
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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中遠海運控股股份有限公司
COSCO SHIPPING Holdings Co., Ltd.*

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

**(1) DISCLOSEABLE TRANSACTION AND CONNECTED
TRANSACTION REGARDING CONSTRUCTION OF TEN VESSELS;
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



Capitalized terms used in this cover page have the same meanings as those defined in the section headed "Definitions" in this circular. A letter from the Board is set out on pages 4 to 10 of this circular. A letter from the Independent Board Committee is set out on page pages 11 to 12 of this circular. A letter from the Independent Financial Adviser is set out on pages 13 to 24 of this circular. A notice convening the EGM on Friday, 29 October 2021 at 9:30 a.m. at Conference Room, 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong and Ocean Hall, 5th Floor, Shanghai Ocean Hotel, No. 1171, Dong Da Ming Road, Shanghai, the PRC, together with the form of proxy, is set out on pages EGM-1 to EGM-2 of this circular.

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

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

* For identification purpose only

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PRECAUTIONARY MEASURES FOR THE EGM

The health of the Shareholders, staff and other stakeholders of the Company is of paramount importance to us. In view of the ongoing COVID-19 pandemic, the Company will implement the following precautionary measures at the EGM in the Hong Kong venue to protect our attending Shareholders, staff and other stakeholders from the risk of infection:

- (i) compulsory body temperature checks will be conducted on every attending Shareholder, proxy or other attendee at the entrance of the EGM venue. Any person with a body temperature of over 37.3 degrees Celsius will be denied entry into the EGM venue or be required to leave the EGM venue;
- (ii) each attendee will be required to wear a surgical face mask throughout the EGM and inside the EGM venue;
- (iii) the Company will maintain safe social distancing regarding the seating arrangement. The Company may limit the number of attendees at the EGM according to the requirement imposed by the Hong Kong Government;
- (iv) no refreshments and beverages will be served or provided at the EGM, and no corporate gifts will be provided; and
- (v) each attendee will be required to complete a health declaration form; and be asked whether (a) he/she have travelled to areas outside of Hong Kong within the 14-day period immediately before the EGM; (b) he/she have any of the symptoms of fever or cough within the 14-day period immediately before the EGM; and (c) he/she is subject to quarantine prescribed by the Hong Kong Government. Any person who responds positively to any one of the above questions may be denied entry into the EGM venue or be required to leave the EGM venue.

DEFINITIONS

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

“associates”	has the meaning ascribed to it under the Listing Rules
“Articles of Association”	the articles of association of the Company
“Board”	the board of Directors
“Builder”	Cosco Shipping Heavy Industry (yangzhou) Co., Ltd. (揚州中遠海運重工有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of COSCO SHIPPING
“Buyer”	COSCO (CAYMAN) Mercury Co., Ltd., a company incorporated in the Cayman Islands with limited liability and is a wholly-owned subsidiary of the Company, or its nominee
“Company”	COSCO SHIPPING Holdings Co., Ltd.* (中遠海運控股股份有限公司), a joint stock limited company incorporated in the PRC with limited liability and a member of COSCO SHIPPING Group, the H shares of which are listed on the Main Board of the Stock Exchange (stock code: 1919) and the A shares of which are listed on the Shanghai Stock Exchange (stock code: 601919)
“connected person”	has the meaning ascribed to it under the Listing Rules
“COSCO”	China Ocean Shipping Company Limited* (中國遠洋運輸有限公司), a PRC state-owned enterprise, the direct controlling shareholder of the Company and a wholly-owned subsidiary of COSCO SHIPPING
“COSCO SHIPPING”	China COSCO SHIPPING Corporation Limited* (中國遠洋海運集團有限公司), a PRC state-owned enterprise and the indirect controlling shareholder of the Company
“COSCO SHIPPING Group”	COSCO SHIPPING and its subsidiaries and associates (as defined under the Listing Rules)
“Directors”	the directors of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting of the Company to be held on Friday, 29 October 2021 at 9:30 a.m. to consider, and if thought fit, approve the Shipbuilding Transaction
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong Dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent board committee of the Board comprising all the independent non-executive Directors, who have no material interests in the Shipbuilding Transaction
“Independent Financial Adviser”	First Shanghai Capital Limited (第一上海融資有限公司), a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders on the terms of the Shipbuilding Transaction
“Independent Shareholders”	Shareholders other than those who are COSCO SHIPPING and its associates
“Latest Practicable Date”	2 August 2021, being the latest practicable date before the printing of this circular for ascertaining certain information for the purpose of inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Main Board of the Stock Exchange
“PRC” or “China”	the People’s Republic of China
“SFO”	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shares”	the share(s) of the Company
“Shareholder(s)”	holder(s) of the share(s) of the Company
“Shipbuilding Contracts”	the six 14,092 TEU Container Vessel Shipbuilding Contracts and four 16,180 TEU Container Vessel Shipbuilding Contracts

DEFINITIONS

“Shipbuilding Transaction”	the transactions contemplated under the Shipbuilding Contracts
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“TEU”	twenty-foot equivalent container unit
“US\$” or “US Dollars”	United States Dollars, the lawful currency of the United States
“Vessels”	six units of 14,092 TEU container vessels and four units of 16,180 TEU container vessels according to the Shipbuilding Contracts, and “Vessel” means any of them
“14,092 TEU Container Vessel Shipbuilding Contracts”	the six shipbuilding contracts all dated 15 July 2021 entered into by and between the Buyer and the Builder, each of which relates to one 14,092 TEU container vessel and contains substantially the same terms
“16,180 TEU Container Vessel Shipbuilding Contracts”	the four shipbuilding contracts all dated 15 July 2021 entered into by and between the Buyer and the Builder, each of which relates to one 16,180 TEU container vessel and contains substantially the same terms
“2020 Transaction”	the transactions comprising (1) the transactions under the shipbuilding contracts with the members of the COSCO SHIPPING Group on 10 March 2020 for the construction of vessels, which constituted discloseable transaction and connected transactions of the Company, and the details of which are contained in the announcement and the circular of the Company dated 11 March 2020 and 27 April 2020 respectively, and (2) the transactions under the shipbuilding contracts with the members of the COSCO SHIPPING Group on 30 October 2020 for the construction of vessels, which also constituted discloseable transaction and connected transactions of the Company, and the details of which are contained in the announcement and the circular of the Company dated 30 October 2020 and 16 November 2020 respectively
“%”	per cent.

Note: The exchange rate used for reference purpose in this circular is US\$1.00 to HK\$7.8.

* *For identification purposes only*

LETTER FROM THE BOARD



中遠海運控股股份有限公司
COSCO SHIPPING Holdings Co., Ltd.*

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

Directors:

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

Registered Office:

2nd Floor, 12 Yuanhang Business Centre
Central Boulevard and East Seven Road Junction
Tianjin Port Free Trade Zone
Tianjin, the PRC

Principal Place of Business:

48/F, COSCO Tower
183 Queen's Road Central
Hong Kong

¹ *Executive Director*

² *Independent Non-executive Director*

5 August 2021

To the Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE TRANSACTION AND CONNECTED
TRANSACTION REGARDING CONSTRUCTION OF TEN VESSELS;
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

INTRODUCTION

Reference is made to the announcement of the Company dated 15 July 2021 in respect of the Shipbuilding Transaction contemplated under the Shipbuilding Contracts.

* *For identification purpose only*

LETTER FROM THE BOARD

On 15 July 2021, the Buyer entered into ten Shipbuilding Contracts with the Builder, comprising (1) six 14,092 TEU Container Vessel Shipbuilding Contracts for the construction of six units of 14,092 TEU container vessels at an aggregate consideration of US\$876 million (equivalent to approximately HK\$6,833 million) and (2) four 16,180 TEU Container Vessel Shipbuilding Contracts for the construction of four units of 16,180 TEU container vessels at an aggregate consideration of US\$620 million (equivalent to approximately HK\$4,836 million). The total consideration under the ten Shipbuilding Contracts is US\$1,496 million (equivalent to approximately HK\$11,669 million).

The purpose of this circular is to provide the Shareholders with, among others, (i) a letter from the Board containing further information on the Shipbuilding Transaction; (ii) a letter from the Independent Board Committee in respect of the Shipbuilding Transaction; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Shipbuilding Transaction; (iv) notice of convening the EGM; and (v) other information as required under the Listing Rules.

CONTRACT TERMS

The terms of the Shipbuilding Contracts (including the consideration and the time of delivery for each Vessel) were determined on an arm's length basis and on normal commercial terms (based on price comparable to market price agreed between a willing buyer and a willing seller, payment terms, technical terms and delivery dates that meet the requirements of the Buyer). In addition, the Company has also made reference to public information to obtain market prices and market terms (including the adjustment mechanism of consideration) of the shipbuilding transactions, which are similar and comparable with the Shipbuilding Transaction.

Under each of the 14,092 TEU Container Vessel Shipbuilding Contracts, the Buyer shall pay the consideration of US\$146 million (equivalent to approximately HK\$1,139 million) in cash in five instalments based on progress intervals on the construction of each Vessel (including the cutting of the first steel plate, keel laying of the first section, launching of the Vessel) with smaller proportion of contract price payable in the first four instalments and the larger proportion of contract price payable upon delivery of the Vessel. The consideration shall be subject to adjustments by deducting liquidated damages in cases of (i) delay in delivery of the Vessel, (ii) insufficient speed of the Vessel, (iii) excessive fuel consumption by the Vessel, (iv) deadweight of the Vessel, (v) deficiency in container's capacity, or (vi) insufficient number of 14 Ton container loading.

Under each of the 16,180 TEU Container Vessel Shipbuilding Contracts, the Buyer shall pay the consideration of US\$155 million (equivalent to approximately HK\$1,209 million) in cash in five instalments based on progress intervals on the construction of each Vessel (including the cutting of the first steel plate, keel laying of the first section, launching of the Vessel) with smaller proportion of contract price payable in the first four instalments and the larger proportion of contract price payable upon delivery of the Vessel. The consideration shall be subject to adjustments by deducting liquidated damages in cases of (i) delay in delivery of the Vessel, (ii) insufficient speed of the Vessel, (iii) excessive fuel consumption by the Vessel, (iv) deadweight of the Vessel, (v) deficiency in container's capacity, or (vi) insufficient number of 14 Ton container loading.

LETTER FROM THE BOARD

The relevant Vessels under the 14,092 TEU Container Vessel Shipbuilding Contracts are expected to be delivered during the period from December 2023 to September 2024, subject to any early delivery or delay in delivery (subject to a maximum liquidated damages of appropriately US\$7.20 million for delay in delivery) as provided in each of the 14,092 TEU Container Vessel Shipbuilding Contracts. In case of delay in delivery, the liquidated damages payable by the Builder to the Buyer shall be deducted from the fifth instalment of consideration, of which the amount shall be assessed on the length of the delayed period after the expiration of the original delivery date. If the length of the delayed period exceeds a certain number of days, the Buyer may, at its option, rescind or cancel the 14,092 TEU Container Vessel Shipbuilding Contract(s) without any incurrence of penalty payable by the Buyer.

The relevant Vessels under the 16,180 TEU Container Vessel Shipbuilding Contracts are expected to be delivered during the period from June 2025 to December 2025, subject to any early delivery or delay in delivery (subject to a maximum liquidated damages of appropriately US\$7.56 million for delay in delivery) as provided in each of the 16,180 TEU Container Vessel Shipbuilding Contracts. In case of delay in delivery, the liquidated damages payable by the Builder to the Buyer shall be deducted from the fifth instalment of consideration, of which the amount shall be assessed on the length of the delayed period after the expiration of the original delivery date. If the length of the delayed period exceeds a certain number of days, the Buyer may, at its option, rescind or cancel the 16,180 TEU Container Vessel Shipbuilding Contract(s) without any incurrence of penalty payable by the Buyer.

In the event that the Shipbuilding Contract(s) is rescinded or canceled by the Buyer in accordance with the specific terms thereof, the Builder shall refund to the Buyer in US Dollars the full amount already paid by the Buyer to the Builder, together with interest incurred thereof.

The Company will finance at least 40% of the total consideration payable under the Shipbuilding Contracts from its internal resources, and the remaining part of the total consideration will be settled by bank borrowings.

REASONS FOR AND BENEFITS OF THE SHIPBUILDING TRANSACTION

The Shipbuilding Transaction is in line with the 14th Five Year Plan of the Group including, among others, the increase in the transportation capacity of the Group and the maintenance of its first-tier position. The Group can benefit from the Shipbuilding Transaction to maintain its first-tier position in the industry and corresponding transportation capacity, and the Shipbuilding Transaction can also increase the competitive advantage of the Group and compel the Group's expansion of new markets. In addition, the Vessels under the Shipbuilding Transaction will increase the average container space per ship of our Group, and under the scale economy, larger container space per ship will result a lower cost per container. Moreover, the Vessels have adopted advanced technology to reduce the consumption of energy and emissions, which will also decrease the cost per container. By cascading replacement of existing vessels of the Group, the Vessels and the Shipbuilding Transaction can lower the cost of the transportation network and increase the core competitiveness of the Group.

LETTER FROM THE BOARD

The terms of the Shipbuilding Contracts (including the consideration and time of delivery for each Vessel) were determined on an arm's length basis and on normal commercial terms (based on price comparable to market price agreed between a willing buyer and a willing seller, payment terms, technical terms and delivery dates that meet the requirements of the Buyer). In addition, the Company has also made reference to public information to obtain market prices and market terms (including the adjustment mechanism of consideration) of the shipbuilding transactions, which are similar and comparable with the Shipbuilding Transaction. Moreover, the payment term of the consideration (i.e. smaller proportion of contract price payable in the first four instalments and the larger proportion of contract price payable upon delivery of the Vessel) is favourable to the Company. Based on the above, the Directors (including the independent non-executive Directors) consider that the terms (including the consideration and payment term) of the Shipbuilding Contracts are fair and reasonable, and the Shipbuilding Transaction is on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, COSCO SHIPPING and its associates controlled or were entitled exercise control over the voting rights in respect of 7,252,988,702 A shares and 113,925,500 H shares of the Company, representing approximately 46.01% of the entire issued share capital of the Company. Therefore, COSCO SHIPPING is a controlling shareholder of the Company and a connected person of the Company. The Builder is an indirect wholly-owned subsidiary of COSCO SHIPPING. Accordingly, the Builder is a connected person of the Company under Chapter 14A of the Listing Rules, and the Shipbuilding Transaction constitutes a connected transaction of the Company.

The Shipbuilding Transaction and the 2020 Transaction constitute a series of transactions made within a 12-month period and shall be aggregated pursuant to Rule 14.22 and Rule 14A.81 of the Listing Rules. As one or more of the applicable percentage ratios in respect of the Shipbuilding Transaction (when aggregated with the 2020 Transaction) exceeds 5% but all are less than 25%, the Shipbuilding Transaction constitutes a discloseable transaction and a connected transaction of the Company subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

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

LETTER FROM THE BOARD

DIRECTORS' CONFIRMATION

The executive Directors, namely, Mr. Xu Lirong, Mr. Huang Xiaowen, Mr. Yang Zhijian and Mr. Feng Boming, as Directors nominated by COSCO (a controlling shareholder of the Company and a wholly-owned subsidiary of COSCO SHIPPING), have abstained from voting on the resolution for the approval of the Shipbuilding Transaction by the Board according to the Articles of Association.

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

INFORMATION ON THE GROUP AND THE BUILDER

The Company was established in the PRC on 3 March 2005. The Group provides a wide range of container shipping and terminal services covering the whole shipping value chain for both international and domestic customers.

The Builder, an indirect wholly-owned subsidiary of COSCO SHIPPING, is established in the PRC with limited liability and is principally engaged in the business of float installation and ship designing and manufacturing. To the best of the Directors' knowledge, information and belief, the scope of business of COSCO SHIPPING includes international shipping, ancillary business in international maritime transportation, import and export of goods and technologies, international freight agency business, leasing of self-owned vessels, sale of vessels, containers and steel, and maritime engineering.

EXTRAORDINARY GENERAL MEETING

The EGM will be held at Conference Room, 47th Floor, COSCO Tower, 183 Queen's Road Central, Hong Kong and Ocean Hall, 5th Floor, Shanghai Ocean Hotel, No. 1171, Dong Da Ming Road, Shanghai, the PRC on Friday, 29 October 2021 at 9:30 a.m. for Shareholders to consider, and if thought fit, approve the resolution in relation to the Shipbuilding Transaction. A notice of the EGM is set out on pages EGM-1 to EGM-2 of this circular.

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

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of the Shareholders to be taken at the EGM shall be taken by poll. An announcement of the poll results will be made by the Company after the EGM in the manner prescribed under Rule 13.39(5) of the Listing Rules.

LETTER FROM THE BOARD

COSCO SHIPPING and its associates, being connected persons of the Company and having a material interest in the Shipbuilding Transaction, controlled or were entitled to exercise control over the voting rights in respect of 7,252,988,702 A shares and 113,925,500 H shares of the Company, representing approximately 46.01% total issued share capital of the Company as at the Latest Practicable Date. In accordance with the Hong Kong Listing Rules, they will abstain from voting at the EGM on the resolution to approve the Shipbuilding Transaction.

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

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 11 to 12 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 13 to 24 of this circular in connection with the Shipbuilding Transaction, and the principal factors and reasons considered by the Independent Financial Adviser in arriving at such advice.

The Independent Board Committee, having taken into account the terms of the Shipbuilding Transaction and the advice of the Independent Financial Adviser, is of the opinion that the Shipbuilding Transaction is on normal commercial terms or better and in the ordinary and usual course of business of the Group, and that the terms of the Shipbuilding Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the resolution to approve the Shipbuilding Transaction.

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

CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders who are entitled to attend and vote at the EGM, the H share register of members of the Company will be closed from Monday, 25 October 2021 to Friday, 29 October 2021, both days inclusive, during which period no transfer of the H shares of the Company will be effected. The Shareholders whose names appear in the register of members of the Company on Friday, 22 October 2021 at 4:30 p.m. are entitled to attend and vote at the EGM. In order to qualify for the entitlement to attend and vote at the EGM, all transfer documents accompanied by relevant share certificates must be lodged with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 22 October 2021.

LETTER FROM THE BOARD

ADDITIONAL INFORMATION

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

Yours faithfully,
For and on behalf of
COSCO SHIPPING Holdings Co., Ltd.*
Guo Huawei
Company Secretary



中遠海運控股股份有限公司
COSCO SHIPPING Holdings Co., Ltd.*

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

5 August 2021

To the Independent Shareholders

Dear Sir or Madam,

**(1) DISCLOSEABLE TRANSACTION AND CONNECTED
TRANSACTION REGARDING CONSTRUCTION OF TEN VESSELS;
AND
(2) NOTICE OF EXTRAORDINARY GENERAL MEETING**

We refer to the circular issued by the Company dated 5 August 2021 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings in this letter.

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

First Shanghai Capital Limited has been appointed to act as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Shipbuilding Transaction. The text of the letter of advice from the Independent Financial Adviser containing their recommendations and the principal factors they have taken into account in arriving at their recommendations are set out from pages 13 to 24 of the Circular.

Having taken into account the terms of the Shipbuilding Transaction and the advice of the Independent Financial Adviser, we are of the opinion that (i) the Shipbuilding Transaction is on normal commercial terms or better and in the ordinary and usual course of business of the Group, and that (ii) the terms of the Shipbuilding Transaction are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

* *For identification purpose only*

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

We therefore recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Shipbuilding Transaction.

Yours faithfully,

For and on behalf of the Independent Board Committee

Mr. WU Dawei
Mr. TEO Siong Seng

Mr. ZHOU Zhonghui
Prof. MA, Si Hang Frederick

Independent non-executive Directors

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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



FIRST SHANGHAI CAPITAL LIMITED

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

5 August 2021

To the Independent Board Committee and the Independent Shareholders

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

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION AND CONNECTED TRANSACTION CONSTRUCTION OF TEN VESSELS

INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Shipbuilding Transaction, details of which are set out in the circular of the Company to the Shareholders dated 5 August 2021 (the “**Circular**”), of which this letter forms part. Unless the context otherwise requires, terms used in this letter shall have the same meanings as those defined in the Circular. The exchange rate of US\$1.0 to RMB6.464 (being the central parity rate as of the date of the Shipbuilding Contracts with reference to the website of the People's Bank of China) has been adopted in this letter solely for illustration purpose.

On 15 July 2021, the Buyer (a wholly-owned subsidiary of the Company) entered into ten Shipbuilding Contracts with the Builder, comprising (i) six 14,092 TEU Container Vessel Shipbuilding Contracts for the construction of six units of 14,092 TEU container vessels at an aggregate consideration of US\$876 million; and (ii) four 16,180 TEU Container Vessel Shipbuilding Contracts for the construction of four units of 16,180 TEU container vessels at an aggregate consideration of US\$620 million. Hence, the total consideration under the ten Shipbuilding Contracts is US\$1,496 million.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Builder is an indirect wholly-owned subsidiary of COSCO SHIPPING (a controlling shareholder of the Company). Therefore, the Builder is a connected person of the Company under Chapter 14A of the Listing Rules and the Shipbuilding Transaction constitutes a connected transaction of the Company. As mentioned in the letter from the Board in the Circular, the Shipbuilding Transaction is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14 and Chapter 14A of the Listing Rules.

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

OUR INDEPENDENCE

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

- we were engaged as the independent financial adviser by the Company for three occasions, including (i) the discloseable and connected transaction regarding the construction of five vessels as detailed in the circular of the Company dated 27 April 2020; (ii) the discloseable and connected transaction regarding the construction of seven vessels as detailed in the circular of the Company dated 16 November 2020; and (iii) the major and connected transaction regarding the leasing of vessels as detailed in the circular of the Company dated 16 November 2020; and
- we were also engaged as the independent financial adviser by Orient Overseas (International) Limited (316 HK) (“OOIL”), which is a non-wholly owned subsidiary of the Company, for three occasions including (i) the continuing connected transactions conducted with the Group as detailed in the circular of OOIL dated 28 November 2019; (ii) the major and connected transaction regarding the construction of five vessels as detailed in the circular of OOIL dated 9 April 2020; and (iii) the major and connected transaction regarding the construction of seven vessels and the revision of certain annual caps as detailed in the circular of OOIL dated 11 November 2020.

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

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

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background information on the parties to the Shipbuilding Transaction

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

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

The Builder is a wholly-owned subsidiary of COSCO SHIPPING and is principally engaged in the business of float installation and ship designing and manufacturing. We have reviewed the website of the Builder and we understand that (i) the Builder manufactures various types of vessels including but not limited to container vessels, oil tankers and bulk carrier; and (ii) the Builder has delivered over 180 vessels to customers around the globe.

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1.1. Historical financial performance of the Group

The following table summarises the statement of profit or loss of the Group for each of the three years ended 31 December 2020 with reference to the annual reports of the Company:–

	For the year ended 31 December		
	2018	2019	2020
	<i>RMB million</i> <i>(Audited)</i>	<i>RMB million</i> <i>(Audited)</i>	<i>RMB million</i> <i>(Audited)</i>
Revenue from continuing operations	120,342	150,541	171,259
Gross profit	9,616	15,329	24,142
Operating profit	4,999	7,223	15,575
Profit for the year from continuing operations	2,830	3,081	13,187
Profit for the year from discontinued operation	196	7,113	–
Profit for the year	3,026	10,194	13,187
Profit attributable to equity holders of the Company	1,230	6,690	9,927

(a) Year ended 31 December 2019 compared with year ended 31 December 2018

Revenue from continuing operations increased from approximately RMB120,342 million for the year ended 31 December 2018 to approximately RMB150,541 million for the year ended 31 December 2019, representing an increase of approximately 25%, primarily due to the acquisition of OOIL (316 HK) in July 2018. On a comparable basis by consolidating the revenue of OOIL since the beginning of year 2018, the revenue for the year ended 31 December 2019 increased by approximately 7% as compared with the preceding year. Gross profit margin slightly increased from approximately 8% for the year ended 31 December 2018 to approximately 10% for the year ended 31 December 2019. Overall, net profit margin from continuing operation maintained at approximately 2% for each of the years ended 31 December 2018 and 2019. Nonetheless, net profit from discontinued operation rose from approximately RMB196 million for the year ended 31 December 2018 to approximately RMB7,113 million for the year ended 31 December 2019 following the divestment of the United States terminal business in year 2019. Therefore, net profit for the year increased from approximately RMB3,026 million for the year ended 31 December 2018 to approximately RMB10,194 million for the year ended 31 December 2019.

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(b) *Year ended 31 December 2020 compared with year ended 31 December 2019*

Revenue from continuing operations further increased from approximately RMB150,141 million for the year ended 31 December 2019 to approximately RMB171,259 million for the year ended 31 December 2020, representing an increase of approximately 14%. Gross profit margin increased from approximately 10% for the year ended 31 December 2019 to approximately 14% for the year ended 31 December 2020. Overall, net profit margin from continuing operation also improved from approximately 2% for the year ended 31 December 2019 to approximately 8% for the year ended 31 December 2020. Net profit for the year increased from approximately RMB10,194 million for the year ended 31 December 2019 to approximately RMB13,187 million for the year ended 31 December 2020.

1.2. Historical financial position of the Group

The following table summarises the balance sheet of the Group as at 31 December 2019 and 30 June 2020 with reference to the 2020 Annual Report:–

	As at 31 December	
	2019	2020
	<i>RMB million</i>	<i>RMB million</i>
	<i>(Audited)</i>	<i>(Audited)</i>
Non-current assets	190,125	199,962
Current assets	72,099	71,964
Total assets	262,224	271,926
Current liabilities	70,471	74,029
Non-current liabilities	122,628	119,200
Total liabilities	193,099	193,229
Net assets attributable to equity holders of the Company	35,360	43,914
Non-controlling interests	33,765	34,783
Net assets	69,125	78,697

As at 31 December 2020, (i) the principal assets of the Group were property, plant and equipment, which amounted to approximately RMB102,834 million, and cash and cash equivalents, which amounted to approximately RMB52,630 million; and (ii) the principal liabilities of the Group were borrowings, which amounted to approximately

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RMB94,972 million (including both current and non-current portions). Net assets attributable to equity holders of the Company amounted to approximately RMB43,914 million as at 31 December 2020.

For further details of the financial information of the Group, please refer to the annual reports of the Company.

1.3. Prospects of the Group

With reference to the 2020 Annual Report, during the year ended 31 December 2020, while facing the outbreak of the COVID-19 pandemic, the Group leveraged its advantage of scale fully as a leading global liner, further expanded and improved its global route network layout and strove to expand further its routes coverage. As a result, for the year ended 31 December 2020, the Group was able to achieve a further annual improvement in its financial performance.

We have further discussed with and are advised by the Management that the prospects of the Group are driven by, among other factors, the performance of the global macroeconomic environment which affects trade volume and the demand for container shipping. As such, we have reviewed, among other things, the economic information in the report titled *World Economic Outlook Update* dated April 2021 (the “**IMF Report**”) published by the International Monetary Fund (國際貨幣基金組織), which is an organisation of 190 countries. The following table illustrates the expected performance of the macro-economic environment in terms of annual percentage change of gross domestic product (“**GDP**”) and trade volume.

	For the year ended				For the year ending		
	31 December				31 December		
	2017	2018	2019	2020	2021F	2022F	2023F
World real GDP	+3.8%	+3.6%	+2.8%	-3.3%	+6.0%	+4.4%	+3.5%
of which							
– PRC	+6.9%	+6.7%	+5.8%	+2.3%	+8.4%	+5.6%	+5.4%
– United States	+2.3%	+3.0%	+2.2%	-3.5%	+6.4%	+3.5%	+1.4%
World trade volume	+5.6%	+3.9%	+0.9%	-8.5%	+8.4%	+6.5%	+4.2%

Source: the IMF Report (April 2021) and relevant publications

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With reference to the above table, we note that the global macro-economy, including trade volume, was adversely impacted in year 2020, but is expected to recover afterwards. According to the IMF Report, (i) in parallel with multiple vaccines that can reduce the severity and frequency of infections, the adaptation to pandemic life has enabled the global economy to do well despite subdued overall mobility, leading to a stronger-than-anticipated rebound; (ii) the PRC had already returned to pre-COVID GDP in year 2020; and (iii) the United States is expected to surpass its pre-COVID GDP level in year 2021.

As stated in the 2020 Annual Report, (i) the Company will further strengthen and improve the global end-to-end operation network to interconnect with the global route capacity network, therefore endowing a large land-sea integrated service corridor with wider coverage and higher efficiency; and (ii) the Company vows to actively embrace the opportunities brought forth by China's economic growth and global economic recovery to develop global container transportation market, and endeavour to evolve itself into one of the most popular benchmarking enterprises with the top international brand value in the transportation sector of the capital market.

Overall, we understand that the macro-economic environment is expected to be recovering and the Group has made and will continue to make efforts in the continuous development of its businesses.

2. Background to and reason for the Shipbuilding Transaction

According to the 2020 Annual Report, we note that the Group will continue to, among other things, step up its investment in shipping capacity in the emerging markets, regional markets and third-country markets and optimise and adjust the structure of shipping capacity of routes in line with market demand to further balance and stabilise all route services.

We have discussed with the Management and understand that (i) the 14th Five Year Plan of the Group covered, among other things, the increase in the transportation capacity of the Group and the maintenance of the first-tier position of the Group; (ii) the Vessels to be built pursuant to the Shipbuilding Transaction can increase the average container space per vessel of the Group and results in a lower cost per container through the economies of scale; and (iii) the Vessels have adopted advanced technology to reduce energy consumption, which will also decrease the cost per container. We have further reviewed the 2020 Annual Report and understood that, as of the end of year 2020, (i) the Company's container fleet had 536 vessels with a total shipping capacity of 3,073,684 TEUs; and (ii) the Company's shipping capacity continued to rank third in the world. Accordingly, we note that the 10 vessels with a total of 149,272 TEUs under the Shipbuilding Transaction represents approximately 2% and 5% of the total number of vessels and the total shipping capacity (in terms of TEU) of the Company as of the end of year 2020, respectively.

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Accordingly, we concur with the Management that (i) the Shipbuilding Transaction is in line with the 14th Five Year Plan of the Group; (ii) the Group can benefit from the Shipbuilding Transaction to maintain its first-tier position in the industry and corresponding transportation capacity; (iii) the Shipbuilding Transaction can also increase the competitive advantage of the Group and compel the Group's expansion of new markets; and (iv) the Shipbuilding Transaction can lower the cost of the transportation network and increase the core competitiveness of the Group.

Taking into account, in particular, (i) the Group continues to require container vessels for its ongoing principal business operations; (ii) the macro-economic environment is expected to be recovering and the Group has made and will continue to make efforts in the continuous development of its businesses; (iii) the Shipbuilding Transaction is expected to achieve a lower cost per container through the economies of scale and reduction in energy consumption; (iv) the scale of the vessels under the Shipbuilding Transaction as compared with the scale of the fleet of the Company; and (v) the terms of the Shipbuilding Transaction are fair and reasonable as discussed below, we are of the view that the entering into of the Shipbuilding Transaction is an investing activity ancillary and incidental to the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

3. Principal terms of the Shipbuilding Transaction

On 15 July 2021, the Buyer (a wholly-owned subsidiary of the Company) entered into ten Shipbuilding Contracts with the Builder, comprising (i) six 14,092 TEU Container Vessel Shipbuilding Contracts for the construction of six units of 14,092 TEU container vessels at an aggregate consideration of US\$876 million (each of the Vessel at the same consideration of US\$146 million); and (ii) four 16,180 TEU Container Vessel Shipbuilding Contracts for the construction of four units of 16,180 TEU container vessels at an aggregate consideration of US\$620 million (each of the Vessel at the same consideration of US\$155 million). Hence, the total consideration under the ten Shipbuilding Contracts is US\$1,496 million.

For each of the Shipbuilding Contracts, the Buyer shall pay the consideration in cash in five instalments based on progress intervals on the construction of each Vessel (including the cutting of the first steel plate, the keel laying of the first section and the launching of the Vessel) with smaller proportion of contract price payable in the first four instalments and the larger proportion of contract price payable upon delivery of the Vessel. The consideration shall be subject to adjustments by deducting liquidating damages in cases of (i) delay in delivery of the Vessel, (ii) insufficient speed of the Vessel, (iii) excessive fuel consumption by the Vessel, (iv) deadweight of the Vessel, (v) deficiency in container's capacity, or (vi) insufficient number of 14 Ton container loading (the "**Adjustment Mechanism**"). The relevant Vessels under the 14,092 TEU Container Vessel Shipbuilding Contracts are expected to be delivered during the period from December 2023 to September 2024, subject to any early delivery or delay in delivery (subject to a maximum liquidated damages of US\$7.20 million for delay in delivery) as provided in each of the 14,092 TEU Container Vessel Shipbuilding Contracts. The relevant Vessels under the 16,180 TEU Container Vessel Shipbuilding Contracts are expected to be delivered during the period from June 2025 to December 2025, subject to any early delivery

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or delay in delivery (subject to a maximum liquidated damages of US\$7.56 million for delay in delivery) as provided in each of the 16,180 TEU Container Vessel Shipbuilding Contracts. In respect of the Adjustment Mechanism, we have reviewed the Shipbuilding Contracts and we are advised by the Management that (i) the Adjustment Mechanism is in favour of the Buyer and provides additional protection to the Buyer in general, where the consideration of the Vessels shall be reduced in case of, among other things, delay in delivery and other technical deficiencies of the Vessels; (ii) the delay in delivery of the Vessels would reduce the consideration of the Vessels, where such reduction would be assessed and calculated on a per day basis, subject to the maximum amount of liquidated damages as aforementioned); and (iii) the Buyer has the right to rescind or cancel the Shipbuilding Contract if the delivery of the Vessel is delayed for a prolonged period and, in such case, the Builder shall refund to the Buyer in US Dollars the full amount already paid by the Buyer to the Builder, together with interest incurred thereof, without any incurrence of penalty payable by the Buyer. In light of the aforesaid, we consider the Adjustment Mechanism (including the damage assessment on delivery delay, which is calculated on a per day basis) to be reasonable.

As advised by the Management, (i) the Group did not enter into comparable shipbuilding contracts (in terms of vessel type, size and specification) with any independent third party shipbuilder within the past year from the date of the Shipbuilding Contracts; (ii) as far as the Management understands, the Builder did not enter into comparable shipbuilding contracts (in terms of vessel type, size and specification) with any independent third party customer within the past year from the date of the Shipbuilding Contracts; and (iii) the Builder is a PRC state-owned enterprise with relevant technical expertise and experience to meet the requirements of the Group to build the Vessels with customised specifications based on the needs of the Group in terms of, among other things, loading capacity, propeller design and safety system.

We have attempted to exhaustively identify comparable transactions announced by companies listed in Hong Kong involving the entering into of shipbuilding contracts with independent shipbuilders within the past year from the date of the Shipbuilding Contracts. We have identified the announcements dated 31 August 2021, 30 November 2020, 21 December 2020, 27 May 2021, 2 June 2021 and 18 June 2021 published by SITC International Holdings Company Limited (1308 HK) (“SITC”), which mentioned that SITC had entered into various shipbuilding contracts with shipbuilders that were independent third parties (including Dae Sun Shipbuilding & Engineering Co., Ltd. and certain subsidiaries of Yangzijiang Shipbuilding (Holdings) Ltd.) to build a variety of container vessels with sizes ranging between 1,000 TEU and 3,000 TEU. Given the significant differences in the sizes of these vessels as compared with those under the Shipbuilding Contracts, we placed our focus on reviewing their payment terms rather than the pricing terms, where we noted that the payment terms of the shipbuilding contracts entered into by SITC with independent shipbuilders were generally in five instalments of 10%, 10%, 10%, 10% and 60% with the final instalment of 60% payable upon the physical delivery of the vessels. We understand such payment terms are comparable with those under the Shipbuilding Contracts.

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Additionally, we have attempted to exhaustively identify the pricing of the most recent comparable transaction (involving the building of container vessels with around 13,000 TEU to 16,000 TEU) in the market, however shipbuilding transactions, and their pricings, are generally not public information available from official sources. Nonetheless, we note that, within the past three months from the date of the Shipbuilding Contracts, (i) HMM Co., Ltd. (a Korea-based logistics company) announced on 29 June 2021 that it had entered into shipbuilding contracts with shipbuilders (namely, Daewoo Shipbuilding & Marine Engineering and Hyundai Heavy Industries) to build twelve 13,000 TEU container vessels at a total price of US\$1,570 million; and (ii) Wan Hai Lines Ltd. (a Taiwan-based shipping company) announced on 31 May 2021 that it had entered into shipbuilding contracts with a shipbuilder (namely, Samsung Heavy Industries Co., Ltd.) to build four 13,100 TEU container vessels at a total price of up to US\$500 million. We also note that the aforementioned contracts imply unit prices of approximately US\$10,064 per TEU and US\$9,542 per TEU, which are not materially different from the implied unit price of approximately US\$10,360 per TEU and US\$9,580 per TEU under the six 14,092 TEU Container Vessel Shipping Contracts and the four 16,180 TEU Container Vessel Shipping Contracts, respectively. The Independent Shareholders should note that (i) the model, size and various other technical specifications of a vessel; (ii) the then raw material costs in the market; and (iii) the then market demand and supply of vessels are factors that may affect the building price of the vessel.

Taking into account, in particular, (i) the Builder is a PRC state-owned enterprise with relevant technical expertise and experience to meet the requirements of the Group to build the customised Vessels; (ii) our review of the recent market pricing and payment terms of container vessels, which are not materially different from those under the Shipbuilding Transaction; (iii) each of the six 14,092 TEU container vessels are at the same consideration under the 14,092 TEU Container Vessel Shipbuilding Contracts and each of the four 16,180 TEU container vessels at the same consideration under the 16,180 TEU Container Vessel Shipbuilding Contracts; (iv) the Adjustment Mechanism is in favour of the Buyer and provides additional protection to the Buyer, where the consideration of the Vessels shall be reduced in case of, among other things, delay in delivery and other technical deficiencies of the Vessels; and (v) the reasons and benefits of the Shipbuilding Transaction as aforementioned, we consider the terms of the Shipbuilding Transaction (including the consideration of each Vessel and the Adjustment Mechanism) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

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4. Possible financial implications of the Shipbuilding Transaction

The total consideration under the ten Shipbuilding Contracts is US\$1,496 million (equivalent to approximately RMB9,670 million). For each of the Shipbuilding Contracts, the Buyer shall pay the consideration in cash in five instalments based on progress intervals on the construction of each Vessel, with smaller proportion of contract price payable in the first four instalments and the larger proportion of the payment payable upon delivery of the Vessel. The Vessels under the 14,092 TEU Container Vessel Shipbuilding Contracts and the 16,180 TEU Container Vessel Shipbuilding Contracts are expected to be delivered during the period from December 2023 to September 2024 and during the period from June 2025 to December 2025, respectively. The Company will finance at least 40% of the total consideration payable under the Shipbuilding Contracts from its internal resources, and the remaining part of the total consideration will be settled by bank borrowings.

The Group recorded revenue from continuing operations, net profit attributable to equity holders of the Company and net cash generated from operating activities of approximately RMB171,259 million, RMB9,927 million and RMB44,931 million, respectively, for the year ended 31 December 2020. We are advised by the Management that the Shipbuilding Transaction is not expected to have any immediate material impact on the net profit of the Group and, after the delivery of the Vessels, the Vessels are expected to be utilised for the generation of revenue through the core businesses of the Group.

The Group recorded total assets, total outstanding borrowings (interest bearing liabilities net of lease liabilities), net assets attributable equity holders of the Company and cash and cash equivalents of approximately RMB271,926 million, RMB94,972 million, RMB43,914 million and RMB52,630 million, respectively, as at 31 December 2020. We are advised by the Management that, despite the Group recorded net current liabilities of approximately RMB2,065 million as at 31 December 2020, the Shipbuilding Contracts themselves are not expected to cause any material adverse impact to the financial position of the Group in view of (i) the scale of the total consideration of the Shipbuilding Contracts as compared with the overall scale of the Group, in terms of total assets, borrowings, net assets and cash and cash equivalents; (ii) the consideration of the Shipbuilding Contracts will be settled in instalments, where the larger proportion of the payment is expected to be payable upon delivery of the Vessels starting in December 2023 and until December 2025; and (iii) the positive track record of the financial performance of the Group and the ongoing efforts of the Group to continue to further improve its financial performance in the upcoming years.

Taking in account, in particular, (i) the Shipbuilding Contracts were entered into for the purchase of the Vessels, which are revenue generating assets for the core business operations of the Group; (ii) the scale of the total consideration of the Shipbuilding Contracts as compared with the overall scale of the Group; (iii) the total consideration of the Shipbuilding Contracts will be settled in instalments, payable in the upcoming few years, which is not expected to cause immediate material impact to the Group; and (iv) the terms of the Shipbuilding Transaction are fair and reasonable as aforementioned, we consider the financial implications of the Shipbuilding Transaction to be normal, and therefore acceptable.

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RECOMMENDATION

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

Yours faithfully,

For and on behalf of

First Shanghai Capital Limited

Nicholas Cheng

Director

Roger Tang

Vice President

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

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

- (a) As at the Latest Practicable Date, the interests of the Directors, supervisors and the chief executive of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) were as follows:

(i) Long position in the shares, underlying shares and debentures of the Company

Name of Director	Capacity	Number of Shares held as at the Latest Practicable Date	Percentage of total number of the relevant class of Shares	Percentage of total number of issued Shares
Mr. YANG Zhijian ¹	Beneficial owner	100,000 H Shares	0.00298%	0.00062%
		936,000 A Shares	0.00740%	0.00585%
Mr. FENG Boming ^{2, 3}	Beneficial owner	936,000 A Shares	0.00740%	0.00585%
	Interest of spouse	611,000 A Shares	0.00483%	0.00382%
Mr. TEO Siong Seng	Beneficial owner	112,500 H Shares	0.00335%	0.00070%

Notes:

1. As at the Latest Practicable Date, Mr. Yang Zhijian held 936,000 A share options under the A share option incentive scheme of the Company.
2. As at the Latest Practicable Date, Mr. Feng Boming held 936,000 A share options under the A share option incentive scheme of the Company.
3. As at the Latest Practicable Date, the spouse of Mr. Feng Boming held 149,370 A Shares and 461,630 A share options under the A share option incentive scheme of the Company. Mr. Feng Boming is therefore deemed to be interested in such A Shares and share options of the Company.

(ii) Long positions in the shares, underlying shares and debentures of associated corporations of the Company

Name of associated corporation	Name of Director/ Supervisor	Capacity	Number of shares held	Percentage of total number of issued shares of the relevant class of the relevant associated corporation
COSCO SHIPPING Development Co., Ltd.	Mr. YANG Zhijian	Beneficial owner	400,000 H shares	0.01088%
	Mr. FENG Boming	Beneficial owner	29,100 A shares	0.00037%
COSCO SHIPPING Ports Limited	Mr. FENG Boming	Beneficial owner	32,379 ordinary shares	0.00098%

- (b) As at the Latest Practicable Date, save as disclosed below, so far as is known to the Directors, no Director was a director or employee of a company which has an interest or short position in the shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO:

Name of Director	Position held in COSCO SHIPPING
XU Lirong	Chairman of the board of directors and party secretary
HUANG Xiaowen	Deputy general manager and member of the party group
YANG Zhijian	Employee representative director

- (c) Save as disclosed above, as at the Latest Practicable Date, so far as was known to the Directors, (i) none of the Directors, supervisors or chief executive of the Company had any interest or short positions in any shares or underlying shares or interest in debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange; and (ii) none of the Directors was a director or employee of a company which had an interest or short position in the Shares and underlying shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

3. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, so far as the Directors were aware, none of the Directors or their respective close associates had any interest in any business, which competes or may compete, either directly or indirectly, with the business of the Group as if each of them were treated as a controlling shareholder of the Company under Rule 8.10 of the Listing Rules.

4. DIRECTORS' AND SUPERVISORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had any direct or indirect interest in any asset which had been, since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

5. DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

As at the Latest Practicable Date, none of the Directors or supervisors of the Company was materially interested in any contract or arrangement subsisting and which is significant in relation to the business of the Group.

6. DIRECTORS' AND SUPERVISORS' INTERESTS IN SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors or supervisors of the Company had entered, or proposed to enter into a service contract or service agreement with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

7. EXPERT AND CONSENT

The following is the qualifications of the expert who has given an opinion or advice, which is contained or referred to in this circular:

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

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

As at the Latest Practicable Date, First Shanghai Capital Limited did not have any direct or indirect interest in any assets which have been, since 31 December 2020, being the date to which the latest published audited financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, First Shanghai Capital Limited has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 5 August 2021 in connection with their advice to the Independent Board Committee and the Independent Shareholders, and reference to its name and opinion in the form and context in which it appears.

8. LITIGATION

There was no litigation or claim of material importance pending or threatened against any member of the Group as at the Latest Practicable Date.

9. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2020, being the date to which the latest published audited consolidated financial statements of the Company were made up.

10. DOCUMENTS AVAILABLE FOR INSPECTION

A copy of the following documents will be made available for inspection during normal business hours at the Company's principal place of business at 48/F, COSCO Tower, 183 Queen's Road Central, Hong Kong from the date of this circular up to and including the date of the EGM:

- (a) the Articles of Association;
- (b) the letter from the Independent Board Committee, the text of which is set out in the section headed "Letter from the Independent Board Committee" of this circular;
- (c) the letter from the Independent Financial Adviser in respect of their advice to the Independent Board Committee and the Independent Shareholders, the text of which is set out in the section headed "Letter from the Independent Financial Adviser" of this circular;
- (d) the annual reports of the Company for each of the two financial years ended 31 December 2019 and 2020;
- (e) each of the Shipbuilding Contracts;
- (f) the written consent from First Shanghai Capital Limited referred to in the section headed "7. Expert and Consent" in this Appendix; and
- (g) this circular.

11. MISCELLANEOUS

- (a) The company secretary of the Company is Dr. GUO Huawei, who is a senior economist.
- (b) The registered office of the Company is located at 2nd Floor, 12 Yuanhang Business Centre, Central Boulevard and East Seven Road Junction, Tianjin Airport Economic Zone, Tianjin, the PRC. The head office and principal place of business of the Company in Hong Kong is located at 48/F, COSCO Tower, 183 Queen's Road Central, Hong Kong.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Computershare Hong Kong Investor Services Limited located at Shops 1712 to 1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) This circular in both English and Chinese is available in printed form and published on the respective websites of the Company at "<http://hold.coscoshipping.com>" and Hong Kong Exchanges and Clearing Limited at "<http://www.hkexnews.hk>". To the extent that there are any inconsistencies between the English version and the Chinese version of this circular, the English version shall prevail.

NOTICE OF EXTRAORDINARY GENERAL MEETING

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中遠海運控股股份有限公司
COSCO SHIPPING Holdings Co., Ltd.*

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

NOTICE OF EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of COSCO SHIPPING Holdings Co., Ltd.* (the “Company”) will be held at Conference Room, 47th Floor, COSCO Tower, 183 Queen’s Road Central, Hong Kong and Ocean Hall, 5th Floor, Shanghai Ocean Hotel, No. 1171, Dong Da Ming Road, Shanghai, the People’s Republic of China on Friday, 29 October 2021 at 9:30 a.m. for the purpose of considering and, if thought fit, passing (with or without modifications) the following resolution.

Unless otherwise defined, capitalised terms used herein shall have the same meaning as those defined in the circular of the Company dated 5 August 2021 (the “Circular”).

ORDINARY RESOLUTION

1. To consider and approve the Shipbuilding Contracts and the Shipbuilding Transaction contemplated thereunder.

Yours faithfully,
For and on behalf of
COSCO SHIPPING Holdings Co., Ltd.*
Guo Huawei
Company Secretary

Shanghai, the People’s Republic of China
5 August 2021

* *For identification purpose only*

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. For more information in relation to the resolution at the EGM, please refer to the announcement of the Company dated 15 July 2021 and the circular of the Company dated 5 August 2021 in relation to the Shipbuilding Transaction.
2. Pursuant to Rule 13.39(4) of the Listing Rules, votes of the Shareholders at the EGM shall be taken by poll.
3. A Shareholder entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote in his/her stead. A proxy needs not to be a shareholder.
4. The instrument appointing a proxy must be in writing under the hand of a Shareholder or his/her/its attorney duly authorized in writing. If the Shareholder is a corporation, that instrument must be either under its common seal or under the hand of its director(s) or duly authorized attorney(s). If that instrument is signed by an attorney of the Shareholder, the power of attorney authorizing that attorney to sign or other authorization document must be notarized.
5. In order to be valid, the form of proxy together with the power of attorney or other authorization document (if any) must be deposited at the H share registrar of the Company, Computershare Hong Kong Investor Services Limited (address: 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong) for holders of H shares as soon as possible and in any event not less than 24 hours before the time appointed for the holding of the EGM or any adjournment thereof (as the case may be). Completion and return of a form of proxy will not preclude a shareholder from attending and voting in person at the EGM if he/she so wishes.
6. The H share register of members of the Company will be closed from Monday, 25 October 2021 to Friday, 29 October 2021, both days inclusive, during which period no transfer of the H shares of the Company will be effected. The Shareholders whose names appear in the register of members of the Company on Friday, 22 October 2021 at 4:30 p.m. are entitled to attend and vote at the EGM. In order to attend and vote at the EGM, all transfer documents accompanied by relevant share certificates must be lodged with the H share registrar of the Company, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 22 October 2021.
7. The Shareholders or their proxies attending the EGM shall produce their identity documents. If the attending Shareholder is a corporate, its legal representative or person authorized by the Board or other decision-making authority shall present a copy of the relevant resolution of the Board or other decision making authority in order to attend the EGM.
8. As at the date of this notice, the Directors are Mr. XU Lirong¹ (Chairman), Mr. HUANG Xiaowen¹ (Vice Chairman), Mr. YANG Zhijian¹, Mr. FENG Boming¹, Mr. WU Dawei², Mr. ZHOU Zhonghui², Mr. TEO Siong Seng² and Prof. MA, Si Hang Frederick².

¹ *Executive director*

² *Independent non-executive director*