion.

An "arm's length transaction" is a transaction between parties who have no specific or special relationship, that is, a transaction between parties who are assumed to be unrelated and acting independently of each other.

V. VALUATION BENCHMARK DATE

The valuation benchmark date of this project is 31 August 2020.

The valuation benchmark date is determined by the asset appraisers in consultation with the client after taking into account the need for the implementation of the economic activity, the convenience provided by the information at the end of the accounting period and changes in interest rates and exchange rates before and after the valuation benchmark date.

VI. BASIS OF VALUATION

The basis of valuation on which this asset valuation was conducted are as follows:

(I) Basis of Economic Activity

1. Document Zhong Yun Hai Qi 2020 No. 331 of China COSCO SHIPPING Corporation Limited.
2. Asset valuation engagement contract.

(II) Basis of Laws and Regulations

1. The Asset Appraisal Law of the People's Republic of China (passed at the 21st session of the 12th Standing Committee of the National People's Congress on 2 July 2016);
2. The Company Law of the People's Republic of China (amended and passed at the 6th session of the 13th Standing Committee of the National People's Congress on 26 October 2018);
3. The Financial Supervision and Administration Measures on the Assets Evaluation Industry (Order No. 86 of the Ministry of Finance, as amended by Order No. 97 of the Ministry of Finance);
4. The Law of the People's Republic of China on the State-owned Assets of Enterprises (passed at the 5th session of the 11th Standing Committee of the National People's Congress on 28 October 2008);
5. The Provisional Regulations on the Supervision and Administration of State-owned Assets of Enterprises (Order No. 378 of the State Council, as amended by Order No. 588 of the State Council);
6. The Administrative Measures for Valuation of State-owned Assets (Order No. 91 of the State Council);
7. The Notice on the Publication and Distribution of the Detailed Rules for the Implementation of the Measures for the Administration of State-owned Assets Appraisal (Guo Zi Ban Fa 1992 No. 36);
8. The Provisional Measures on the Administration of State-owned Assets Appraisal of Enterprises (Order No. 12 of the State-owned Assets Supervision and Administration Commission of the State Council);
9. The Notice on Strengthening the Administration of State-owned Assets Appraisal of Enterprises (Guo Zi Wei Chan Quan 2006 No. 274);
10. The Notice on Relevant Matters Concerning the Examination of Appraisal Reports on State-owned Assets of Enterprises (Guo Zi Chan Quan 2009 No. 941);
11. The Guidelines on the Filing of State-owned Assets Appraisal Projects for Enterprises (Guo Zi Fa Chan Quan 2013 No. 64);

12. The Decision of the State Council on Repealing the Provisional Regulations of the People's Republic of China on Business Tax and Amending the Provisional Regulations of the People's Republic of China on Value-Added Tax (Order No. 691 of the State Council);
13. The Detailed Rules for the Implementation of the Provisional Regulations of the People's Republic of China on Value Added Tax (Order No. 50 of the Ministry of Finance and the State Administration of Taxation, as amended by Order No. 65 of the Ministry of Finance and the State Administration of Taxation in 2011);
14. The Notice on Carrying out Pilot Operation of Change from Business Tax to Value-added Tax (Cai Shui 2016 No. 36);
15. The Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting Value-added Tax Rates (Cai Shui 2018 No. 32);
16. The Announcement on Relevant Policies for Deepening the Value-Added Tax Reform (Announcement 2019 No. 39 of the Ministry of Finance, the State Taxation Administration and the General Administration of Customs);
17. Other laws and regulations relating to the valuation practice.

(III) Basis of Valuation Standards

1. Basic Standards on Asset Valuation (Cai Zi 2017 No. 43);
2. Professional Code of Ethics for Asset Valuation (Zhong Ping Xie 2017 No. 30);
3. Quality Control Guidance on the Business of Asset Valuation Agency (Zhong Ping Xie 2017 No. 46);
4. Practice Guidelines for Asset Valuation – Asset Valuation Procedures (Zhong Ping Xie 2018 No. 36);
5. Practice Guidelines for Asset Valuation – Asset Valuation Engagement Contract (Zhong Ping Xie 2017 No. 33);
6. Practice Guidelines for Asset Valuation – Asset Valuation Report (Zhong Ping Xie 2018 No. 35);
7. Practice Guidelines for Asset Valuation – Asset Valuation Methodology (Zhong Ping Xie 2019 No. 35);
8. Guiding Opinions on Types of Value under Asset Valuation (Zhong Ping Xie 2017 No. 47);

9. Guiding Opinions on Legal Ownership of the Asset Valuation Target (Zhong Ping Xie 2017 No. 48);
10. Guidance on Valuation Report of State-owned Assets of Enterprises (Zhong Ping Xie 2017 No. 42);
11. Practice Guidelines for Asset Valuation – Machinery and Equipment (Zhong Ping Xie 2017 No. 39);
12. Practice Guidelines for Asset Valuation – Asset Valuation Files (Zhong Ping Xie [2018] No. 37).

(IV) Basis of Asset Ownership

1. Business licenses of the client and the appraised entity, etc.;
2. Other relevant certification materials or documents.

(V) Pricing Basis of Valuation

1. Sales network for machinery and electrical products in PRC;
2. The Machinery and Electrical Instruments Quotation Handbook published by China Machine Press;
3. Available online price information of equipment;
4. On-site inspection records and other relevant valuation information collected by the asset appraisers.

(VI) Other References

1. The Common Methods and Parameters for Asset Appraisal;
2. The asset valuation application provided by the appraised entity;
3. The technical statistics of Shanghai Orient Appraisal Co., Ltd.;
4. Other references.

VII. VALUATION METHODOLOGY

(I) Overview of Valuation Methodology

In accordance with the Basic Standards on Asset Valuation, the valuation methods used to determine the value of assets include three basic approaches, namely the market approach, the income approach and the cost approach.

The market approach, also known as the comparison approach or the market comparison approach, collectively refers to the valuation methodology to determine the value of the valuation target through comparing the valuation target with comparable reference objects with the market price of reference objects as the basis. The market approach includes various specific methods, such as the transaction cases comparison and listed companies comparison in the valuation of corporate value and the direct comparison and the indirect comparison in the valuation of individual assets.

The income approach collectively refers to the valuation methodology to determine the value of the valuation target through capitalizing or discounting the expected income of the valuation target. The income approach includes various specific methods, such as the discounted cash flow method and the discounted dividend method in the valuation of corporate value and the incremental income method, the excess income method, the license fees saving method and the earning sharing method in the valuation of intangible assets.

The cost approach collectively refers to the valuation methodology to determine the value of the valuation target based on the idea of re-building or replacing the valuation target with the re-building or replacement cost as the basis for determining the value of the valuation target after deducting relevant depreciation. The cost approach includes various specific methods, such as the restoration replacement cost approach, the updating replacement cost approach and the cost-plus approach (also known as the asset-based approach).

(II) Selection of Valuation Methodology

The purpose of the valuation is to provide value reference for the disposal of assets. Based on the characteristics of the assets included within the scope of valuation, the corresponding valuation methodology is adopted for different assets.

The market approach is not appropriate for the valuation of the multi-purpose vessels under construction of COSCOL (HK) Investment & Development Co., Ltd. given that market comparables are not readily available in the second hand market. Income approach is not appropriate for the valuation given that the vessels and equipment under valuation have no independent profitability or the profitability cannot be quantified. It is appropriate to adopt the cost approach as there are sources of relevant data and information on the replacement cost of vessels and equipment and the depreciation caused by various depletions can be measured.

In view of the above, the cost approach is adopted in the valuation of vessels.

The calculation formula is:

Appraised value = Full replacement price

1. *Determination of the full replacement price:*

Pricing basis of current equipment price:

Inquiry with equipment manufacturers about prices;

Obtained through reviewing the Machinery and Electrical Instruments Quotation Handbook;

Obtained through reviewing the Information on Asset Valuation in the PRC;

Obtained through reviewing the Information on Machinery and Electronic Equipment Valuation;

Determined through conducting functional comparison and analysis on the original equipment contract based on market conditions;

Determined through conducting adjustment of the current market price of similar equipment for equipment for which enquiry and price review cannot be conducted.

2. *Determination of the full replacement price of vessel-type equipment*

The full replacement price of vessels includes material fees, equipment fees, labor costs, special production costs, expenses for the period and profit. The material fees, equipment fees and labor costs are direct costs and constitute the major part of the full replacement price of vessels.

Material fees are calculated based on the market prices of steel plates for shipbuilding, welding materials, coatings, cables and other ancillary materials on the valuation benchmark date.

The prices of onboard equipment are obtained through inquiry with relevant manufacturers.

VIII. EXECUTION OF VALUATION PROCEDURES

We have implemented the valuation procedures for this project in accordance with the PRC Asset Valuation Standards and the relevant principles and regulations of the national asset valuation standards. The entire valuation procedure is divided into the following four stages:

(I) Preparation of Valuation

1. Upon acceptance of the engagement for this project, we discuss and reach an agreement with the client on the valuation purpose, the valuation benchmark date and the scope of the valuation target, enter into a business engagement contract, and formulate the valuation plan for this project.
2. We collaborate with enterprises in assets check, guide and assist enterprises with the declaration of the assets to be appraised and prepare documents and information necessary for the asset valuation.

(II) On-site Valuation

Based on the overall schedule of this project, the on-site valuation and inspection were conducted in mid-September 2020. After selecting the appropriate valuation methodology for this valuation, the following on-site valuation procedures were mainly conducted:

Verification and validation of the assets and related information declared by the enterprise within the scope of valuation:

- (1) Listen to overall enterprise introduction given by staff of the client and the appraised entity, together with introduction of history and current status of assets within the scope of valuation, so as to have an overall picture about enterprises' internal system, state of operation and the use status of assets;
- (2) Verify statements for asset valuation and declaration provided by the enterprise, make reconciliation to relevant financial records and collaborate with enterprises to make adjustment or provide supplemental information when issues are identified;
- (3) Conduct on-site inspection on physical assets based on the statements for asset valuation and declaration;
- (4) Review and collect property right supporting documents of assets within the scope of valuation, check the ownership information provided by the appraised entity and verify the ownership of the assets, count the defective assets, ask the appraised entity to verify and confirm the enterprises' ownership of such assets and that there are no property rights disputes;

- (5) Analyze the specific valuation methods for each type of asset based on the actual conditions and characteristics of the assets within the scope of valuation;
- (6) For assets such as vessel-type equipment, understand the management system and actual implementation, as well as the corresponding construction status and review and collect relevant technical data and contract files, etc; for vessel-type equipment, conduct market research and inquiry for information about related price, etc;

(III) Summarization of Valuation Conclusion

Analyze, summarize and collect the valuation data collected during the on-site valuation and inspection stage as necessary to form the basis for valuation and estimation; select the correct formula and reasonable valuation parameters based on the selected valuation method to form a preliminary valuation result; summarize the preliminary valuation conclusion and conduct an analysis of the reasonableness of the valuation conclusion when it is confirmed that there is no duplication or omission of valuation in the scope of assets within the scope of valuation.

(IV) Preparation and Submission of the Report

Prepare the preliminary asset valuation report based on the above works performed; exchange views with the client on the contents of the preliminary assessment report, revise and improve the asset assessment report after taking into account all relevant views communicated; and to submit a formal Asset Assessment Report to the client after completing the enterprise's internal audit procedures.

IX. VALUATION ASSUMPTIONS

In this valuation, the asset appraisers followed the following valuation assumptions and restrictions:

(I) Basic Assumptions

1. Transaction assumption

The transaction assumption is that all assets to be appraised are in the process of transaction, and the asset appraisers will make estimation in a simulated market according to the transaction conditions (among others) of assets to be appraised. The transaction assumption is one of the most fundamental assumptions for the further implementation of the asset valuation.

2. *Open market assumption*

The open market assumption is an assumption about the market conditions into which an asset is intended to enter and what effects the asset will receive under such market conditions. An open market is a fully developed and comprehensive market condition, a competitive market with willing buyers and sellers, where buyers and sellers are on equal footing and have opportunity and time to access adequate market information, and where transactions between buyers and sellers are conducted under voluntary, rational, non-compulsory or unrestricted conditions. The open market assumption is based on the assumption that assets are publicly tradable in the market.

3. *Assumption about the use of an asset for an existing purpose*

Assumption about the use of an asset for an existing purpose is assuming that the use of an asset for an existing purpose is an assumption about the conditions under which the asset is to enter the market and the use status of the asset under such market conditions. First, it is assumed that the assets within the scope of valuation are in use. Then it is assumed that the assets will continue to be used for the current purpose and mode of use without considering asset use conversion or optimal utilization conditions.

(II) **General Assumptions**

1. This valuation assumes that there will be no unforeseen significant adverse changes in the external economic environment, including the relevant laws, macroeconomic, financial and industrial policies prevailing in the country after the valuation benchmark date, and that there will be no significant impact caused by other human force majeure and unforeseen factors.
2. This valuation does not consider the impact on the appraised entity's valuation conclusion of any collateral or guarantee that the appraised entity and its assets may assume in the future, or any additional price that may be paid as a result of special transaction methods.
3. It is assumed that there will be no significant changes in the socio-economic environment in which the appraised entity is located or in the fiscal and taxation policies in place, such as taxes and tax rates, and that the credit policy, interest rate, exchange rate and other financial policies will be generally stable.
4. The current and future business operations of the appraised entity are and will be legal and in compliance with the relevant provisions of its business license and articles of association.

X. VALUATION CONCLUSION

In accordance with the national regulations on asset valuation, we have implemented the necessary valuation procedures based on the principles of independence, impartiality and objectivity to obtain a valuation conclusion on the market value of the assets under the scope of valuation as at the valuation benchmark date in accordance with the valuation purpose, valuation assumptions and limitations described in this report. Details are as follows:

After the valuation, the appraised value of the two multi-purpose vessels under construction within the scope of valuation on the basis of the completed status is US\$62,000,000.00 (tax exclusive), being SIXTY-TWO MILLION US DOLLARS ONLY. (The central parity rate of USD against RMB is 6.8605:1)

The valuation conclusion is arrived at based on the above valuation work.

(I) Changes in the comparison of valuation conclusion and carrying value and reasons

The major increase/decrease analyses for the valuation on the assets within the scope of valuation are as follows:

Summary of Valuation Results

Valuation benchmark date: 31 August 2020

Unit: US\$'0,000

Item	Carrying value	Appraised value	Increase or decrease	Appreciation rate
				%
Projects under construction				
– vessels	1,480.00	6,200.00	4,720.00	318.92
Total assets	1,480.00	6,200.00	4,720.00	318.92

After analysis, the construction of the two multi-purpose vessels under construction under the valuation has not been completed on the valuation benchmark date. The appraised value is the market value on the basis of the completed status and hence the valuation appreciation is relatively high.

(II) Validity of the valuation conclusion

In accordance with the current valuation standards, the valuation conclusion revealed in this Assessment Report is based on the fact that there have been no significant changes in the valuation assumptions set out in this Report, and the conclusion in this Assessment Report may normally only be used if the period between the implementation date of the economic activity and the valuation benchmark date is not more than one year, i.e. the valuation conclusion is valid from the valuation benchmark date, namely 31 August 2020 to 30 August 2021.

The conclusion of this Assessment Report may not be used beyond the above validity period of the valuation conclusion.

(III) Other details on the valuation conclusion

During the validity period of the valuation conclusion after the valuation benchmark date, if there is a change in the number of assets and the valuation standards involved in the valuation target, the client may deal with it in accordance with the following principles:

1. when there is a change in the quantity of assets, the amount of assets should be adjusted accordingly according to the original valuation method;
2. the client shall promptly engage a qualified valuation agency to re-determine the appraised value when there is a change in the asset price standard that significantly affects the asset valuation result; and
3. the client shall give due consideration to any changes in the quantity of assets and the price standard after the valuation benchmark date when implementing economic activities.

XI. DETAILS ON SPECIAL MATTERS

In using this Assessment Report, the user of the Assessment Report should pay attention to the following special issues that may affect the valuation conclusion, and give due consideration to them when making their own decisions and implementing economic activities in reliance on this report.

(I) Incomplete or defective key information such as ownership

The asset ownership information of this valuation is basically complete, and the asset appraisers have not found any obvious defects in property rights. The client and the appraised entity also clearly state that there is no defect in property rights.

(II) Other key information not provided by the client

Nil.

(III) Uncertainties such as outstanding issues and legal disputes as at the valuation benchmark date

The asset appraisers are not informed of any outstanding issues, legal disputes or other uncertainties of the enterprise as of the valuation benchmark date. The client and the appraised entity have also clearly stated that there are no uncertainties such as unresolved issues and legal disputes.

(IV) Significant use of expert work and relevant report:

No professional reports issued by other institutions were used in the course of performing this valuation.

(V) Major subsequent events on the appraised assets:

During the period from the valuation benchmark date to the issuance date of this Asset Assessment Report, the client and the appraised entity do not clearly notify the existence of major subsequent events through effective means and we cannot judge if there are events with significant impact on the evaluation conclusion occurred in the appraised entity.

(VI) Explanation of the relevant limitations of the valuation procedures, the remedial measures adopted by the valuation agency and the impact on the valuation conclusion:

There are no restrictions on the valuation procedures of this valuation.

(VII) The nature and amount of guarantees, leases and contingent liabilities (contingent assets) and their relationship with the valuation target:

The enterprise does not declare related matters. The appraisers do not find related matters through on-site investigation. Due to the limitations of asset appraisers' verification methods and the invisibility of the forming of guarantees and contingent liabilities (assets), the valuation agency cannot express a definitive opinion on whether the company has the above matters.

(VIII) Deficiencies in the economic activity corresponding to the asset valuation that may have a material effect on the valuation conclusion:

The subsequent construction fees from the valuation benchmark date to the completion of the construction of the vessels shall be assumed by COSCOL (HK) Investment & Development Co., Ltd. The construction of the two multi-purpose vessels under construction under valuation has not been completed on the valuation benchmark date and the appraised value is the market value of the two multi-purpose vessels under construction on the basis of the completed status.

(IX) Other matters requiring explanation

In this Asset Assessment Report, all tables or textual expressions are denominated in RMB ten thousands and any difference between the total amount and the sum of the individual sub-values is due to rounding off.

When using this Asset Assessment Report, the users of the Assessment Report shall pay due attention to the impact of the aforementioned special matters on the valuation conclusion.

XII. RESTRICTIONS ON THE USE OF THE ASSESSMENT REPORT

- (I) This Asset Assessment Report shall only be used for the purposes of valuation and economic activity as set out herein.
- (II) The valuation agency and its asset appraisers take no responsibility if the client or other users of the Asset Assessment Report fail to use this Asset Assessment Report in accordance with the provisions of laws and administrative regulations and the scope of use set out in this Asset Assessment Report.
- (III) Except for the client, the other users of the Asset Assessment Report as agreed in the asset valuation engagement contract and the users of the Asset Assessment Report as stipulated in the laws and administrative regulations, no other institution or individual shall be the user of this report.
- (IV) Users of the Asset Assessment Report should correctly interpret and use the valuation conclusion, which is not equivalent to the realizable value of the valuation target and should not be considered as a guarantee for the realizable value of the valuation target.
- (V) If this valuation project involves state-owned assets and is required to comply with the filing and approval procedures of the state-owned assets supervision and administration authorities in accordance with the relevant regulations, this assessment report shall be filed with the state-owned assets supervision and administration authorities before it can be formally used, and the valuation conclusion shall only apply to the economic activity shown in this report.
- (VI) This Asset Assessment Report contains certain annexes and appraisal schedules, all of which also constitute an important part of this report, but shall be valid only when used in conjunction with the text of this report. The valuation agency and the asset appraisers assume no obligation or responsibility for any use other than that for which it is used, such as being shown to the non-Asset Assessment Report user or the non-Asset Assessment Report user who otherwise has access to this report, and do not provide further consultation in connection with this report, nor do they provide testimony, appear in court or otherwise hearings in legal proceedings, and reserve the right to pursue the non-Asset Assessment Report user the losses incurred as a result.

(VII) The right to interpret the contents of this Asset Assessment Report shall rest with the valuation agency, and no other entity or department shall have the right to interpret it, unless otherwise expressly and specifically provided for in national laws and regulations; any extract, quote or disclosure of the whole or part of the contents of the valuation report in the public media shall be subject to the written consent of the valuation agency and the undersigning appraisers of the report after the valuation agency has reviewed the relevant contents, except pursuant to the provisions of laws and regulations and other agreements of the relevant parties.

XIII. DATE OF THE ASSESSMENT REPORT

The date of the Asset Assessment Report date is the date on which the valuation conclusion is formed and the date of this Asset Assessment Report is 23 October 2020.

(No text below)

(No text on the page)

Valuation agency	Shanghai Orient Appraisal Co., Ltd. (Seal of Shanghai Orient Appraisal Co., Ltd. affixed)
Legal representative:	Wang Xiaomin (signature)
Signatures of asset appraisers	Shen Yuxi (signature and seal of Shen Yuxi, an asset appraiser, 31060011 affixed) Tang Guijie (signature and seal of Tang Guijie, an asset appraiser, 15030024 affixed)
Date of Assessment Report	23 October 2020
Company address:	19/F, the Pacific Center, No. 889 Yan'an West Road, Shanghai, PRC 200050
Tel.:	021-52402166 (Switchboard) 021-62252086 (Fax)
Website:	www.dongzhou.com.cn

Asset Assessment Report
(Annexes to the Report)

Project Name	Market Value of the Two Multi-Purpose Vessels under Construction Involved in the Proposed Disposal by COSCOL (HK) Investment & Development Co., Ltd. on the Basis of the Completed Status
Report No.	Dong Zhou Ping Bao Zi 2020 No. 1584-1

No. Name of Annexes

1. Corresponding Economic Activity Document on the Valuation Purpose
2. Business Licenses of the Client and the Appraised Entity
3. Letters of Undertaking of the Client and Relevant Parties in the Valuation
4. Asset Valuation Engagement Contract
5. Business License of Shanghai Orient Appraisal Co., Ltd.
6. License on Conducting Securities Business and Asset Appraisal of Shanghai Orient Appraisal Co., Ltd.
7. Asset Appraisal Certificate of Shanghai Orient Appraisal Co., Ltd.
8. Qualification Certificates of Asset Appraisers Responsible for the Valuation
9. Letters of Undertaking of the Asset Valuation Agency and Asset Appraisers
10. Explanation of the Significant Difference between the Carrying Amount of the Assets and the Valuation Conclusion (for details, please refer to Section X. VALUATION CONCLUSION in the text of the Report).

Explanations on the Valuation of the Market Value of the Two Multi-Purpose Vessels
under Construction Involved in the Proposed Disposal by COSCOL (HK) Investment
& Development Co., Ltd. on the Basis of the Completed Status

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Part I**DISCLAIMER ON THE SCOPE OF THE USE OF THE EXPLANATIONS ON THE VALUATION**

The Explanations on the Valuation is for the use by the state-owned assets supervision and administration authorities (including the enterprises contributed by them), relevant supervision and administration authorities and departments. Unless it is otherwise provided by laws and regulations, all or part of the contents of the materials shall not be provided to any other units and individuals and shall not be published in the media.

Part II**EXPLANATIONS OF THE ENTERPRISE ON RELEVANT MATTERS IN CONDUCTING ASSET VALUATION**

The contents of this part is prepared by the client, signed by the responsible person of the company and affixed with the official seal of the company.

For details, please refer to Annex I to the Explanations on the Valuation: Explanations of the Enterprise on Relevant Matters in Conducting Asset Valuation.

Part III**EXPLANATIONS ON ASSET VALUATION**

This part includes the Valuation Target and Explanations on the Valuation Scope, the Overall Explanations on the Verification of Assets, the Explanations on Valuation Technology (the Adoption of the Cost Approach in Valuation), the Valuation Conclusion and Analysis.

Chapter I Valuation Target and Explanations on the Valuation Scope

I. VALUATION TARGET AND VALUATION SCOPE AND CONTENTS

The valuation scope and the valuation target are the two multi-purpose vessels under construction proposed to be disposed by COSCOL (HK) Investment & Development Co., Ltd. Currently, they are under construction by COSCO SHIPPING Heavy Industry (Dalian) Co., Ltd. and expected to be completed in November 2020 and December 2021, respectively.

The scope of the asset valuation shall be subject to the valuation application provided by the appraised entity. The scope of the valuation engaged is consistent with the scope of valuation involved in the economic activity proposed to be performed.

The appraised entity has issued a letter of undertaking, undertaking that the ownership of the assets within the scope of valuation belongs to it without disputes on the ownership.

II. LAYOUT AND CHARACTERISTICS OF PHYSICAL ASSETS

Assets under valuation and proposed to be disposed by the Company are:

Name of equipment	Quantity	Under construction	Place of construction
Vessels	2	Expected to be completed in November 2020 and December 2020, respectively	COSCO SHIPPING Heavy Industry (Dalian) Co., Ltd.
Total	2		

On-site inspection:

The appraisers and the management, engineering and technical staff of the enterprise learnt about the current status of the two multi-purpose vessels under construction proposed to be disposed during the on-site inspection and viewed relevant materials. Based on the actual conditions, the multi-purpose vessel N1006 under construction commenced construction on 6 September 2019 and is expected to be delivered on 20 November 2020 with the progress payment of US\$8,880,000.00 for the first to third phases paid. The multi-purpose vessel N1007 under construction commenced construction on 20 November 2019 and is expected to be delivered on 22 December 2020 with the progress payment of US\$5,920,000.00 for the first and second phases paid. Currently, both of them are under construction by COSCO SHIPPING Heavy Industry (Dalian) Co., Ltd. The subsequent construction fees from the valuation benchmark date to the completion of the construction of the vessels shall be assumed by COSCOL (HK) Investment & Development Co., Ltd.

III. ORGANIZATION AND EXECUTION TIME AND PROCEDURE OF VERIFICATION

Organization and execution time

After the asset valuation was fully conducted, the appraisers and relevant staff of the finance department and the vessels and equipment department of COSCOL (HK) Investment & Development Co., Ltd. filled in the breakdown of the asset valuation and stocktaking in the required form for the two multi-purpose vessels N1006 and N1007 under construction proposed to be disposed by COSCOL (HK) Investment & Development Co., Ltd. involved on the valuation benchmark date.

The organization, schedule and execution plan of the verification are as follows: The asset valuation and verification are conducted under the direct guidance of the finance department and the vessels department of the appraised entity. The stocktaking assessment group consisting of the responsible persons of the departments of the company assisted the appraisers of the valuation agency in the on-site stocktaking and verification in September 2020.

Procedure and method of verification

Vessels: Accompanied by the management of the enterprise, the appraisers conducted stocktaking and verification on the number, name, specifications and type, commencement date of construction, expected delivery date, quantity and carrying amount paid of vessels and equipment based on the breakdown of the application for vessels and equipment filled by the enterprise. The ownership of vessels and equipment is mainly based on the breakdown of valuation provided by the appraised entity and the stocktaking of vessels and equipment is mainly conducted through on-site stocktaking.

Based on the characteristics of the enterprise, the appraisers conducted an in-depth understanding on the overall conditions of vessels and the features of equipment of the enterprise. The appraisers performed stocktaking and verification on the vessels and equipment within the scope of valuation, understood their construction progress and conducted on-site inspection on the construction conditions of vessels and equipment. Meanwhile, they verified the name, specifications and type and manufacturers of each vessel and equipment and understood the overall conditions of the construction of vessels from vessels and equipment management.

For vessel-type equipment, the appraisers learnt about the design, building and ancillary equipment from relevant management and technical staff of the finance department and the vessels and equipment department of COSCOL (HK) Investment & Development Co., Ltd. and reviewed the purchase (construction) contracts to facilitate the appraisers to conduct technical analysis on the conditions of vessels and equipment, making preparations for on-site verification, observation and technical testing on vessels and equipment. Meanwhile, they obtained first-hand materials through on-site photography, verifying the name, specifications and type and other information of equipment.

IV. MATTERS AFFECTING THE VERIFICATION OF ASSETS AND THE HANDLING METHOD

Nil.

V. VERIFICATION CONCLUSION

Based on the principles of objectivity, independence, impartiality and scientificness, the appraisers conducted careful and detailed stocktaking on the actual conditions of assets within the scope of valuation. We are of opinion that the above stocktaking reflected the actual conditions of the appraised assets in all important aspects and the results of the assets stocktaking are conducive to carrying out fair appraisal and estimation on the market value of assets.

VI. ASSETS VERIFICATION CONCLUSION

After stocktaking, the appraised assets are consistent with their actual conditions without errors and omissions.

VII. ASSETS WITH INCOMPLETE OWNERSHIP MATERIALS OR DEFECTS

Nil.

Chapter II Explanations on Valuation Technology

I. VESSELS

1. Overview

The valuation scope and the valuation target are the two multi-purpose vessels under construction proposed to be disposed by COSCOL (HK) Investment & Development Co., Ltd. under the current status. After reviewing relevant materials and based on the actual conditions of the inspection, the multi-purpose vessel N1006 under construction commenced construction on 6 September 2019 and is expected to be delivered on 20 November 2020 with the progress payment of US\$8,880,000.00 for the first to third phases paid. The multi-purpose vessel N1007 under construction commenced construction on 20 November 2019 and is expected to be delivered on 22 December 2020 with the progress payment of US\$5,920,000.00 for the first and second phases paid. Currently, both of them are under construction by COSCO SHIPPING Heavy Industry (Dalian) Co., Ltd.

2. Valuation Procedures

1. *Stock-taking verification:*

The appraisers firstly reviewed and checked if the “Breakdown of the List of Vessels and Equipment under Valuation” provided by COSCOL (HK) Investment & Development Co., Ltd. meets the requirements. The enterprise is required to modify and amend if it fails to meet the requirements. The official seal shall be affixed for formal application without mistakes after verification and supplementation.

Based on the contents of the application of the “Breakdown of the List of Vessels and Equipment under Valuation”, the appraisers listened to the introduction of the vessels management and technical staff of COSCOL (HK) Investment & Development Co., Ltd. on vessels management and the current technical conditions of the enterprise to facilitate their technical analysis on the conditions of the vessels and preparation for the on-site technical inspection.

2. *On-site technical inspection:*

Accompanied by the technical staff on vessels of the enterprise, the appraisers conducted on-site inspection on the contents of the application for each vessel, verified the specifications and types of the vessels and the current visual construction conditions of vessels and conducted further technical evaluation.

3. Valuation Methodology

The replacement cost approach refers to a valuation method to determine the value of the valuation target by all such costs required for a brand-new status asset identical or similar to the valuation target reconstructed under the current conditions and reaching the state of being capable of use, then deducting amounts of various depreciation or impairment occurred.

The market approach is the method that estimates the asset value through direct comparison or analysis by analogy of recent transaction prices of the same or similar assets in the market.

The income approach is the valuation method to determine the value of the valuation target through discounting the expected income of the appraised assets in the future by adopting the appropriate discounting rate.

The market approach is not appropriate for the valuation of the multi-purpose vessels under construction of COSCOL (HK) Investment & Development Co., Ltd. given that market comparables are not readily available in the second hand market. Income approach is not appropriate for the valuation given that the vessels and equipment under valuation have no independent profitability or the profitability cannot be quantified. It is appropriate to adopt the cost approach as there are sources of relevant data and information on the replacement cost of vessels and equipment and the depreciation caused by various depletions can be measured.

In view of the above, the cost approach is adopted in the valuation of vessels.

The calculation formula is:

Appraised value = Full replacement price

1. *Determination of the full replacement price:*

Pricing basis of current equipment price:

Inquiry with equipment manufacturers about prices;

Obtained through reviewing the Machinery and Electrical Instruments Quotation Handbook;

Obtained through reviewing the Information on Asset Valuation in the PRC;

Obtained through reviewing the Information on Machinery and Electronic Equipment Valuation;

Determined through conducting functional comparison and analysis on the original equipment contract based on market conditions;

Determined through conducting adjustment of the current market price of similar equipment for which enquiry and price review cannot be conducted.

2. *Determination of the full replacement price of vessels*

The full replacement price of vessels includes material fees, equipment fees, labor costs, special production costs, expenses for the period and profit, among others. The material fees, equipment fees and labor costs are direct costs and constitute the major part of the full replacement price of vessels.

Material fees are calculated based on the market prices of steel plates for shipbuilding, welding materials, coatings, cables and other ancillary materials on the valuation benchmark date.

The prices of equipment onboard are obtained through inquiry with relevant manufacturers.

4. Valuation Cases

Case 1. Item 1 in the Breakdown of Valuation

Vessel No.: N1006

Name: “Multi-purpose vessel”

Owner: COSCOL (HK) Investment & Development Co., Ltd.

Specifications and type: DWT: 62,000 tons

Hull material: Steel

Shipbuilder: COSCO SHIPPING Heavy Industry (Dalian) Co., Ltd.

Vessel size: (length × breadth × depth) 201.8 × 32.26 × 19.3 (m)

Construction commencement date: 9 June 2019

Expected delivery date: 20 November 2020

(1) Major specifications of the multi-purpose vessel N1006 (as follows): DWT: 62,000 tons

Length	201.8 m	DWT	62,000 tons
Breadth	32.26 m	Cargohold	Six
Depth	19.3 m	∑KW	2,100 KW

(2) Major equipment of the vessel

Major equipment of the vessel includes seven parts: ① turbine equipment; ② electric equipment; ③ logistics and life equipment; ④ deck machinery and equipment; ⑤ outfitting equipment; ⑥ navigation and communication apparatus and equipment; ⑦ fire prevention and life-saving equipment.

1. Determination of the full replacement price:

The full replacement price of the multi-purpose vessel N1006 includes material fees, equipment fees, labor costs, special production costs, expenses for the period and profit.

1. Material fees

The materials for the multi-purpose vessel N1006 include steel, welding materials, coating materials, cables, ancillary materials and other materials. After calculation, the total material fees for the multi-purpose vessel N1006 are US\$10,043,986.00.

The calculation is summarized as follows:

No.	Contents	Amount (US\$)	Notes
1	Steel (Gross weight of steel $G \times$ Unit price of steel)	7,332,000.00	1
2	Welding materials ($G \times K2 \times$ Unit price of welding materials)	674,500.00	2
3	Coating materials ($Gy \times$ Unit price of paint)	1,534,286.00	3
4	Cables (Length of cables \times Average unit price of cables)	257,115.00	4
5	Ancillary materials ($G \times$ Unit price of steel \times Consumption coefficient of ancillary materials)	146,640.00	5
6	Other materials (2%-3% of Total amount of materials $\sum 1-5$)	99,445.00	6
7	Total materials for the vessel (US\$)	10,043,986.00	

Note 1: Calculation of steel

(1) Net weight of steel

Steel fees = Actual consumption of steel $G \times$ Unit price of steel for the multi-purpose vessel

Steel is the major material for the multi-purpose vessel and is calculated based on the estimation on the main size of the multi-purpose vessel:

$G = g/\text{Utilization rate of steel}$

K1-Steel consumption coefficient is 0.124. In accordance with the specifications on shipbuilding, it is 0.118-0.125 for multi-purpose vessels with 50,000 DWT and above and the steel consumption coefficient adopted in the valuation is 0.124.

Of which: $G =$ Actual consumption of steel (tons)

$g =$ Net weight of steel for the dock

Steel fees = G (Actual consumption of steel) \times Average unit price of steel plates for tugboats

Estimation of the weight of steel:

Net weight of steel for the hull: $g = K1 (L \times B \times H)$;

L = Total length of the hull, B = Breadth, H = Height

Due to the specifications of various components of vessels and the size of steel supplied, steel cannot be utilized at 100%. The steel utilization rate shall be considered in determining the actual consumption of steel.

Based on direct and indirect inspections of the appraisers on relevant shipyards and manufacturers of metal structures, the primary utilization rate of steel is about 80-90%. The steel utilization rate adopted in this valuation is 85%.

The unit price of steel for multi-purpose vessels excludes the prefabrication fee, which is calculated at US\$400.00/ton for general (ordinary) vessels.

Steel consumption: $G = K1 (L \times B \times H)/0.85$

$K1$ -Steel consumption coefficient adopted is 0.124.

$L \times B \times H = L$ = Length of the hull, B = Breadth, H = Height.

Steel utilization rate = 0.85

$G = K1 (L \times B \times H)/0.85$

= 0.124 (201.8 × 32.26 × 19.3)/0.85

= 18,329.29

= 18,330.00 tons (rounding)

Steel fees = G (Actual consumption of steel) × Average unit price of steel plates for vessels

= 18,330.00 × 400

= US\$7,332,000.00

Note 2: Calculation of welding materials

Welding materials include welding electrodes, welding wires, welding flux and brazing filler metal, which are major components of the full replacement price of vessels. The quantity of welding metal and various technological depreciations during the welding process are major factors determining the consumption of welding materials. The welding materials adopted shall match the brand of steel consumed for vessels. The estimation of the total consumption of welding materials for the whole vessel mainly depends on the total consumption of steel materials for the whole vessel.

Welding material fees = $G \times K2 \times$ Average unit price of welding materials

G = Total weight of steel (ton)

$K2$ = Consumption coefficient of welding materials = 0.023

In accordance with the specifications on shipbuilding, it adopted 0.023 for multi-purpose vessels with a steel consumption of 10,000-20,000 tons for the whole vessel;

Average unit price of welding materials is US\$1,600.00/ton

Welding material fees = $G \times K2 \times$ Average unit price of welding materials

G = Steel

= 18,330.00 tons

K2 = Consumption coefficient of welding materials

= 0.023

Welding materials = 18,330.00 tons × 0.023 × US\$1,600.00/ton

= 674,544.00

= US\$674,500.00 (rounding)

Note 3: Calculation of coating materials

Coating material fees = Gy × Unit price of paint

Actual consumption of paint Gy = Gy1 × 1/K4

Gy = Actual consumption of paint,

K4 = Paint dilution coefficient = 0.7

Gy1 = L × (B + H) × K3

Gy1 = Net weight of paint, L = Length of the hull, B = Breadth, H = Height, K3 = Weight of paint for each square meter

Coating material fees = L × (B + H) × K3 × 1/K4 × Average unit price of paint

Coating area of the hull = L × (B + H), length × (breadth + height)

= 201.8 × (32.26 + 19.3)

= 10,404.81

K3 = 0.086; L × (B + H) adopted 0.086 in the range of 10,000-14,000,

Gy1 = L × (B + H) × K3

= 10,404.81 × 0.086

= 894.81

= 895.00 (rounding)

Coating material fees = Gy1 × 1/K4 × Average unit price of paint

= 895.00 × 1/0.7 × US\$1,200/ton

= US\$1,534,286.00 (rounding).

Note 4: Calculation of cable materials

Cable material fees = Length of cables × Average unit price of cables

Length of cables = K5 × (DWT)^{0.15} × (∑ KW)^{0.3}

K5 = Cable consumption coefficient = 1,650

$(DWT)^{0.15}$ DWT = Deadweight tonnage = 62,000 tons

$(\sum KW)^{0.3}$ $\sum KW$ = Total power of the whole vessel = 2,100KW

For DWT between 44,000-65,000, the cable consumption is 1,600-1,700 and K5 adopted is 1,650

Average unit price of cables is calculated at US\$3/m

Cable material fees = $1,650 \times (62,000)^{0.15} \times (2,100)^{0.3} \times \text{US\$3/m}$

= $1,650 \times 5.23 \times 9.92 \times 3$

= 85,705.00 (rounding) $\times 3$

= US\$257,115.00.

Note 5: Calculation of ancillary materials

Ancillary materials = Total weight of steel for the whole vessel G \times Average unit price of steel \times Consumption coefficient of ancillary materials

Ancillary materials refer to the materials consumed in shipbuilding but not constituting parts of the vessel, such as carbon dioxide, oxygen, acetylene, high-pressure gas, high-pressure water and other ancillary materials. Such fees can be estimated based on the total price of steel used for the vessel.

Of which, the consumption coefficient of ancillary materials is generally 0.01-0.03 based on experiences and it adopted 0.02 in the valuation.

Ancillary materials = G \times Steel price \times Consumption coefficient of ancillary materials

= 18,330.00 tons \times 400 \times 0.02

= US\$146,640.00

Note 6: Calculation of other materials

Other materials refer to the fees of wood, non-ferrous metals and other materials. It is estimated at 1%~2% of the total amount of materials and it adopted 1% in the valuation.

Other materials = Total amount of materials \times Consumption coefficient of other materials

= Steel fees + Welding material fees + Coating materials + Cables fees + Other material fees \times 0.01

= $(7,332,000.00 + 674,500.00 + 1,534,286.00 + 257,115.00 + 146,640.00) \times 0.01$

= 9,944,541.00 \times 0.01

= 99,445.41

= US\$99,445.00 (rounding).

The material fees of the multi-purpose vessel N1006 = Steel fees + Welding material fees + Coating materials + Cables fees + Ancillary material fees + Other material fees

= $7,332,000.00 + 674,500.00 + 1,534,286.00 + 257,115.00 + 146,640.00 + 99,445.00$

= US\$10,043,986.00.

(2) Equipment fees

The equipment of the multi-purpose vessel N1006 includes: ① turbine equipment; ② electric equipment; ③ logistics and life equipment; ④ deck machinery and equipment; ⑤ outfitting equipment; ⑥ navigation and communication apparatus and equipment; ⑦ fire prevention and life-saving equipment. It involves a great variety and a large quantity and has a relatively higher value.

The valuation is conducted through inquiry on major equipment and based on experiences. It is estimated that the value of the vessel equipment is US\$7,946,946.00.

Equipment fees:

= Turbine equipment + Electric equipment + Logistics and life equipment + Deck machinery and equipment + Outfitting equipment + Navigation and communication apparatus and equipment + Fire prevention and life-saving equipment

= 3,666,660.00 + 268,000.00 + 21,060.00 + 2,800,000.00 + 712,300.00 + 242,000.00 + 236,926.00

= US\$7,946,946.00.

Equipment appraisal results are summarized as follows:

Unit: US\$

I	Turbine equipment	Specifications and type	Quantity	Amount
1	Main engine	DMD MAN B&W 5G60MF-C9.5 6,120KW	1	2,360,000.00
2	Generator unit	6tub 1,020KW	2	211,000.00
3	Emergency generator	250KW	1	5,800.00
4	Air compressor	Screw machine Water cooling 400/h	2	84,000.00
5	Emergency air compressor	Emergency air compressor 180/h	1	18,900.00
6	Ballast water pump (with self-priming device)	Ballast water pump (with self-priming device)	2	22,000.00
7	Air bottle	Air bottle	1	20,000.00
8	Oil boiler	Oil boiler GDN 200 One	1	200,000.00
9	Composite boiler	boiler 60C	1	110,000.00
10	Water pump and oil pump	Water pump and oil pump Screw type	12	12,000.00
11	Ventilator in generator room	12,000m ³ /h	2	11,000.00
12	Ventilator in bump room	7,500m ³ /h	2	600.00

I	Turbine equipment	Specifications and type	Quantity	Amount
13	Exhaust fan in bump room	1,200m ³ /h	2	300.00
14	Exhaust fan in kitchen	1,200m ³ /h	2	300.00
15	Centrifugal exhaust fan in bathroom	Q=480m ³ /h	4	1,200.00
16	Exhaust fan for battery charger	1,200m ³ /h	2	360.00
17	Incinerator	Ship supporting facilities	1	4,000.00
18	Fuel supply unit	Fuel supply unit	1	224,000.00
		Grouped equipment		
19	Warehouse bottom water system (including pipeline and valves)	Warehouse bottom water system	2	40,000.00
		Customized package		
20	Valve remote control	Valve remote control	1	190,000.00
		Customized package		
21	Oil-water separator for warehouse bottom water	CYSC	1	1,200.00
22	Electric hot water tank	300L	1	50,000.00
23	Assembled pressure tank	300L, P=0.4MPa	1	50,000.00
24	Electric hot water tank	Capacity: 300L	1	50,000.00
			Sub-total	3,666,660.00
II	Electric equipment	Specifications and type	Quantity	Amount
1	Main power transformer	CSGDII-100	2	21,000.00
2	Emergency power transformer	CSGDII-45	2	11,000.00
3	Isolation transformer in kitchen	CSGDII-75	1	16,000.00
4	Isolation transformer in kitchen	CSGDII-15	1	6,000.00
5	Main distribution board	3-400V	1	120,000.00
6	Shore connection box	3-380V	1	5,000.00
7	Group starter panel	Customized package	2	20,000.00
8	Centralized control station in operator cabin	Centralized control in cab	2	42,000.00
		Customized package		
9	Test panel	Customized package	1	5,000.00
10	Charge and discharge board for storage battery	24/80	1	10,000.00
	Light distribution box		8	12,000.00
			Sub-total	268,000.00

III	Logistics and life equipment	Specifications and type	Quantity	Amount
1	Domestic sewage disinfection rough storage cabinet	Domestic sewage disinfection rough storage cabinet Customized package	1	3,400.00
2	Kitchen equipment	Kitchen equipment Customized package	1	10,000.00
3	Entertainment devices	Entertainment devices	1	2,700.00
4	Air conditioning	Air conditioning Customized package	2	600.00
5	Freezer and refrigerator	Freezer refrigerator Customized package	2	4,000.00
6	Washing machine	Washing machine Customized package	2	360.00
			Sub-total	21,060.00
IV	Deck machinery and equipment	Specifications and type	Quantity	Amount
1	Crane No. 1	75/60T	2	800,000.00
2	Crane No. 2	Double crane 148.3t	2	1,200,000.00
	Crane No. 3	75/60T	2	800,000.00
			Sub-total	2,800,000.00
V	Outfitting equipment	Specifications and type	Quantity	Amount
1	Windlass	Windlass Customized package	2	120,000.00
2	Mooring winch	Mooring winch Customized package	2	160,000.00
3	Anchor	Anchor Customized package	2	18,000.00
4	Anchor chain	Anchor chain Customized package	2	50,000.00
5	Mooring line	Mooring line Customized package	16	20,000.00
6	Wire rope	Wire rope Customized package	2	20,000.00
7	Rudder	Rudder Customized package	1	150,000.00
8	Steering gear	Steering gear Customized package	1	90,000.00
9	Propeller	Propeller Customized package	1	84,300.00
			Sub-total	712,300.00

VI	Navigation and communication apparatus and equipment	Specifications and type	Quantity	Amount
1	Electric gyrocompass	STD Customized package	1	25,000.00
2	Auto navigator	Customized package	1	25,000.00
3	Radar	Customized package	1	100,000.00
4	Depthometer	Customized package	1	8,000.00
5	Doppler log	Customized package	1	6,000.00
6	Meteorological facsimile equipment	Customized package	1	3,000.00
7	GPS/DGPS receiver	GPS/DGPS Customized package	1	3,000.00
8	Navigation alarm receiver	Customized package	1	8,000.00
9	Emergence position indicating radio beacon	Customized package	1	3,000.00
10	Radar transponder	Customized package	2	1,000.00
11	VHF two-way wireless telephone	Customized package	3	3,000.00
12	Integrated communications system	Customized package	1	50,000.00
13	General alarming system	Customized package	1	7,000.00
			Sub-total	242,000.00
VII	Fire prevention and life-saving equipment	Specifications and type	Quantity	Amount
1	General fire pump (with self-priming equipment)	General fire pump Centrifugal pump	1	18,000.00
2	Lifeboat	JY-QFN	1	20,000.00
3	Lifeboat and rescue boat	Lifeboat and rescue boat Customized package	1	20,000.00
4	Boat chock	Customized package	2	22,000.00
5	Accommodation ladder (aluminum)	Aluminum Customized package	2	20,000.00
6	Pilot ladder	Pilot ladder Customized package	2	14,000.00
7	Inflatable life raft	Inflatable Customized package	4	24,000.00
8	Life-saving sundries	Customized package	Batch	50,000.00
9	Fire-prevention sundries	Customized package	Batch	48,926.00
			Sub-total	236,926.00
	Total			7,946,946.00

The fees on the multi-purpose vessel N1006 = US\$7,946,946.00.

Total amount of the materials and equipment fees of the multi-purpose vessel N1006:

Material fees + Equipment fees of the multi-purpose vessel N1006

$$= 10,043,986.00 + 7,946,946.00$$

$$= \text{US\$}17,990,932.00$$

(3) Labor costs

Labor costs are determined based on the number of shipbuilding hours.

Labor costs = Number of shipbuilding hours × Unit price of working hours

The estimation on the number of shipbuilding hours is generally based on the deadweight tonnage of the whole vessel.

$$\text{Total number of shipbuilding hours Hr} = 0.18 \times (\text{DWT})^{0.6287} \times 10,000 \text{ hours}$$

Of which, DWT = Deadweight tonnage = 62,000 tons

The average unit price of the working hour for each person is US\$5 (US\$870/month) in the calculation.

$$\text{Labor costs} = 0.18 \times (\text{DWT})^{0.6287} \times 10,000 \times 5$$

$$= 0.18 \times (62,000)^{0.6287} \times 10,000 \times 5$$

$$= 0.18 \times 1,030.33 \times 10,000 \times 5$$

$$= \text{US\$}9,272,970.00$$

Note: The direct cost of the “multi-purpose vessel N1006”

Direct cost = Material fees + Equipment fees + Labor costs

$$= 10,043,986.00 + 7,946,946.00 + 9,272,970.00$$

$$= \text{US\$}27,263,902.00$$

(4) Special production costs

Special production costs of vessels include design fees, vessel inspection fees, insurance fees, frame and supporting fees, berth fees, launching fees, dock fees, special instruments and moulds fees, craning fees, warranty fees and technical service fees.

Design fees include three parts, namely basic design fees, detailed design fees (design for approval) and production design fees. The former China State Shipbuilding Corporation provided the standards on design fees of vessels in the Provisional Regulations on the Design of Civil Vessels (Chuan Zong Ji 1986 No. 1324), specifying that the design fees shall be based on the complexity and the workload of the vessel design.

Vessel inspection fees refer to the fees paid for relevant vessel examinations and the distribution of various certificates from the submission of the design drawing for review to the delivery of vessels based on the requirements on granting classification of vessels and the rules of shipbuilders.

Berth fees refer to the depreciation of gantry cranes and berths, overhauls, medium and minor repairing fees, labor costs and other relevant fees.

Launching fees include two parts, firstly, the required frames, wood materials, lubricating grease and labor costs on launching; secondly, the launching attendance and entertainment fees.

Dock fees include wharf cranes, depreciation of ancillary equipment, repairing fees, labor costs and water, electricity, gas and other power.

Special instruments and moulds fees refer to the fees on the special clamping apparatus, moulds and cabin models for shipbuilding.

Craning fees refer to the craning transportation fees on the use or lease of vehicles, cranes, floating derricks and boats of the factory or from other companies for shipbuilding.

Warranty fees refer to the fees on repairing and after-sale services during the one-year warranty period after the delivery of vessels for use.

Technical service fees refer to the fees required for entrusting the equipment manufacturer to arrange personnel for debugging (if necessary).

The values which can be obtained based on experiences in the valuation and the pricing standards of various are as follows:

Table of Special Production Costs of Vessels

No.	Fees	Fees base	Fees rate (%)	Notes
1	Design fees	Design fees	2.0%	A ≥ US\$50 million; 2-5
2	Vessel inspection fees	Vessel inspection fees	0.60%	0.6 for CCS
3	Commissions on exported vessels	Commissions on exported vessels		
4	Insurance fees	Insurance fees	0.20%	
5	Frame and supporting fees	Frame and supporting fees	0.25%	
6	Berth fees	Berth fees	1%	
7	Launching fees	Launching fees	1%	
8	Dock fees	Dock fees	1%	
9	Special instruments and moulds fees	Special instruments and moulds fees	0.10%	
10	Craning fees	Craning fees	0.20%	
11	Warranty fees	Warranty fees	0.10%	
12	Clearance and storage fees of items supplied by the vessel owner	Clearance and storage fees of items supplied by the vessel owner		
13	Technical service fees	Technical service fees (1% of equipment fees)	1.0%	1% of equipment fees
14	Unexpected fees	Unexpected fees		Depending on actual conditions

Based on the above table, it is calculated that the special production costs of the “multi-purpose vessel N1006” are US\$1,701,700.00. Details of the calculation are as follows:

Special production costs = Direct costs × Rate (%)

(Direct costs = Material fees + Equipment fees + Labor costs = US\$27,263,902.00)

Table of Various Rates:

No.	Fees	Amount (US\$)	Rate (%)	Note
1	Design fees	545,277.52	2.0%	A ≥ US\$50 million; 2-5
2	Vessel inspection fees	163,583.26	0.60%	0.6 for CCS
3	Commissions on exported vessels	–		
4	Insurance fees	54,527.75	0.20%	0.20% for the valuation
5	Frame and supporting fees	68,159.69	0.25%	0.25% for the valuation
6	Berth fees	272,638.76	1%	1.00% for the valuation
7	Launching fees	136,319.38	1%	1.00% for the valuation
8	Dock fees	272,638.76	1%	1.00% for the valuation
9	Special instruments and moulds fees	27,263.88	0.10%	0.10% for the valuation
10	Craning fees	54,527.75	0.20%	0.20% for the valuation
11	Warranty fees	27,263.88	0.10%	0.10% for the valuation
12	Clearance and storage fees of items supplied by the vessel owner			
13	Technical service fees	79,469.20	1.0%	1% of equipment fees
14	Unexpected fees	–		
	Total	1,701,700.00		

Based on the above table, it is calculated that the special production costs of the “multi-purpose vessel N1006” are US\$1,701,700.00. Details of the calculation are as follows:

$$\text{Special production costs} = \text{Direct costs} \times \text{Rate (\%)}$$

$$(\text{Direct costs} = \text{Material fees} + \text{Equipment fees} + \text{Labor costs} = \text{US\$27,263,902.00})$$

Special production costs

= Direct costs × Rate (%) (Please refer to the Table of Various Rates for calculation)

= US\$1,701,700.00

(5) Expenses for the period

Expenses for the period include financial fees and management fees.

A. Financial fees

Financial fees are based on the reasonable construction period of the multi-purpose vessel N1006, the interest rate of loans on the valuation benchmark date and the even input of capital.

Financial fees = (Material fees + Equipment fees + Labor costs + Special production costs) × Reasonable construction period × Interest rate of bank loans for the same period/2

The reasonable construction period of the multi-purpose vessel N1006 is approximately 12 months = 1 year. As released by the National Interbank Funding Center authorized by the People's Bank of China, the loan prime rate (IPR) on 20 August 2020 is: 3.85% for one-year LPR;

Financial fees = (Material fees + Equipment fees + Labor costs + Special production costs) × Reasonable construction period × Interest rate of bank loans for the same period × 0.5

= (10,043,986.00 + 7,946,946.00 + 9,272,970.00 + 1,701,700.00) × 1 × 0.0385/2

= 28,965,602.00 × 1 × 0.0385/2

= US\$557,587.84.

B. Management fees

Management fees are determined based on the average management fees rate of shipping enterprises.

Management fees = (Material fees + Equipment fees + Labor costs + Special production costs) × Average management fees rate of shipping enterprises

The average management fees rate of shipping enterprises is generally 3-5% and it adopted 3% in the valuation.

Management fees = (Material fees + Equipment fees + Labor costs + Special production costs) × Average management fees rate of shipping enterprises

$$= (10,043,986.00 + 7,946,946.00 + 9,272,970.00 + 1,701,700.00) \times 3\%$$

$$= 28,965,602.00 \times 3\%$$

$$= \text{US\$}868,968.06.$$

Expenses for the period = Financial fees + Management fees

$$= 557,587.84 + 868,968.06$$

$$= \text{US\$}1,426,555.90.$$

Shipbuilding cost = Material fees + Equipment fees + Labor costs + Special production costs + Expenses for the period

$$= \text{US\$}30,392,157.90$$

Details are set out in the following table:

Shipbuilding cost	US\$
Material fees:	10,043,986.00
Equipment fees:	7,946,946.00
Labor costs:	9,272,970.00
Special production costs:	1,701,700.00
Expenses for the period:	1,426,555.90
Total:	30,392,157.90

(6) Profit

Shipbuilding is a labor-intensive industry with long production cycles and many uncertainties. The profit margin of shipbuilding enterprises is generally low. Based on the information on Wind Info, it adopted a profit margin of 0.02% in the valuation.

Shipbuilding cost = Material fees + Equipment fees + Labor costs + Special production costs + Expenses for the period

$$= 10,043,986.00 + 7,946,946.00 + 9,272,970.00 + 1,701,700.00 + 1,426,555.90$$

$$= \text{US\$}30,392,157.90.$$

Profit = Shipbuilding cost × 0.02

$$= 30,392,157.90 \times 0.02$$

$$= \text{US\$}607,843.16 \text{ (rounding).}$$

Value of the multi-purpose vessel N1006 on the basis of the completed status:

Summary	US\$
Material fees:	10,043,986.00
Equipment fees:	7,946,946.00
Labor costs:	9,272,970.00
Special production costs:	1,701,700.00
Expenses for the period:	1,426,555.90
Profit:	607,843.16
Total:	31,000,001.06
(Rounding)	31,000,000.00

For the two multi-purpose vessels N1006 and N1007 under construction, the appraised value is US\$31,000,000.00 for each as they have the same specifications and type. The total appraised value of the two multi-purpose vessels under construction is US\$62,000,000.00 (being SIXTY-TWO MILLION US DOLLARS) (the central parity rate of USD against RMB is 6.8605:1).

II. VALUATION CONCLUSION

After the valuation, the appraised value of the two multi-purpose vessels under construction within the scope of valuation on the basis of the completed status is US\$62,000,000.00, being SIXTY-TWO MILLION US DOLLARS ONLY (the central parity rate of USD against RMB is 6.8605:1).

Part IV Valuation Conclusion and Analysis

I. VALUATION CONCLUSION

In accordance with the national regulations on asset valuation, we have implemented the necessary valuation procedures based on the principles of independence, impartiality and objectivity to obtain a valuation conclusion on the market value of the assets under the scope of valuation as at the valuation benchmark date in accordance with the valuation purpose, valuation assumptions and limitations described in this report:

After the valuation, the appraised value of the two multi-purpose vessels under construction within the scope of valuation on the basis of the completed status is US\$62,000,000.00, being SIXTY-TWO MILLION US DOLLARS ONLY (the central parity rate of USD against RMB is 6.8605:1).

The valuation conclusion is arrived at based on the above valuation work.

II. CHANGES IN THE COMPARISON OF VALUATION CONCLUSION AND CARRYING VALUE AND REASONS

Valuation results are as follows:

Unit: US\$

Item	Carrying value	Appraised value	Increase or decrease	Appreciation rate %
Projects under construction – vessels	14,800,000.00	62,000,000.00	47,200,000.00	318.92
Total assets	14,800,000.00	62,000,000.00	47,200,000.00	318.92

After analysis, the construction of the two multi-purpose vessels under construction under the valuation has not been completed on the valuation benchmark date. The appraised value is the market value on the basis of the completed status and hence the valuation appreciation is relatively high.

Annex I to the Explanations on Asset Valuation:

Explanations on Relevant Matters in Conducting Asset Valuation on the Enterprise

I. OVERVIEW OF THE CLIENT AND THE APPRAISED ENTITY

(I) Overview of the Client

Name: COSCOL (HK) Investment & Development Co., Ltd.

Company address: Room 1301 13/F Nandao Commercial Building, 359-361 Queen's Road Central, HK.

Registered capital: RMB2,120,456,100 only

Date of establishment: 4 May 2005

Scope of business: International ocean cargo transportation, shipping agency, leasing and trading, freight forwarding and import and export trade.

(II) Overview of the Appraised Entity

Same as the client.

(III) Relationship between the Client and the Appraised Entity

The client is the appraised entity.

II. EXPLANATIONS ON THE PURPOSE OF VALUATION

Pursuant to related documents on the economic activity, COSCOL (HK) Investment & Development Co., Ltd. proposes to dispose part of the assets owned by it. The purpose of the valuation is to reflect the market value of the part of the assets proposed to be disposed by COSCOL (HK) Investment & Development Co., Ltd. on the valuation benchmark date and provide value reference for such economic activity.

III. EXPLANATIONS ON THE VALUATION TARGET AND SCOPE

The scope of the valuation is the two multi-purpose vessels N1006 and N1007 under construction by COSCO SHIPPING Heavy Industry (Dalian) Co., Ltd.

IV. EXPLANATIONS ON THE VALUATION BENCHMARK DATE

The valuation benchmark date is 31 August 2020.

The valuation benchmark date is determined to be close to the realization date of the purpose of valuation without being affected by other particular factors.

V. EXPLANATIONS ON SIGNIFICANT MATTERS MAY AFFECT THE VALUATION

There are no mortgage, guarantee, outstanding lawsuits, contingent liabilities and other matters on the appraised assets which may have significant effects on the valuation results.

VI. LIST OF MATERIALS PROVIDED TO THE APPRAISAL AGENCY

1. Application for assets stocktaking and valuation;
2. Documents of relevant economic activities, etc.;
3. Other materials related to the asset valuation.

(No text on the page and it is the signing page of the Explanations on Relevant Matters in Conducting Asset Valuation)

The client and the appraised entity (seal):

Legal representative: (signature and seal):

September 2020

Summary of Asset Valuation Results

Valuation benchmark date: 31 August 2020

Table 1

Page 1 of 1

Appraised entity: COSCOL (HK) Investment & Development Co., Ltd. Unit: US\$0'000

SN	Item	Carrying value	Appraised value	Increase or decrease %	Appreciation rate
1	Current assets	0.00	0.00	0.00	
2	Non-current assets	1,480.00	6,200.00	4,720.00	318.92
3	Including: Available-for-sale financial assets, net	0.00	0.00	0.00	
4	Held-to-maturity investments, net				
5	Long-term receivables, net				
6	Long-term equity investment, net				
7	Investment properties, net	0.00	0.00	0.00	
8	Fixed assets, net	0.00	0.00	0.00	
9	Construction-in-progress, net	1,480.00	6,200.00	4,720.00	318.92
10	Construction materials, net				
11	Disposal of fixed assets				
12	Productive biological assets, net				
13	Oil and gas assets, net				
14	Intangible assets, net	0.00	0.00	0.00	
15	Development expenses				
16	Goodwill, net				
17	Long term unamortized expenses				
18	Deferred income tax assets				
19	Other non-current assets				
20	Total assets	1,480.00	6,200.00	4,720.00	318.92
21	Current liabilities	0.00	0.00	0.00	
22	Non-current liabilities	0.00	0.00	0.00	
23	Total liabilities	0.00	0.00	0.00	
24	Net assets (owners' equity)		6,200.00	6,200.00	

Appraisal agency: Shanghai Orient Appraisal Co., Ltd.

Legal representative: Wang Xiaomin

Responsible person: Shen Yuxi

Summary of Asset Valuation Results

Valuation benchmark date: 31 August 2020

Table 2

Appraised entity: COSCOL (HK) Investment & Development Co., Ltd.

Unit: US\$

SN	Item	Carrying value	Appraised value	Increase or decrease	Appreciation rate %
1	I. Total current assets	0.00	0.00	0.00	
2	Monetary funds	0.00	0.00	0.00	
3	Financial assets for trading	0.00	0.00	0.00	
4	Note receivables, net				
5	Trade receivables, net				
6	Prepayment, net				
7	Interest receivable				
8	Dividends receivable				
9	Other receivables, net				
10	Inventory, net	0.00	0.00	0.00	
11	Non-current assets due within one year				
12	Other current assets				
13	II. Total non-current assets	14,800,000.00	62,000,000.00	47,200,000.00	318.92
14	Available-for-sale financial assets, net	0.00	0.00	0.00	
15	Held-to-maturity investments, net				
16	Long-term receivables, net				
17	Long-term equity investment, net				
18	Investment properties, net	0.00	0.00	0.00	
19	Fixed assets, net	0.00	0.00	0.00	
20	Construction-in-progress, net	14,800,000.00	62,000,000.00	47,200,000.00	318.92
21	Construction materials, net				
22	Disposal of fixed assets				
23	Productive biological assets, net				
24	Oil and gas assets, net				
25	Intangible assets, net	0.00	0.00	0.00	
26	Development expenses				
27	Goodwill, net				
28	Long term unamortized expenses				
29	Deferred income tax assets				
30	Other non-current assets				
31	III. Total assets	14,800,000.00	62,000,000.00	47,200,000.00	318.92

Appraisal agency: Shanghai Orient Appraisal Co., Ltd.

Legal representative: Wang Xiaomin

Responsible person: Shen Yuxi

Summary of Asset Valuation Results

Valuation benchmark date: 31 August 2020

Appraised entity: COSCOL (HK) Investment & Development Co., Ltd.

SN	Item	Carrying value	Appraised value	Increase or decrease	Appreciation rate %
32	IV. Total current liabilities	0.00	0.00	0.00	
33	Short-term borrowings				
34	Financial liabilities for trading				
35	Note payables				
36	Trade payables				
37	Receipts in advance				
38	Staff remuneration payable				
39	Taxes payable				
40	Interest payable				
41	Dividends payable (Profit payable)				
42	Other payables				
43	Non-current liabilities due within one year				
44	Other current liabilities				
45	V. Total non-current liabilities	0.00	0.00	0.00	
46	Long-term borrowings				
47	Bonds payable				
48	Long-term payables				
49	Special payables				
50	Expected liabilities				
51	Deferred income tax liabilities				
52	Other non-current liabilities				
53	VI. Total liabilities	0.00	0.00	0.00	
54	VII. Net assets	14,800,000.00	62,000,000.00	47,200,000.00	318.92

Appraisal agency: Shanghai Orient Appraisal Co., Ltd.

Legal representative: Wang Xiaomin

Responsible person: Shen Yuxi

Summary of Valuation on Non-current Assets

Valuation benchmark date: 31 August 2020

Table 4

Page 1 of 1

Appraised entity: COSCOL (HK) Investment & Development Co., Ltd.

Unit: US\$

SN	No.	Item	Carrying value	Appraised value	Increase or decrease	Appreciation rate %
1	4-1	Available-for-sale financial assets, net	0.00	0.00	0.00	
2	4-2	Held-to-maturity investments, net				
3	4-3	Long-term receivables, net				
4	4-4	Long-term equity investment, net				
5	4-5	Investment properties, net	0.00	0.00	0.00	
6	4-6	Fixed assets, net	0.00	0.00	0.00	
7	4-7	Construction-in-progress, net	14,800,000.00	62,000,000.00	47,200,000.00	318.92
8	4-8	Construction materials, net				
9	4-9	Disposal of fixed assets				
10	4-10	Productive biological assets, net				
11	4-11	Oil and gas assets, net				
12	4-12	Intangible assets, net	0.00	0.00	0.00	
13	4-13	Development expenses				
14	4-14	Goodwill, net				
15	4-15	Long term unamortized expenses				
16	4-16	Deferred income tax assets				
17	4-17	Other non-current assets				
19	4	Total non-current assets	14,800,000.00	62,000,000.00	47,200,000.00	318.92

Responsible person: Shen Yuxi

Appraiser: Xu Qin

Summary of Valuation on Construction-in-progress

Valuation benchmark date: 31 August 2020

Table 4-7

Page 1 of 1

Appraised entity: COSCOL (HK) Investment & Development Co., Ltd.

Unit: US\$

SN	No.	Item	Carrying value	Appraised value	Increase or decrease	Appreciation rate %
1	4-7-1	Construction-in-progress- Civil engineering				
2	4-7-2	Construction-in-progress- Equipment installment project	14,800,000.00	62,000,000.00	47,200,000.00	318.92
3		Total construction-in- progress	14,800,000.00	62,000,000.00	47,200,000.00	318.92
4		Less: Provision for depreciation of construction-in- progress				
5	4-7	Construction-in-progress, net	14,800,000.00	62,000,000.00	47,200,000.00	318.92

Breakdown of Valuation on Construction-in-progress-Equipment Installment Project

Valuation benchmark date: 31 August 2020

Table 4-7-2

Page 1

Unit: US\$

Appraised entity: COSCOL (HK) Investment & Development Co., Ltd.

SN	Item	Specifications and type	Quantity	Unit	Commencement date of construction	Expected completion date	Equipment fees	Capital costs	Installment fees and others	Appraised equipment fees	Appraised capital costs	Appraised installment fees and others	Total appraised fees	Increase or decrease	Appreciation rate	Notes
	Total															
1	Multi-purpose vessel	DWT: 62,000 tons	1.00	Vessel	6 September 2019	20 November 2020	8,880,000.00						14,800,000.00	62,000,000.00	47,200,000.00	318.92
2	Multi-purpose vessel	DWT: 62,000 tons	1.00	Vessel	20 November 2019	22 December 2020	5,920,000.00						8,880,000.00	31,000,000.00	22,120,000.00	249.10
													31,000,000.00	25,080,000.00		423.65

NOTICE OF EGM

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中遠海運發展股份有限公司
COSCO SHIPPING Development Co., Ltd.*

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 02866)

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of COSCO SHIPPING Development Co., Ltd. (the “Company”) will be held at 1:30 p.m. on Monday, 16 November 2020 (or at any adjournment thereof) at Level 3, Ocean Hotel Shanghai, 1171 Dong Da Ming Road, Hong Kou District, Shanghai, the People’s Republic of China to consider and, if thought fit, pass the following resolutions.

Unless otherwise defined, capitalized terms used herein shall have the same meanings as those defined in the circular of the Company dated 30 October 2020 (the “Circular”).

ORDINARY RESOLUTIONS

1. To consider and approve the resolution in relation to the Assignment and Novation Agreements, further details of which are set out in the Circular:

“**THAT:**

- (a) the Assignment and Novation Agreements and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one Director be and is hereby authorized to do all such acts and things and execute and deliver all such documents, deeds or instruments (including affixing the common seal of the Company thereon) and take all such steps as the Director in his or her sole opinion and absolute discretion may consider necessary, appropriate or desirable to implement or give effect to the Assignment and Novation Agreements and the transactions contemplated thereunder.”

NOTICE OF EGM

2. To consider and approve the resolution in relation to the Shipbuilding Contracts, further details of which are set out in the Circular:

“THAT:

- (a) the Shipbuilding Contracts and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one Director be and is hereby authorized to do all such acts and things and execute and deliver all such documents, deeds or instruments (including affixing the common seal of the Company thereon) and take all such steps as the Director in his or her sole opinion and absolute discretion may consider necessary, appropriate or desirable to implement or give effect to the Shipbuilding Contracts and the transactions contemplated thereunder.”

By order of the Board of
COSCO SHIPPING Development Co., Ltd.
Cai Lei
Joint Company Secretary

Shanghai, the People’s Republic of China

30 October 2020

Notes:

1. For the purpose of holding the EGM, the register of H Shares members of the Company (the “**Register of Members**”) will be closed from 11 November 2020 to 16 November 2020 (both days inclusive), during which period no transfer of H Shares of the Company will be registered. Holders of the Company’s H Shares (the “**H Shareholders**”) whose names appear on the Register of Members at the close of business on 10 November 2020 are entitled to attend and vote at the EGM.
2. In order to attend and vote at the EGM, the H Shareholders shall lodge all transfer documents together with the relevant share certificates to Computershare Hong Kong Investor Services Limited (“**Computershare**”), the Company’s H Share registrar, not later than 4:30 p.m. on 10 November 2020.

The address of Computershare is as follows:

Shops 1712-1716, 17th Floor
Hopewell Centre
183 Queen’s Road East
Wanchai, Hong Kong

3. Each H Shareholder who has the right to attend and vote at the EGM is entitled to appoint in writing one or more proxies, whether a Shareholder or not, to attend and vote on his/her behalf at the EGM.
4. The Form of Proxy must be signed by the Shareholder or his/her attorney duly authorised in writing or, in the case of a legal person, must either be executed under its common seal or under the hand of a legal representative or other attorney duly authorised to sign the same. If the Form of Proxy is signed by an attorney of the appointer, the power of attorney authorising that attorney to sign, or other document of authorisation, must be notarially certified.

NOTICE OF EGM

5. To be valid, for H Shareholders, the Form of Proxy, and if the Form of Proxy is signed by a person under a power of attorney or other authority on behalf of the appointer, a notarially certified copy of that power of attorney or other authority, must be delivered to Computershare at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, not less than 24 hours before the time for holding the EGM or any adjournment thereof in order for such documents to be valid.
6. If a proxy attends the EGM on behalf of a Shareholder, he/she should produce his/her identity card and the Form of Proxy signed by the Shareholder or his/her legal representative or his/her duly authorised attorney, and specify the date of its issuance. If a legal person Shareholder appoints its corporate representative to attend the EGM, such representative should produce his/her identity card and the notarised copy of the resolution passed by the board of directors or other authorities, or other notarised copy of the licence issued by such legal person Shareholder. The Form of Proxy duly signed and submitted by HKSCC Nominees Limited are deemed to be valid, and it is not necessary for the proxy(ies) appointed by HKSCC Nominees Limited to produce the signed Form of Proxy when the proxy(ies) attend(s) the EGM. Completion and return of the Form of Proxy will not preclude a Shareholder from attending in person and voting at the EGM or any adjournment thereof should he/she so wish.
7. Pursuant to the Listing Rules, any vote of Shareholders at a general meeting must be taken by way of poll except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands. As such, the resolutions set out in the notice of the EGM will be voted on by poll. Results of the poll voting will be published on the website of the Hong Kong Stock Exchange at www.hkexnews.hk after the EGM.
8. Where there are joint registered holders of any share of the Company, only the person whose name stands first on the Register of Members in respect of such share may vote at the EGM, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto.
9. The EGM is estimated to last for half a day. Shareholders who attend the EGM in person or by proxy shall bear their own transportation and accommodation expenses.

The Board as at the date of this notice comprises Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, being executive Directors, Mr. Huang Jian, Mr. Liang Yanfeng and Mr. Ip Sing Chi, being non-executive Directors, and Mr. Cai Hongping, Ms. Hai Chi Yuet, Mr. Graeme Jack, Mr. Lu Jianzhong and Ms. Zhang Weihua, being independent non-executive Directors.

- * *The Company is a registered non-Hong Kong company as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong) and it is registered under its Chinese name and under the English name "COSCO SHIPPING Development Co., Ltd."*