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

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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This circular, for which the directors of the Company collectively and individually accept full responsibility, includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited for the purpose of giving information with regard to the Company. The directors of the Company, 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.

This circular is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for the securities of 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)

(1) REVISED PROPOSED NON-PUBLIC ISSUANCE OF A SHARES
(2) CONNECTED TRANSACTION –
PROPOSED SUBSCRIPTION OF A SHARES BY
THE CONTROLLING SHAREHOLDER
(3) SPECIFIC MANDATE
AND
(4) APPLICATION FOR THE CHINA BOHAI BANK LOANS

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

MESSIS  **大有融資**

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

A letter from the Board is set out on pages 6 to 36 of this circular. A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 37 to 38 of this circular. A letter from Messis Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 39 to 75 of this circular.

A notice convening the EGM to be held at 1:30 p.m. on Monday, 5 June 2017 at Doris Hall, Level 4, Ocean Hotel Shanghai, 1171 Dong Da Ming Road, Hong Kou District, Shanghai, the People's Republic of China was despatched to the Shareholders on 20 April 2017, which is reproduced on pages EGM-1 to EGM-5 of this circular.

A notice convening the H Shares Class Meeting to be held at 1:30 p.m. on Monday, 5 June 2017 at Doris Hall, Level 4, Ocean Hotel Shanghai, 1171 Dong Da Ming Road, Hong Kou District, Shanghai, the People's Republic of China was despatched to the Shareholders on 20 April 2017, which is reproduced on pages HCM-1 to HCM-5 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."*

19 May 2017

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DEFINITIONS

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

“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
“A Shareholder(s)”	holder(s) of A Share(s)
“A Shares Class Meeting”	the class meeting of the A Shareholders
“Announcement”	the announcement of the Company dated 20 April 2017 in relation to, among other things, (i) the Revised Proposed Non-public Issuance of A Shares, (ii) the COSCO Subscription and (iii) the Specific Mandate
“Application for the China Bohai Bank Loans”	the application for loans from China Bohai Bank by COSCO SHIPPING Leasing
“Articles of Association”	the articles of association of the Company
“Asset Management Plan”	an asset management plan which certain executive Directors, Supervisor, senior management and employees have voluntarily invested in, the details of which are set out in the announcement of the Company dated 24 November 2016
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Average Trading Price”	the average trading price of the A Shares during the 20 trading days immediately preceding the Price Determination Date, which is calculated by dividing the total turnover of the A Shares by the total trading volume of the A Shares during the 20 trading days immediately preceding the Price Determination Date
“Benchmark Price”	(i) 90% of the Average Trading Price or (ii) the Floor Price, whichever is higher
“Board”	the board of directors of the Company
“Board Resolutions Date”	20 April 2017
“Cap”	2,336,625,000 A Shares

DEFINITIONS

“China Bohai Bank”	China Bohai Bank Co., Ltd. [#] (渤海銀行股份有限公司), a joint stock company incorporated in the PRC with limited liability
“China Shipping”	China Shipping (Group) Company [#] (中國海運(集團)總公司), a PRC state-owned enterprise, the controlling shareholder of the Company and a wholly-owned subsidiary of COSCO SHIPPING
“Class Meetings”	the A Shares Class Meeting and the H Shares Class Meeting
“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, whose H shares and A shares are listed on Main Board of the Hong Kong Stock Exchange (Stock Code: 2866) and the Shanghai Stock Exchange (Stock Code: 601866), respectively
“connected person(s)”	has the meaning ascribed to it under the Listing Rules or the relevant PRC laws and regulations (as the case may be)
“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 the indirect controlling shareholder of the Company
“COSCO SHIPPING Leasing”	COSCO SHIPPING Leasing Co., Ltd. [#] (中遠海運租賃有限公司), a limited liability company incorporated in the PRC and a wholly-owned subsidiary of the Company
“COSCO Subscription”	the proposed subscription of A Shares by COSCO SHIPPING pursuant to the COSCO Subscription Agreement
“COSCO Subscription Agreement”	the subscription agreement dated 20 April 2017 entered into between the Company and COSCO SHIPPING, pursuant to which COSCO SHIPPING has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, 50% of the number of A Shares to be issued under the Revised Proposed Non-public Issuance of A Shares

DEFINITIONS

“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	director(s) of the Company
“EGM”	the extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, (i) the Revised Proposed Non-public Issuance of A Shares, (ii) the COSCO Subscription, (iii) the Specific Mandate and (iv) the Application for the China Bohai Bank Loans
“FIL”	Florens International Limited (佛羅倫國際有限公司), a company incorporated under the laws of the British Virgin Islands with limited liability and an indirect wholly owned subsidiary of the Company
“Floor Price”	the latest audited net asset per Share of the Company before the issuance of A Shares under the Revised Proposed Non-public Issuance of A Shares
“Group”	the Company and its subsidiaries as at the date of this circular
“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 Main Board of the Hong Kong Stock Exchange
“H Shareholder(s)”	holder(s) of H Share(s)
“H Shares Class Meeting”	the class meeting of the H Shareholders
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Implementation Rules for the Non-public Issuance of Shares by Listed Companies”	the Implementation Rules for the Non-public Issuance of Shares by Listed Companies 《上市公司非公開發行股票實施細則》

DEFINITIONS

“Independent Board Committee”	the independent board committee of the Company comprising Mr. Cai Hongping, Mr. Tsang Hing Lun, Ms. Hai Chi Yuet and Mr. Graeme Jack, being all the independent non-executive Directors, which is formed to advise the Independent Shareholders on the Revised Proposed Non-public Issuance of A Shares, the COSCO Subscription and the Specific Mandate in accordance with the Listing Rules
“Independent Financial Adviser”	Messis Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, which has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Revised Proposed Non-public Issuance of A Shares, the COSCO Subscription and the Specific Mandate
“Independent Shareholders”	Shareholders other than (i) COSCO SHIPPING and its associates and (ii) all other parties (if any) who are interested or involved in the Revised Proposed Non-public Issuance of A Shares, the COSCO Subscription and/or the Specific Mandate
“Latest Practicable Date”	16 May 2017, 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
“New PRC Regulations”	the “Decision in Amending the Implementation Rules for the Non-public Issuance of Shares by Listed Companies” (《關於修改《上市公司非公開發行股票實施細則》的決定》) and the “Issuance Regulation Questions and Answers – Regulatory Requirements regarding Guiding and Regulating Financing Activities of Listed Companies” (《發行監管問答 – 關於引導規範上市公司融資行為的監管要求》) issued by the CSRC on 17 February 2017
“Overseas Regulatory Announcement”	the overseas regulatory announcement of the Company dated 7 March 2017 in relation to the Application for the China Bohai Bank Loans
“PRC”	the People’s Republic of China excluding, for the purpose of this circular, Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

DEFINITIONS

“PRC GAAP”	the Generally Accepted Accounting Principles in the PRC
“PRC Legal Advisers”	the PRC legal advisers to the Company
“Price Determination Date”	the first day of the offering period of the Revised Proposed Non-public Issuance of A Shares
“Revised Proposed Non-public Issuance of A Shares”	the proposed non-public issuance of not more than 2,336,625,000 A Shares (subject to adjustments) by the Company to not more than 10 specific target subscribers, including COSCO SHIPPING
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	State-owned Assets Supervision and Administration Commission of the State Council of the PRC (中華人民共和國國務院國有資產監督管理委員會)
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of Share(s)
“Specific Mandate”	the specific mandate to be sought from the Independent Shareholders at the EGM and the Class Meetings to issue the A Shares under the Revised Proposed Non-public Issuance of A Shares
“Supervisor(s)”	the supervisor(s) of the Company
“Takeovers Code”	the Hong Kong Code on Takeovers and Mergers
“trading day(s)”	a day on which the Shanghai Stock Exchange or the Hong Kong Stock Exchange (as the case may be) is open for dealing or trading in securities
“%”	per cent

For the purpose of this circular, translations of RMB into HK\$ or vice versa have been calculated by using an exchange rate of RMB1.00 equal to HK\$1.13. Such exchange rate has been used, where applicable, for the purpose of illustration only and does not constitute a representation that any amounts were, may have been or will be exchanged at such rate or any other rates or at all.

* 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.”.

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

Ms. Sun Yueying
Mr. Wang Daxiong
Mr. Liu Chong
Mr. Xu Hui

Legal address in the PRC

Room A-538
International Trade Center
China (Shanghai) Pilot Free Trade Zone
Shanghai
The PRC

Non-executive Directors

Mr. Feng Boming
Mr. Huang Jian
Mr. Chen Dong

Principal place of business in the PRC

Maritime Research Building
628 Minsheng Road
Pudong New Area
Shanghai
The PRC

Independent Non-executive Directors

Mr. Cai Hongping
Mr. Tsang Hing Lun
Ms. Hai Chi Yuet
Mr. Graeme Jack

Principal place of business in Hong Kong

31/F, Tower 2, Kowloon Commerce Centre
51 Kwai Cheong Road
Kwai Chung
New Territories
Hong Kong

19 May 2017

To the Shareholders

Dear Sir or Madam,

(1) REVISED PROPOSED NON-PUBLIC ISSUANCE OF A SHARES
(2) CONNECTED TRANSACTION –
PROPOSED SUBSCRIPTION OF A SHARES BY
THE CONTROLLING SHAREHOLDER
(3) SPECIFIC MANDATE
AND
(4) APPLICATION FOR THE CHINA BOHAI BANK LOANS

I. INTRODUCTION

Reference is made to (i) the Announcement, (ii) the Overseas Regulatory Announcement, (iii) the notice of the EGM dated 20 April 2017 and (iv) the notice of the H Shares Class Meeting dated 20 April 2017.

LETTER FROM THE BOARD

As disclosed in the Announcement, on 20 April 2017, the Board has approved the Revised Proposed Non-public Issuance of A Shares, pursuant to which the Company will issue a maximum of 2,336,625,000 A Shares (subject to adjustments) to not more than 10 specific target subscribers, including COSCO SHIPPING, which would raise a gross proceeds of up to RMB8.6 billion.

As part of the Revised Proposed Non-public Issuance of A Shares, on 20 April 2017, the Company and COSCO SHIPPING entered into the COSCO Subscription Agreement pursuant to which COSCO SHIPPING has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, 50% of the total number of A Shares to be issued under the Revised Proposed Non-public Issuance of A Shares.

In addition, as disclosed in the Overseas Regulatory Announcement, on 7 March 2017, the Board has approved the Application for the China Bohai Bank Loans.

The purpose of this circular is to provide you with, among other things:

- (a) further details of the Revised Proposed Non-public Issuance of A Shares, the COSCO Subscription, the Specific Mandate and the Application for the China Bohai Bank Loans;
- (b) the letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Revised Proposed Non-public Issuance of A Shares, the COSCO Subscription and the Specific Mandate; and
- (c) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its recommendation in respect of the Revised Proposed Non-public Issuance of A Shares, the COSCO Subscription and the Specific Mandate.

II. REVISED PROPOSED NON-PUBLIC ISSUANCE OF A SHARES

On 17 February 2017, the CSRC issued the New PRC Regulations, being the “Decision in Amending the Implementation Rules for the Non-public Issuance of Shares by Listed Companies” (《關於修改《上市公司非公開發行股票實施細則》的決定》) and the “Issuance Regulation Questions and Answers – Regulatory Requirements regarding Guiding and Regulating Financing Activities of Listed Companies” (《發行監管問答 – 關於引導規範上市公司融資行為的監管要求》).

According to the New PRC Regulations, among other things, (i) the number of A shares proposed to be issued by a PRC listed company by way of non-public issuance shall not exceed 20% of the total number of the issued shares of the PRC listed company prior to the issuance of such A shares; and (ii) the price determination date for the non-public issuance of shares by a PRC listed company shall be the first day of the offering period of the non-public issuance of shares.

LETTER FROM THE BOARD

In light of the New PRC Regulations, on 20 April 2017, the Board has approved the Revised Proposed Non-public Issuance of A Shares, pursuant to which the Company will issue a maximum of 2,336,625,000 A Shares (subject to adjustments) to not more than 10 specific target subscribers, including COSCO SHIPPING, which would raise a gross proceeds of up to RMB8.6 billion.

The details of the Revised Proposed Non-public Issuance of A Shares are set out below.

1. Details of the Revised Proposed Non-public Issuance of A Shares

Class and par value of Shares to be issued:	A Shares with a par value of RMB1.00 each.
Method and time of issuance:	The Revised Proposed Non-public Issuance of A Shares will be carried out by way of non-public issue of A Shares to not more than 10 specific target subscribers, including COSCO SHIPPING. The Company will complete the Revised Proposed Non-public Issuance of A Shares within six months after obtaining the approval from the CSRC.
Number of A Shares to be issued:	A maximum of 2,336,625,000 A Shares will be issued under the Revised Proposed Non-public Issuance of A Shares, which represents: (i) approximately 29.46% of the existing issued A Shares and 20% of the existing total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 22.75% of the enlarged issued A Shares and approximately 16.67% of the enlarged total issued share capital of the Company upon completion of the Revised Proposed Non-public Issuance of A Shares.

LETTER FROM THE BOARD

The Cap will be adjusted if there occurs any ex-right event (such as bonus issue, capitalization of capital reserves, additional issuance or placing of new Shares) between the Board Resolutions Date and the date of the issuance of A Shares under the Revised Proposed Non-public Issuance of A Shares. The formula for the adjustment is set out below:

$$Q = Q_0 \times (1 + N_1)$$

where,

- (i) Q is the Cap after adjustment for any ex-right event between the Board Resolutions Date and the date of the issuance of A Shares under the Revised Proposed Non-public Issuance of A Shares;
- (ii) Q_0 is the Cap; and
- (iii) N_1 is the number of (a) Shares being issued upon capitalisation of capital reserves for each Share, and/or (b) Shares being issued upon distribution of share dividend for each Share by the Company between the Board Resolutions Date and the date of the issuance of A Shares under the Revised Proposed Non-public Issuance of A Shares.

Pursuant to the Implementation Rules for the Non-public Issuance of Shares by Listed Companies, where the board of a listed company resolves to issue shares by way of non-public issuance, the board resolution shall specify, among other things, the maximum proceeds to be raised from the non-public issuance, the specific use of the proceeds and whether the number of shares to be issued shall be adjusted if there occurs any ex-right or ex-dividend event between the date of the board resolution and the date of issue of the shares.

LETTER FROM THE BOARD

On 20 April 2017, the Board has approved the Revised Proposed Non-public Issuance of A Shares and passed resolutions that the gross proceeds to be raised from the Revised Proposed Non-public Issuance of A Shares shall be not more than RMB8.6 billion. Notwithstanding any adjustment to the Cap and/or the Benchmark Price:

- (i) the maximum gross proceeds to be raised from the Revised Proposed Non-public Issuance of A Shares as approved by the Board will in any event not exceed RMB8.6 billion; and
- (ii) pursuant to the New PRC Regulations, the Cap will in any event not exceed 20% of the total number of total issued share capital of the Company prior to the issuance of the A Shares under the Revised Proposed Non-public Issuance of A Shares.

Subject to the Cap, the Board proposes that the Shareholders at the EGM and the Class Meetings grant to the Board and its authorised person(s) such authority as necessary for determining the final number of A Shares to be issued based on the negotiations with the sponsor (the lead underwriter) with reference to the amount of proceeds to be raised and the actual amount of subscription received.

COSCO SHIPPING undertakes to subscribe for 50% of the total number of A Shares to be issued under the Revised Proposed Non-public Issuance of A Shares. China Shipping will not participate in the Revised Proposed Non-public Issuance of A Shares.

The Revised Proposed Non-public Issuance of A Shares is not underwritten.

LETTER FROM THE BOARD

Target subscribers:

The target subscribers for the Revised Proposed Non-public Issuance of A Shares will be not more than 10 specific subscribers (including COSCO SHIPPING). The target subscribers other than COSCO SHIPPING include securities investment fund management companies, securities companies, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors and other qualified investors in compliance with applicable laws and regulations. Securities investment fund management companies, which subscribe for the A Shares with two or more of the funds managed by them, shall each be taken as one single subscriber. Trust companies may only subscribe for the A Shares with their own funds.

Pursuant to Rules 23 and 24 of the Rules for the Implementation Rules for the Non-public Issuance of Shares by Listed Companies, where the board resolution of the company has not identified specific target subscribers for the non-public issuance of shares, the sponsor shall issue invitation for subscription to eligible specific target subscribers after obtaining approval documents from the CSRC. The list of eligible specific target subscribers shall include: (i) investors who have submitted a letter of intent after the announcement of the board resolution by the company; (ii) the top 20 shareholders of the company; and (iii) not less than 20 securities investment fund management companies, 10 securities companies and five insurance institutional investors, which are eligible under the “Measures for the Administration of Securities Offering and Underwriting” (《證券發行與承銷管理辦法》).

LETTER FROM THE BOARD

According to the applicable PRC laws, regulations and regulatory requirements, foreign investors cannot subscribe in non-public issue of A shares of listed companies by way of cash unless they are approved qualified foreign institutional investors or foreign strategic investors. In order to ensure the independence of the H Shareholders, and after considering the applicable PRC laws, regulations and regulatory requirements, the scope of targeted subscribers (other than COSCO SHIPPING and its associates) under the Revised Proposed Non-public Issuance of A Shares will exclude all the H Shareholders (including approved qualified foreign institutional investors, foreign strategic investors and approved PRC investors which could invest in H Shares, including the qualified domestic institutional investors and the southbound trading investors under the Shanghai-Hong Kong Stock Connect). According to the PRC Legal Advisers, the aforementioned scope of targeted subscribers is in compliance with the applicable PRC laws, regulations and regulatory requirements.

The final list of subscribers (other than COSCO SHIPPING) will be determined by the Board and its authorised person(s) with the authorisation by the Shareholders at the EGM and the Class Meetings and the sponsor (the lead underwriter) based on the price inquiry results in accordance with the price priority principle and applicable laws and regulations, after obtaining the approval documents issued by the CSRC in respect of the Revised Proposed Non-public Issuance of A Shares.

LETTER FROM THE BOARD

As at the Latest Practicable Date, apart from the COSCO Subscription Agreement, the Company has not entered into any agreement with any potential subscribers in respect of the Revised Proposed Non-public Issuance of A Shares. The Company currently expects that, with the exception of COSCO SHIPPING: (i) the A Shares to be issued under the Revised Proposed Non-public Issuance of A Shares will only be issued to subscribers who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons, and none of them will become substantial shareholders of the Company nor, together with parties acting in concert with it, would trigger mandatory general offer obligation under the Takeovers Code, upon completion of their respective subscriptions of the A Shares under the Revised Proposed Non-public Issuance of A Shares; and (ii) the subscribers will not be parties acting in concert with COSCO SHIPPING. The Company will comply with all the relevant requirements of the Listing Rules and the Takeovers Code should there be any changes or if otherwise necessary.

Price Determination Date, issue price and pricing principles:

The Price Determination Date of the Revised Proposed Non-public Issuance of A Shares is the first day of the offering period of the Revised Proposed Non-public Issuance of A Shares.

The issue price shall not be lower than the Benchmark Price, being (i) 90% of the Average Trading Price, or (ii) the Floor Price, whichever is higher. The final issue price will be determined by the Board and its authorised person(s) with the authorisation by the Shareholders at the EGM and the Class Meetings and the sponsor (the lead underwriter) based on the price inquiry results in accordance with the price priority principle and applicable laws and regulations, after obtaining the approval documents issued by the CSRC in respect of the Revised Proposed Non-public Issuance of A Shares.

LETTER FROM THE BOARD

Based on the annual report of the Company for the year ended 31 December 2016, the audited net asset value per Share of the Company as at 31 December 2016 was RMB1.16, which represents:

- (i) a discount of approximately 68.65% to the closing price of RMB3.70 per A Share as quoted on the Shanghai Stock Exchange as at the Latest Practicable Date;
- (ii) a discount of approximately 21.09% to the closing price of HK\$1.66 per H Share (equivalent to approximately RMB1.47) as quoted on the Hong Kong Stock Exchange as at the Latest Practicable Date;
- (iii) a discount of approximately 68.82% to the average closing price of approximately RMB3.72 per A Share as quoted on the Shanghai Stock Exchange for the last five trading days up to and including the Latest Practicable Date;
- (iv) a discount of approximately 21.09% to the average closing price of approximately HK\$1.66 per H Share (equivalent to approximately RMB1.47) as quoted on the Hong Kong Stock Exchange for the last five trading days up to and including the Latest Practicable Date;
- (v) a discount of approximately 69.39% to the average closing price of approximately RMB3.79 per A Share as quoted on the Shanghai Stock Exchange for the last 10 trading days up to and including the Latest Practicable Date; and

LETTER FROM THE BOARD

- (vi) a discount of approximately 21.09% to the average closing price of approximately HK\$1.66 per H Share (equivalent to approximately RMB1.47) as quoted on the Hong Kong Stock Exchange for the last 10 trading days up to and including the Latest Practicable Date.

In the event that the issue price is expected to fall below the audited net asset value per Share of the Company as at 31 December 2016, being RMB1.16, the Company will re-comply with the necessary approval requirements, including, among other things, the Independent Shareholders' approval under the Hong Kong Listing Rules.

The Benchmark Price will be adjusted if there occurs any ex-right or ex-dividend event (such as distribution of dividend, bonus issue, capitalisation of capital reserves, additional issuance or placing of new Shares) between the Price Determination Date and the date of the issuance of A Shares under the Revised Proposed Non-public Issuance of the A Shares. The formula for the adjustment is set out below:

$$P = (P_0 - \text{Div}) / (1 + N_2)$$

where,

- (i) P is the Benchmark Price after adjustment for any ex-right or ex-dividend event between the Price Determination Date and the date of the issuance of A Shares under the Revised Proposed Non-public Issuance of A Shares;
- (ii) P_0 is the Benchmark Price before adjustment;
- (iii) Div is the amount of cash dividend per Share in RMB distributed by the Company between the Price Determination Date and the date of the issuance of A Shares under the Revised Proposed Non-public Issuance of the A Shares; and

LETTER FROM THE BOARD

- (iv) N_2 is the number of (a) Shares being issued upon capitalisation of capital reserves for each Share, and/or (b) Shares being issued upon distribution of share dividend for each Share by the Company between the Price Determination Date and the date of the issuance of A Shares under the Revised Proposed Non-public Issuance of the A Shares.

According to the Company Law of the PRC and the Articles of Association, the Company may only distribute dividends out of its distributable profits, being the Company's profit after income tax after offsetting (i) the accumulated losses brought forward from the previous years and (ii) the allocations to the statutory surplus reserve fund and, if any, the discretionary common reserve (in such order of priorities) before payment of any dividend on shares.

As disclosed in the audited financial statements of the Company for the year ended 31 December 2016 prepared under PRC GAAP as set out in the overseas regulatory announcement published by the Company on 30 March 2017, the Company had accumulated losses as at 31 December 2016. In addition, as disclosed in the annual results announcement for the year ended 31 December 2016 published by the Company on 30 March 2017, the Board did not recommend the payment of any dividend for the year ended 31 December 2016. As such, the Company is of the view that the possibility of adjusting the Benchmark Price as a result of ex-right or ex-dividend events for the Revised Proposed Non-public Issuance of A Shares is relatively low.

LETTER FROM THE BOARD

All the target subscribers will subscribe for the A Shares under the Revised Proposed Non-public Issuance of A Shares at the same issue price in cash. COSCO SHIPPING will not participate in the price inquiry exercise for the Revised Proposed Non-public Issuance of A Shares, and will accept the price inquiry results and subscribe for the A Shares at the same issue price as other target subscribers.

**Conditions precedent of the
Revised Proposed Non-public
Issuance of A Shares:**

The Revised Proposed Non-public Issuance of A Shares is conditional upon:

- (i) the obtaining of the approval from the Board and the Shareholders at the EGM and the Class Meetings;
- (ii) the obtaining of the approval from the SASAC; and
- (iii) the obtaining of the approval from the CSRC.

According to the PRC Legal Advisers, none of the conditions above may be waived by any party to the Revised Proposed Non-public Issuance of A Shares and therefore, if any of the conditions above is not satisfied, the Company will not proceed with the Revised Proposed Non-public Issuance of A Shares.

The Revised Proposed Non-public Issuance of A Shares has been approved by the Board on 20 April 2017.

An application for the approval of the Revised Proposed Non-public Issuance of A Shares has been submitted to the SASAC on 5 May 2017 by COSCO SHIPPING.

LETTER FROM THE BOARD

As at the Latest Practicable Date, no application for the approval of the Revised Proposed Non-public Issuance of A Shares has been submitted to the CSRC by the Company. The Company will submit the application for approval to the CSRC following the approval by (i) the SASAC of the Revised Proposed Non-public Issuance of A Shares; and (ii) the Independent Shareholders of the adjustments under the Revised Proposed Non-public Issuance of A Shares at the EGM and the Class Meetings, in accordance with applicable laws and regulations in the PRC.

Lock-up period:

COSCO SHIPPING shall not transfer the A Shares subscribed under the Revised Proposed Non-public Issuance of A Shares within 36 months from the date of completion of the Revised Proposed Non-public Issuance of A Shares. All other target subscribers shall not transfer the A Shares subscribed under the Revised Proposed Non-public Issuance of A Shares within 12 months from the date of completion of the Revised Proposed Non-public Issuance of A Shares.

Place of listing of the A Shares to be issued:

The Company will apply to the Shanghai Stock Exchange for the listing of, and permission to deal in, the A Shares to be issued under the Revised Proposed Non-public Issuance of A Shares. The A Shares to be issued under the Revised Proposed Non-public Issuance of A Shares can be traded on the Shanghai Stock Exchange upon the expiration of the lock-up period.

LETTER FROM THE BOARD

Use of proceeds:

The gross proceeds to be raised from the Revised Proposed Non-public Issuance of A Shares will be not more than RMB8.6 billion (inclusive of the subscription by COSCO SHIPPING pursuant to the COSCO Subscription Agreement). The net proceeds from the Revised Proposed Non-public Issuance of A Shares (after deducting all applicable costs and expenses incurred in connection with the Revised Proposed Non-public Issuance of A Shares) are intended to be used in the following manner:

- (i) as to approximately RMB6.8 billion to be used for the capital injection in FIL, which in turn will be used by FIL to purchase containers during the period of 2017 to 2019 for the purpose of maintaining and expanding container scale and securing competitive position in the market; and
- (ii) as to approximately RMB1.8 billion to be used for repayment of maturing corporate bonds (which are held by persons other than the existing Shareholders), the principal terms of which are as follows:

Issuer: The Company

Date of first issuance: 12 June 2007

Maturity date: On the date falling upon the expiry of 10 years after the date of first issuance (i.e. 12 June 2017)

Principal amount: RMB1.8 billion

Interest: 4.51% per annum

Please refer to the “Feasibility Report on the Use of Proceeds from the Non-public Issuance of A Shares (Revised)” as set out in Appendix II to this circular for further details of the use of proceeds.

LETTER FROM THE BOARD

If the actual proceeds to be raised from the Revised Proposed Non-public Issuance of A Shares are less than the aggregate amount of the proceeds as per the above allocation, the Company will make up for the shortfall by utilizing its internal resources or other means of financing. The Board may make adjustments as to the specific projects, the order of priority and the specific amount allocated for each project based on the net proceeds actually raised. Before the receipt of the proceeds to be raised from the Revised Proposed Non-public Issuance of A Shares, the Company will, depending on the status of the projects, finance these projects by funds raised through other means of financing, which will be substituted by the proceeds raised from the Revised Proposed Non-public Issuance of A Shares in accordance with relevant procedures as required by applicable laws and regulations once the same becomes available.

**Specific Mandate to issue
A Shares:**

The Company will issue the A Shares under the Specific Mandate to be sought from the Independent Shareholders at the EGM and the Class Meetings.

Distribution of profit:

Upon completion of the Revised Proposed Non-public Issuance of A Shares, the existing and new Shareholders will be entitled to share the Company's cumulative undistributed profits at the time of the issuance of A Shares under the Revised Proposed Non-public Issuance of A Shares.

**Rights of the A Shares to be
issued:**

The A Shares to be issued under the Revised Proposed Non-public Issuance of A Shares, when fully paid and issued, will rank pari passu in all respects amongst themselves and with the A Shares in issue at the time of the issuance of such A Shares.

**Validity period of the
resolutions:**

The resolutions regarding the Revised Proposed Non-public Issuance of A Shares shall be valid for 12 months from the date of the passing of the resolutions at the EGM and the Class Meetings.

LETTER FROM THE BOARD

2. Adjustments under the Revised Proposed Non-public Issuance of A Shares

Each of the following seven resolutions in respect of the adjustments under the Revised Proposed Non-public Issuance of A Shares will be submitted, by way of special resolutions, for the Independent Shareholders' consideration and approval at the EGM, the A Shares Class Meeting and the H Shares Class Meeting:

- (i) adjustment to the method and time of issuance;
- (ii) adjustment to the target subscribers;
- (iii) adjustment to the Price Determination Date, issue price and pricing principles;
- (iv) adjustment to the number of A Shares to be issued and method of subscription;
- (v) adjustment to the lock-up period;
- (vi) adjustment to the use of proceeds; and
- (vii) adjustment to the validity period of resolutions.

3. Proposal in relation to the satisfaction of the criteria for non-public issuance of A Shares

Pursuant to the Company Law of the PRC, the Securities Law of the PRC, the “Measures for Administration of the Issuance of Securities by Listed Companies” (《上市公司證券發行管理辦法》) and the Implementation Rules for the Non-public Issuance of Shares by Listed Companies, the Company, following self-examination and verification of the actual situation and relevant matters of the Company, considers that the Company satisfies all the criteria for non-public issuance of A Shares.

The proposal in relation to the satisfaction of the criteria for non-public issuance of A Shares will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the EGM.

4. Proposal in relation to the “Proposal in respect of the Non-public Issuance of A Shares (Revised)”

The “Proposal in respect of the Non-public Issuance of A Shares (Revised)”, which was prepared in the Chinese language, was disclosed in the overseas regulatory announcement of the Company dated 20 April 2017. The full text of the English translation of the “Proposal in respect of the Non-public Issuance of A Shares (Revised)” is set out in Appendix I 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 proposal in relation to the “Proposal in respect of the Non-public Issuance of A Shares (Revised)” will be submitted, by way of special resolution, for the Independent Shareholders' consideration and approval at the EGM, the A Shares Class Meeting and the H Shares Class Meeting.

LETTER FROM THE BOARD

5. Proposal in relation to the “Feasibility Report on the Use of Proceeds from the Non-public Issuance of A Shares (Revised)”

The “Feasibility Report on the Use of Proceeds from the Non-public Issuance of A Shares (Revised)”, which was prepared in the Chinese language, was disclosed in the overseas regulatory announcement of the Company dated 20 April 2017. The full text of the English translation of the “Feasibility Report on the Use of Proceeds from the Non-public Issuance of A Shares (Revised)” 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 proposal in relation to the “Feasibility Report on the Use of Proceeds from the Non-public Issuance of A Shares (Revised)” will be submitted, by way of special resolution, for the Independent Shareholders’ consideration and approval at the EGM.

6. Proposal in relation to the “Remedial Measures Regarding Dilution on Current Returns and the Impact on the Company’s Major Financial Indicators by the Non-public Issuance of A Shares (Revised)”

Pursuant to the requirements set out in the “Opinion of the State Council on Further Facilitating the Healthy Development of the Capital Markets” (《國務院關於進一步促進資本市場健康發展的若干意見》), the “Opinions of the General Office of the State Council on Further Strengthening the Protection of the Legitimate Rights and Interests of Minority Investors in the Capital Markets” (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》) and the “Guidance Opinion on Matters Pertaining to Dilution of Return for the Current Period Resulting from Initial Offering and Refinancing or Material Asset Restructuring” (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》), the Company has prepared the “Remedial Measures Regarding Dilution on Current Returns and the Impact on the Company’s Major Financial Indicators by the Non-public Issuance of A Shares (Revised)”.

The “Remedial Measures Regarding Dilution on Current Returns and the Impact on the Company’s Major Financial Indicators by the Non-public Issuance of A Shares (Revised)”, which was prepared in the Chinese language, was disclosed in the overseas regulatory announcement of the Company dated 20 April 2017. The full text of the English translation of “Remedial Measures Regarding Dilution on Current Returns and the Impact on the Company’s Major Financial Indicators by the Non-public Issuance of A Shares (Revised)” is set out in Appendix III 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 proposal in relation to the “Remedial Measures Regarding Dilution on Current Returns and the Impact on the Company’s Major Financial Indicators by the Non-public Issuance of A Shares (Revised)”, will be submitted, by way of ordinary resolution, for the Shareholders’ consideration and approval at the EGM.

LETTER FROM THE BOARD

7. Proposal in relation to the Specific Mandate

As stated in the section headed “II. Revised Proposed Non-public Issuance of A Shares – 1. Details of the Revised Proposed Non-public Issuance of A Shares – Specific mandate to issue A Shares”, the Company will issue the A Shares under the Revised Proposed Non-public Issuance of A Shares pursuant to the Specific Mandate to be sought from the Independent Shareholders at the EGM and the Class Meetings.

In this connection, the Board proposes to seek the approval from the Independent Shareholders at the EGM and the Class Meetings for granting the Specific Mandate to the Board to issue not more than 2,336,625,000 A Shares at an issue price of not less than the Benchmark Price (subject to adjustments) to not more than 10 specific target subscribers, including COSCO SHIPPING, under the Revised Proposed Non-public Issuance of A Shares (including the issue of such number of A Shares to COSCO SHIPPING pursuant to the COSCO Subscription Agreement).

The Cap, being 2,336,625,000 A Shares, represents (i) approximately 29.46% of the existing issued A Shares and 20% of the existing total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 22.75% of the enlarged issued A Shares and approximately 16.67% of the enlarged total issued share capital of the Company upon completion of the Revised Proposed Non-public Issuance of A Shares.

The proposal in relation to the Specific Mandate will be submitted, by way of special resolution, for the Independent Shareholders’ consideration and approval at the EGM, the A Shares Class Meeting and the H Shares Class Meeting.

8. Proposal in relation to the authorisation to the Board and any person authorised by the Board to handle all matters in connection with the Revised Proposed Non-public Issuance of A Shares

In order to ensure effective and efficient implementation of the Revised Proposed Non-public Issuance of A Shares, the Board proposes to seek approval from the Shareholders at the EGM and the Class Meetings for authorisation to the Board and any person authorised by the Board to handle all matters in connection with the Revised Proposed Non-public Issuance of A Shares in accordance with the relevant laws and regulations, including but not limited to the following:

- (i) authorise the Board to formulate and implement specific proposals for the Revised Proposed Non-public Issuance of A Shares in accordance with the proposals as approved by the Shareholders and specific circumstances at the time of issuance, including but not limited to the target subscribers, timing of the issuance, number of A Shares to be issued, the commencement date and end date of the issuance, the subscription price, method of subscription and other matters relating to determination of the subscription price;

LETTER FROM THE BOARD

- (ii) authorise the Board to supplement, review and adjust the specific proposals for the Revised Proposed Non-public Issuance of A Shares in accordance with the requirements of relevant laws and regulations, changes in policies, changes in market conditions and requirements of relevant authorities;
- (iii) authorise the Board to handle the filing and registration matters relating to the Revised Proposed Non-public Issuance of A Shares, prepare, revise and submit the application materials for to the Revised Proposed Non-public Issuance of A Shares in accordance with the requirements of the relevant securities regulatory authorities;
- (iv) authorise the Board to determine and engage intermediaries such as the sponsor (lead underwriter), revise, supplement, sign, submit, report and execute all agreements and documents relating to the Revised Proposed Non-public Issuance of A Shares, including without limited to, underwriting and sponsoring agreement, subscription agreement, material contracts involved in implementing the investment projects with the proceeds raised;
- (v) authorise the Board to set up a designated account for the Revised Proposed Non-public Issuance of A Shares which shall be used solely for depositing, management and use of the proceeds raised (and for no other purposes), and execute tripartite custodian agreement with the sponsor and the relevant commercial bank within one month after the proceeds become available;
- (vi) authorise the Board to increase the registered capital of the Company, amend the Articles of Association and handle relevant registration and filing procedures in accordance with the results of the Revised Proposed Non-public Issuance of A Shares;
- (vii) authorise the Board to handle registration, lock-up and listing of the A Shares with the Shanghai Stock Exchange and the Shanghai branch of China Securities Depository and Clearing Co., Ltd. upon completion of the Revised Proposed Non-public Issuance of A Shares;
- (viii) authorise the Board to make adjustments to the specific arrangement on the use of the proceeds raised within the scope permitted in the Shareholders' resolutions;
- (ix) if there is any new requirement under the law or by the securities regulatory authorities or if there is any change to the market condition, authorize the Board to adjust the Revised Proposed Non-public Issuance of A Shares and the use of proceeds raised and continue to handle matters relating to the Revised Proposed Non-public Issuance of A Shares (other than those matters requiring Shareholders' approval in accordance with the relevant laws, regulations or Articles of Association or as requested by the regulatory authorities) in accordance with the requirements of relevant laws and regulations, and by relevant governmental authorities and securities regulatory authorities;

LETTER FROM THE BOARD

- (x) authorise the Board to handle the filing, listing and other relevant matters relating to the Revised Proposed Non-public Issuance of A Shares within the scope permitted under the laws, regulations, normative documents and the Articles of Association;
- (xi) authorise the Board to determine whether to continue with the Revised Proposed Non-public Issuance of A Shares in the event of material change in market condition, policies or laws;
- (xii) authorise the Board to handle all other matters in connection with the Revised Proposed Non-public Issuance of A Shares not listed in (i) to (xi) above; and
- (xiii) authorise the Board to authorise the chairman of the Company or any person authorised by him/her to exercise the authority granted to the Board herein (provided that the Board is duly authorised for the above matters), unless otherwise provided under the laws, regulations, normative documents and the Articles of Association.

The aforementioned authorisation shall be valid for 12 months from the date of the approval by the Shareholders.

The proposal in relation to the authorization to the Board and any person authorized by the Board to handle all matters in connection with the Revised Proposed Non-public Issuance of A Shares will be submitted, by way of special resolution, for the Shareholders' consideration and approval at the EGM, the A Shares Class Meeting and the H Shares Class Meeting.

III. CONNECTED TRANSACTION – PROPOSED SUBSCRIPTION OF A SHARES BY COSCO SHIPPING

As part of the Revised Proposed Non-public Issuance of A Shares, on 20 April 2017, the Company and COSCO SHIPPING entered into the COSCO Subscription Agreement, pursuant to which COSCO SHIPPING has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, 50% of the total number of A Shares to be issued under the Revised Proposed Non-public Issuance of A Shares.

The principal terms of the COSCO Subscription Agreement are set out below.

1. Principal terms of the COSCO Subscription Agreement

Date: 20 April 2017

Parties: (1) The Company, as the issuer; and
(2) COSCO SHIPPING, as the subscriber.

Number of A Shares to be issued: The number of A Shares to be issued to COSCO SHIPPING under the COSCO Subscription Agreement shall be 50% of the total number of A Shares to be issued under the Revised Proposed Non-public Issuance of A Shares.

LETTER FROM THE BOARD

Subscription price and pricing principles:

The subscription price shall not be lower than the Benchmark Price (subject to adjustments).

The final subscription price will be determined by the Board and its authorised person(s) with the authorisation by the Shareholders at the EGM and the Class Meetings and the sponsor (the lead underwriter) based on the price inquiry results in accordance with the price priority principle and applicable laws and regulations, after obtaining the approval documents issued by the CSRC in respect of the Revised Proposed Non-public Issuance of A Shares.

COSCO SHIPPING (including the senior management who are also Directors) will not participate in the pricing exercise for the Revised Proposed Non-public Issuance of A Shares, but will accept results of market inquiry and subscribe for the A Shares at the same subscription price as other target subscribers.

In the event that the issue price is expected to fall below the audited net asset value per Share of the Company as at 31 December 2016, being RMB1.16, the Company will re-comply with the necessary approval requirements, including, among other things, the Independent Shareholders' approval under the Hong Kong Listing Rules.

The Benchmark Price will be adjusted if there occurs any ex-right or ex-dividend event (such as distribution of dividend, bonus issue, capitalization of capital reserves, additional issuance or placing of new Shares) between the Price Determination Date and the date of the issuance of A Shares under the Revised Proposed Non-public Issuance of A Shares. Please refer to the section headed "II. Revised Proposed Non-public Issuance of A Shares – 1. Details of the Revised Proposed Non-public Issuance of A Shares – Price Determination Date, issue price and pricing principles" for further details of the adjustment.

LETTER FROM THE BOARD

The aggregate subscription price under the COSCO Subscription Agreement will be paid by COSCO SHIPPING to the Company in cash by bank transfer on the specific payment date as confirmed by the sponsor (the lead underwriter) in the notice of payment.

**Conditions precedent of the
COSCO Subscription:**

The COSCO SHIPPING Subscription is conditional upon:

- (i) the obtaining of the approval from the Board and the Shareholders at the EGM and the Class Meetings;
- (ii) the obtaining of the approval from the SASAC; and
- (iii) the obtaining of the approval from the CSRC.

According to the PRC Legal Advisers, none of the conditions above may be waived by either party to the COSCO Subscription Agreement and therefore, if any of the conditions above is not satisfied, the Company will not proceed with the COSCO Subscription.

The COSCO Subscription has been approved by the Board on 20 April 2017.

An application for the approval of the COSCO Subscription has been submitted to the SASAC on 5 May 2017 by COSCO SHIPPING.

As at the Latest Practicable Date, no application for the approval of the COSCO Subscription has been submitted to the CSRC by the Company. The Company will submit the application for approval to the CSRC following the approval by the SASAC and by the Independent Shareholders of the COSCO Subscription at the EGM and the Class Meetings, in accordance with applicable laws and regulations in the PRC.

LETTER FROM THE BOARD

Lock-up period:

Pursuant to the COSCO Subscription Agreement, COSCO SHIPPING shall not transfer the A Shares subscribed by it under the Revised Proposed Non-public Issuance of A Shares within 36 months from the date of completion of the Revised Proposed Non-public Issuance of A Shares.

Distribution of profit:

Upon the completion of the COSCO Subscription, the existing Shareholders and COSCO SHIPPING will be entitled to share the Company's cumulative undistributed profits at the time of the issuance of the A Shares under the COSCO Subscription Agreement.

2. Information on the parties to the COSCO Subscription Agreement

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 providing integrated financial services with diversified leasing businesses such as vessel leasing, container leasing and non-shipping finance leasing, supply chain finance, shipping insurance, logistic infrastructure investment and other financial assets investment services.

COSCO SHIPPING

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

3. Proposal in relation to the COSCO Subscription Agreement and the transactions contemplated thereunder

The proposal in relation to the COSCO Subscription Agreement and the transactions contemplated thereunder will be submitted, by way of special resolution, for the Independent Shareholders' consideration and approval at the EGM, the A Shares Class Meeting and the H Shares Class Meeting.

LETTER FROM THE BOARD

4. Proposal in relation to the COSCO Subscription constituting a connected transaction under the relevant PRC laws and regulations

As at the Latest Practicable Date, 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 39.02% of the total issued share capital of the Company. Accordingly, COSCO SHIPPING is a controlling shareholder of the Company and the COSCO Subscription constitutes a connected transaction under the relevant PRC laws and regulations.

The proposal in relation to the COSCO Subscription constituting a connected transaction under the relevant PRC laws and regulations will be submitted, by way of special resolution, for the Independent Shareholders' consideration and approval at the EGM.

5. Proposal in relation to the waiver of COSCO SHIPPING's obligation to make a general offer of the securities of the Company as a result of the COSCO Subscription under the relevant PRC laws and regulations

As at the Latest Practicable Date, 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 39.02% of the total issued share capital of the Company. Accordingly, COSCO SHIPPING is a controlling shareholder of the Company.

Immediately after completion of the Revised Proposed Non-public Issuance of A Shares (assuming that (i) the maximum number of A Shares up to the Cap is being issued under the Revised Proposed Non-public Issuance of A Shares; (ii) COSCO SHIPPING subscribes for 50% of the maximum number of A Shares being issued; and (iii) there is no change in the total issued share capital of the Company since the Latest Practicable Date save for the issue of the A Shares pursuant to the Revised Proposed Non-public Issuance of A Shares), the aggregate shareholding of COSCO SHIPPING and its associates in the Company will increase to approximately 40.85% of the then enlarged total issued share capital of the Company. Accordingly, COSCO SHIPPING will trigger the obligation to make a general offer of the securities of the Company to other Shareholders pursuant to the relevant requirements of "Measures for the Administration of the Takeover of Listed Companies" (《上市公司收購管理辦法》) issued by the CSRC.

In order to satisfy the relevant conditions for obtaining a waiver of COSCO SHIPPING's obligation to make a general offer of the securities of the Company as a result of the COSCO Subscription, COSCO SHIPPING undertakes that the A Shares to be subscribed by it under the Revised Proposed Non-public Issuance of A Shares shall not be transferred within 36 months from the date of completion of the Revised Proposed Non-public Issuance of A Shares. Please refer to the sections headed "II. Revised Proposed Non-public Issuance of A Shares – 1. Details of the Revised Proposed Non-public Issuance of A Shares – Lock-up period" and "III. Connected Transaction – Proposed Subscription of A Shares by COSCO SHIPPING – 1. Principal terms of the COSCO Subscription Agreement – Lock-up period" for further details of the lock-up undertakings.

LETTER FROM THE BOARD

The proposal in relation to the waiver of COSCO SHIPPING's obligation to make a general offer of the securities of the Company as a result of the COSCO Subscription under the relevant PRC laws and regulations will be submitted, by way of special resolution, for the Independent Shareholders' consideration and approval at the EGM.

IV. EFFECT ON THE SHAREHOLDING STRUCTURE OF THE COMPANY

1. Effect of the Revised Proposed Non-public Issuance of A Shares and the COSCO Subscription on the shareholding structure of the Company

As at the Latest Practicable Date, the total issued share capital of the Company is 11,683,125,000 Shares, which comprises 7,932,125,000 A Shares and 3,751,000,000 H Shares.

The shareholding structure of the Company (i) as at the Latest Practicable Date; and (ii) immediately after completion of the Revised Proposed Non-public Issuance of A Shares (assuming that (a) the maximum number of A Shares up to the Cap is being issued under the Revised Proposed Non-public Issuance of A Shares; (b) COSCO SHIPPING subscribes for 50% of the maximum number of A Shares being issued; and (c) there is no change in the total issued share capital of the Company since the Latest Practicable Date save for the issue of the A Shares pursuant to the Revised Proposed Non-public Issuance of A Shares) is as set out below:

Name of Shareholder	Class of Shares	Shareholding as at the Latest Practicable Date			Shareholding immediately after completion of the Revised Proposed Non-public Issuance of A Shares		
		Approximate percentage of the issued A Share	Approximate percentage of the total issued share capital (%)		Approximate percentage of the issued A Share	Approximate percentage of the total issued share capital (%)	
		Number of Shares	capital (%)	capital (%)	Number of Shares	capital (%)	capital (%)
COSCO SHIPPING and its associates (<i>Note 1</i>)	A	4,458,195,175	56.20	38.16	5,626,507,675	54.79	40.13
	H	100,944,000	–	0.86	100,944,000	–	0.72
Sub-total		4,559,139,175	–	39.02	5,727,451,675	–	40.85
Public A Shareholders	A	3,473,929,825	43.80	29.73	4,642,242,325	45.21	33.11
Public H Shareholders	H	3,650,056,000	–	31.24	3,650,056,000	–	26.04
Total		11,683,125,000	100.00	100.00	14,019,750,000	100.00	100.00

Note:

- As at the Latest Practicable Date, COSCO SHIPPING does not directly hold any Shares. An aggregate of 4,458,195,175 A Shares is held by China Shipping, a wholly-owned subsidiary of COSCO SHIPPING, and an aggregate of 100,944,000 H Shares is held by Ocean Fortune Investment Limited, an indirectly wholly-owned subsidiary of COSCO SHIPPING.

LETTER FROM THE BOARD

2. Fund raising activities in the past twelve months

The Company has not conducted any equity fund raising exercises during the 12 months immediately preceding the Latest Practicable Date.

V. REASONS FOR AND BENEFITS OF THE REVISED PROPOSED NON-PUBLIC ISSUANCE OF A SHARES AND THE COSCO SUBSCRIPTION

The Revised Proposed Non-public Issuance of A Shares

The Board considers that the Revised Proposed Non-public Issuance of A Shares is conducive to the comprehensive and sustainable development of the Company's business and would lay a strong foundation for the Company's transformation from a container liner operator into an integrated financial services platform with leasing businesses such as vessel leasing, container leasing and non-shipping leasing as core and shipping financing as feature.

Pursuant to the Implementation Rules for the Non-public Issuance of Shares by Listed Companies, where the board of a listed company resolves to issue shares by way of non-public issuance, the board resolution shall specify, among other things, the maximum proceeds to be raised from the non-public issuance and the specific use of the proceeds. Accordingly, on 20 April 2017, the Board has approved the Revised Proposed Non-public Issuance of A Shares and passed resolutions that the gross proceeds to be raised from the Revised Proposed Non-public Issuance of A Shares shall be not more than RMB8.6 billion and that the net proceeds from the Revised Proposed Non-public Issuance of A Shares (after deducting all applicable costs and expenses incurred in connection with the Revised Proposed Non-public Issuance of A Shares) are intended to be used (i) as to approximately RMB6.8 billion for the capital injection in FIL; and (ii) as to approximately RMB1.8 billion for the repayment of the Company's maturing corporate bonds (which are held by persons other than the existing Shareholders). Please refer to the section headed "II. Revised Proposed Non-public Issuance of A Shares – 1. Details of the Revised Proposed Non-public Issuance of A Shares – Use of Proceeds" for further details of the use of proceeds.

The capital injection of approximately RMB6.8 billion in FIL will be used by FIL to purchase containers during the period of 2017 to 2019 for the purpose of maintaining and expanding container scale and securing competitive position in the market. The aforementioned capital injection in COSCO Shipping Leasing and FIL is in line with the business strategy of the Company and would facilitate the transformation of the business and future development of the Company as an integrated financial services platform with diversified leasing businesses.

The long term capital raised from the Revised Proposed Non-public Issuance of A Shares would also optimize the Company's capital structure and reduce the Company's debt-to-asset ratio, which enables the Company to obtain further debt financing and lower the costs of its debt financing.

LETTER FROM THE BOARD

Based on the audited consolidated financial statements of the Group for the year ended 31 December 2016 as set out in the annual report of the Group for the year ended 31 December 2016, the debt-to-asset ratio and the liquid ratio of the Company as at 31 December 2016 was 89.19% and 0.53, respectively. Upon completion of the Revised Proposed Non-public Issuance of A Shares and taking into account the repayment of maturing corporate bonds of approximately RMB1.8 billion, which will be accounted as current assets of the Company, the debt-to-asset ratio of the Company will be decreased from 89.19% to 83.24% and the liquid ratio will be increased from 0.53 to 0.71 (without taking into account the costs of Revised Proposed Non-public Issuance of A Shares).

Apart from the Revised Proposed Non-public Issuance of A Shares, as disclosed in the circular of the Company dated 10 June 2016 and as approved by the Shareholders at the annual general meeting of the Company held on 30 June 2016, the Company intends to apply to the National Association of Financial Market Institutional Investors for registering mid-term notes of not exceeding RMB5 billion and super short-term financing bills of not exceeding RMB10 billion. The mid-term notes and the super short-term financing bills are intended to be used for repayment of bank loans, optimizing debt financing structure and/or replenish the liquidity for the needs of daily production and operation of the Company.

As at the Latest Practicable Date, save for (i) the Revised Proposed Non-public Issuance of A Shares, the proceeds of which will be used for the specific purposes of the capital injection in FIL and the repayment of the maturing corporate bonds and (ii) the mid-term notes and the super short-term financing bills as approved by the Shareholders, the Company does not have any other specific fund raising plans for the next 12 months from the Latest Practicable Date.

The COSCO Subscription

As disclosed in the section headed “III. Connected Transaction – Proposed Subscription of A Shares by COSCO SHIPPING”, COSCO SHIPPING has undertaken to subscribe for 50% of the total number of A Shares to be issued under the Revised Proposed Non-public Issuance. The COSCO Subscription demonstrates the confidence COSCO SHIPPING places in the Company and COSCO SHIPPING’s support to the development and transformation of the business of the Company.

Alternative financing

The Company has considered other fund raising methods such as obtaining debt financing and conducting rights issue or public offering to satisfy the funding needs of the Group.

As disclosed in the annual report of the Group for the year ended 31 December 2016, the Group’s gearing ratio, being the ratio of net debts over Shareholders’ equity, was 662% as at 31 December 2016, which was higher than that as at 31 December 2015. The Directors considered that taking into account the current gearing level of the Group, raising funds by equity financing with interest-free nature could reduce the gearing ratio of the Group. The Directors therefore concluded that equity financing can improve the leverage position of the Group as compared to debt financing.

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Given that the issued H Share capital of the Company is significantly lower than the issued A Share capital of the Company, the expected size of the funds to be raised by rights issue, open offer or placement of H Shares will be less than approximately RMB8.6 billion. Based on the closing prices of the H Shares and the A Shares on the Latest Practicable Date, the market capitalisation of H Shares and A Shares was approximately HK\$6.23 billion (equivalent to approximately RMB5.51 billion) and RMB29.35 billion, representing approximately 17.51% and 82.49% of the total market capitalisation of the Company of approximately RMB35.58 billion, respectively.

In addition, as there is a significant premium of the price of A Shares trading on the Shanghai Stock Exchange over the price of H Shares trading on the Hong Kong Stock Exchange, if the Company were to conduct a fund raising exercise by issuance of new H Shares with a proceed of RMB8.6 billion, assuming that an equivalent pricing basis is adopted to determine the benchmark price for the H Share issuance (that is, being (i) not lower than 90% of the average trading price of the H Shares during the 20 trading days immediately preceding the Price Determination Date or (ii) the Floor Price, whichever is higher), the number of H Shares to be issued will be substantially more than that required for the Revised Proposed Non-public Issuance of A Shares. This would lead to a greater dilution effect on the shareholding of the existing Shareholders and would not be in the interests of the Independent Shareholders.

Having considered that (i) equity financing can improve the leverage position of the Group as compared to debt financing; (ii) the issued H Share capital of the Company is significantly lower than the issued A Share capital of the Company; and (iii) the greater dilution effect on the shareholding of the existing Shareholders if the Company were to conduct a fund raising exercise by issuance of new H Shares with a proceed of RMB8.6 billion with the same pricing basis as the Revised Proposed Non-public Issuance of A Shares, the Directors considered that it is in the interests of the Company and the Shareholders as a whole to raise funds by the Revised Proposed Non-public Issuance of A Shares (including the subscription of A Shares by COSCO SHIPPING).

VI. IMPLICATIONS UNDER THE LISTING RULES

As at the Latest Practicable Date, 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 39.02% of the total issued share capital of the Company. Accordingly, COSCO SHIPPING is a controlling shareholder of the Company and therefore a connected person of the Company. The COSCO Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Ms. Sun Yueying, Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, all being executive Directors, hold directorship(s) or act as senior management in China Shipping and its associates, and Mr. Feng Boming, Mr. Chen Dong and Mr. Huang Jian, all being non-executive

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Directors were nominated by China Shipping to the Board. Accordingly, Ms. Sun Yueying, Mr. Wang Daxiong, Mr. Liu Chong, Mr. Xu Hui, Mr. Feng Boming, Mr. Chen Dong and Mr. Huang Jian have therefore abstained from voting on the relevant Board resolutions approving the adjustments under the Revised Proposed Non-public Issuance of A Shares and the COSCO Subscription. As at the Latest Practicable Date, none of the aforementioned Directors hold any Shares. Save as aforementioned, none of the other Directors has a material interest in the Revised Proposed Non-public Issuance of A Shares and the COSCO Subscription and hence no other Director has abstained from voting on such Board resolutions.

VII. APPLICATION FOR THE CHINA BOHAI BANK LOANS

As disclosed in the Overseas Regulatory Announcement, in order to supplement the general working capital and to broaden the sources of financing of COSCO SHIPPING Leasing, COSCO SHIPPING Leasing, a wholly-owned subsidiary of the Company, proposed to apply for loans from China Bohai Bank in the amount of RMB1.5 billion. The loans will be used for the repayment of indebtedness and investment in leasing projects by COSCO SHIPPING Leasing.

The principal amount of the loans is RMB1.5 billion, with an interest rate of 5% below the prevailing benchmark interest rate for RMB-denominated loans published by the People's Bank of China. COSCO SHIPPING Leasing shall repay RMB0.5 billion within one year and RMB1 billion within three years.

On 7 March 2017, the Board has approved the Application for the China Bohai Bank Loans and the provision of a guarantee by the Company with respect to the obligations of COSCO SHIPPING Leasing under the loans.

China Bohai Bank is a connected person of the Company under the relevant PRC laws and regulations. Accordingly, the Application for the China Bohai Bank Loans constitutes a connected transaction of the Company and is subject to the Shareholders' approval requirement under relevant PRC laws and regulations.

The proposal in relation to the Application for the China Bohai Bank Loans will be submitted, by way of ordinary resolution, for the Shareholders' consideration and approval at the EGM.

VIII. EGM AND CLASS MEETINGS

The Company proposes to convene the EGM, the A Shares Class Meeting and the H Shares Class Meeting at 1:30 p.m. on Monday, 5 June 2017 at Doris Hall, Level 4, Ocean Hotel Shanghai, 1171 Dong Da Ming Road, Hong Kou District, Shanghai, the People's Republic of China.

The EGM will be convened to consider and, if thought fit, approve, among other things, (i) the Revised Proposed Non-public Issuance of A Shares, (ii) the COSCO Subscription, (iii) the Specific Mandate and (iv) the Application for the China Bohai Bank Loans.

LETTER FROM THE BOARD

The Class Meetings will be convened to consider and, if thought fit, approve, among other things, (i) the Revised Proposed Non-public Issuance of A Shares, (ii) the COSCO Subscription and (iii) the Specific Mandate.

The Revised Proposed Non-public Issuance of A Shares, the COSCO Subscription and the Specific Mandate will be proposed by way of special resolutions at the EGM and the Class Meetings to be approved by the Independent Shareholders and the Application for the China Bohai Bank Loans will be proposed by way of ordinary resolution at the EGM to be approved by the Shareholders.

The voting in relation to the Revised Proposed Non-public Issuance of A Shares, the COSCO Subscription, the Specific Mandate and the Application for the China Bohai Bank Loans at the EGM and/or the Class Meetings will be conducted by way of poll.

A notice convening the EGM was despatched to the Shareholders on 20 April 2017, which is reproduced on pages EGM-1 to EGM-5 of this circular.

A notice convening the H Shares Class Meeting was despatched to the Shareholders on 20 April 2017, which is reproduced on pages HCM-1 to HCM-5 of this circular.

COSCO SHIPPING and its associates and those who are involved in or interested in the Revised Proposed Non-public Issuance of A Shares, the COSCO Subscription and the Specific Mandate will be required to abstain from voting on the resolutions to be proposed at the EGM and/or the Class Meetings. In the event that a Shareholder becomes a subscriber under the Revised Proposed Non-public Issuance of A Shares, such Shareholder will be required to abstain from voting on the relevant resolutions to be proposed at the EGM and/or the Class Meetings. Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Shareholder has a material interest in the Revised Proposed Non-public Issuance of A Shares, the COSCO Subscription and the Specific Mandate and therefore no other Shareholder is required to abstain from voting at the EGM and/or the Class Meetings.

If you intend to appoint a proxy to attend the EGM and the Class Meetings, you are required to complete and return the accompanying proxy form in accordance with the instructions printed thereon. For the H Shareholders, the proxy forms should be returned to Computershare Hong Kong Investor Services Limited by hand or by post not less than 24 hours before the time appointed for holding the EGM and the Class Meetings or any adjourned meeting thereof.

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

If you intend to attend the EGM and the Class Meetings in person or by proxy, you are required to complete and return the reply slip to Directorate Secretary Office of the Company not later than Monday, 15 May 2017.

LETTER FROM THE BOARD

IX. RECOMMENDATION

Messis Capital Limited 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 Revised Proposed Non-public Issuance of A Shares, the COSCO Subscription and the Specific Mandate.

The Independent Board Committee, after considering the advice from the Independent Financial Adviser, is of the view that while the Revised Proposed Non-public Issuance of A Shares and the COSCO Subscription are not conducted in the ordinary and usual course of business of the Group, the terms of the Revised Proposed Non-public Issuance of A Shares and the COSCO Subscription Agreement are on normal commercial terms and that the Revised Proposed Non-public Issuance of A Shares, the COSCO Subscription and the Specific Mandate are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of all the resolutions to be proposed at the EGM and the Class Meetings to approve the Revised Proposed Non-public Issuance of A Shares, the COSCO Subscription and the Specific Mandate.

The Directors (including the non-executive Directors) are of the view that the Application for the China Bohai Bank Loans is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends all the Shareholders to vote in favour of the resolutions to be proposed at the EGM.

X. FURTHER INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 37 to 38 of this circular, containing its recommendation in respect of the Revised Proposed Non-public Issuance of A Shares, the COSCO Subscription and the Specific Mandate and (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 39 to 75 of this circular, containing its recommendation in respect of the Revised Proposed Non-public Issuance of A Shares, the COSCO Subscription and the Specific Mandate.

The Independent Shareholders are advised to read the aforesaid letters before deciding as to how to vote on the resolutions approving, among other things, the Revised Proposed Non-public Issuance of A Shares, the COSCO Subscription and the Specific Mandate.

By order of the Board
COSCO SHIPPING Development Co., Ltd.*
Yu Zhen
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)

19 May 2017

To the Independent Shareholders

Dear Sir or Madam,

(1) REVISED PROPOSED NON-PUBLIC ISSUANCE OF A SHARES
(2) CONNECTED TRANSACTION –
PROPOSED SUBSCRIPTION OF A SHARES BY
THE CONTROLLING SHAREHOLDER
AND
(3) SPECIFIC MANDATE

We refer to the circular of the Company dated 19 May 2017 (the “**Circular**”), of which this letter forms part. Unless otherwise defined, capitalised 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 Revised Proposed Non-public Issuance of A Shares, the COSCO Subscription and the Specific Mandate, details of which are set out in the “Letter from the Board” in the Circular. Messis Capital Limited has been appointed as the Independent Financial Adviser with our approval to advise the Independent Board Committee and the Independent Shareholders in this regards.

We wish to draw your attention to the “Letter from the Board” set out on pages 6 to 36 of the Circular and the “Letter from the Independent Financial Adviser” set out on pages 39 to 75 of the Circular and the additional information set out in the appendices of this 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 while the Revised Proposed Non-public Issuance of A Shares and the COSCO Subscription are not conducted in the ordinary and usual course of business of the Group, the terms of the Revised Proposed Non-public Issuance of A

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Shares and the COSCO Subscription Agreement are on normal commercial terms and that the Revised Proposed Non-public Issuance of A Shares, the COSCO Subscription and the Specific Mandate are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend you to vote in favour of the resolutions to be proposed at the EGM and the Class Meetings for approving the Revised Proposed Non-public Issuance of A Shares, the COSCO Subscription and the Specific Mandate.

Yours faithfully,

Independent Board Committee

Mr. Cai Hongping

Ms. Hai Chi Yuet

Mr. Tsang Hing Lun

Mr. Graeme Jack

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 Limited, the Independent Financial Adviser, for the purpose of inclusion in this circular, to the Independent Board Committee and the Independent Shareholders in respect of the Revised Proposed Non-public Issuance of A Shares, the COSCO Subscription and the Specific Mandate.



19 May 2017

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

Dear Sir or Madam,

**(1) REVISED PROPOSED NON-PUBLIC ISSUANCE OF A SHARES
(2) CONNECTED TRANSACTION –
PROPOSED SUBSCRIPTION OF A SHARES BY
THE CONTROLLING SHAREHOLDER AND
(3) SPECIFIC MANDATE**

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 Revised Proposed Non-public Issuance of A Shares, the COSCO Subscription and the Specific Mandate, 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 19 May 2017 (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 17 February 2017, the CSRC issued the New PRC Regulations, being the “Decision in Amending the Implementation Rules for the Non-public Issuance of Shares by Listed Companies” (《關於修改《上市公司非公開發行股票實施細則》的決定》) and the “Issuance Regulation Questions and Answers – Regulatory Requirements regarding Guiding and Regulating Financing Activities of Listed Companies” (《發行監管問答 — 關於引導規範上市公司融資行為的監管要求》).

According to the New PRC Regulations, among other things, (i) the number of A shares proposed to be issued by a PRC listed company by way of non-public issuance shall not exceed 20% of the total number of the issued shares of the PRC listed company prior to the issuance of such A shares; and (ii) the price determination date for the non-public issuance of shares by a PRC listed company shall be the first day of the offering period of the non-public issuance of shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In light of the New PRC Regulations, on 20 April 2017, the Board has approved, among other things, the Revised Proposed Non-Public Issuance of A Shares, pursuant to which the Company will issue a maximum of 2,336,625,000 A Shares (subject to adjustments) to not more than 10 specific target subscribers, including COSCO SHIPPING, which would raise a gross proceeds of up to RMB8.6 billion. As part of the Revised Proposed Non-public Issuance of A Shares, on 20 April 2017, the Company and COSCO SHIPPING entered into the COSCO Subscription Agreement, pursuant to which COSCO SHIPPING has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, 50% of the total number of A Shares to be issued under the Revised Proposed Non-public Issuance of A Shares. The issue price of the A Shares to be issued under the Revised Proposed Non-public Issuance of A Shares shall not be lower than the Benchmark Price, being (i) 90% of the Average Trading Price (being the average trading price of the A Shares during the 20 trading days immediately preceding the Price Determination Date, which is calculated by dividing the total turnover of the A Shares by the total trading volume of the A Shares during the 20 trading days immediately preceding the Price Determination Date) or (ii) the Floor Price (being the latest audited net asset per Share of the Company before the issuance of A Shares under the Revised Proposed Non-public Issuance of A Shares), whichever is higher. Subject to the abovementioned Benchmark Price, the final issue price will be determined by the Board and its authorised person(s) with the authorisation by the Shareholders at the EGM and the Class Meetings and the sponsor (the lead underwriter) based on the price inquiry results in accordance with the price priority principle and applicable laws and regulation, after obtaining the approval documents issued by the CSRC in respect of the Revised Proposed Non-public Issuance of A Shares.

As at the Latest Practicable Date, COSCO SHIPPING and its associates control or are entitled to exercise control over the voting rights in respect of 4,458,195,174 A Shares and 100,944,000 H Shares, representing approximately 39.02% of the total issued share capital of the Company. Accordingly, COSCO SHIPPING is a controlling shareholder of the Company and therefore a connected person of the Company. The COSCO Subscription constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules and is therefore subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

COSCO SHIPPING and its associates and those who are involved in or interested in the Revised Proposed Non-public Issuance of A Shares, the COSCO Subscription and/or the Specific Mandate will be required to abstain from voting on the resolutions to be proposed at the EGM and/or the Class Meetings in relation to the Revised Proposed Non-public Issuance of A Shares, the COSCO Subscription and the Specific Mandate. In the event that a Shareholder becomes a subscriber under the Revised Proposed Non-public Issuance of A Shares, such Shareholder will be required to abstain from voting at the EGM and/or the Class Meetings. Ms. Sun Yueying, Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, all being executive Directors, hold directorship(s) or act as senior management in China Shipping and its associates, and Mr. Feng Boming, Mr. Chen Dong and Mr. Huang Jian, all being non-executive Directors, were nominated by China Shipping to the Board. Accordingly, Ms. Sun Yueying, Mr. Wang Daxiong, Mr. Liu Chong, Mr. Xu Hui, Mr. Feng Boming, Mr. Chen Dong and Mr. Huang Jian have therefore abstained from voting on the relevant Board resolutions

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

approving the adjustments under the Revised Proposed Non-public Issuance of A Shares and the COSCO Subscription. As at the Latest Practicable Date, none of the aforementioned Directors hold any Shares. Save as aforementioned, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no other Director has a material interest in the Revised Proposed Non-public Issuance of A Shares and the COSCO Subscription and therefore no other Director is required to abstain from voting on such Board resolutions.

The Independent Board Committee (comprising all independent non-executive Directors), namely, Mr. Cai Hongping, Mr. Tsang Hing Lun, Ms. Hai Chi Yuet and Mr. Graeme Jack, has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the Revised Proposed Non-public Issuance of A Shares, the COSCO Subscription and the Specific Mandate. As all the three non-executive Directors, namely, Mr. Feng Boming, Mr. Chen Dong and Mr. Huang Jian, were nominated by China Shipping to the Board, they are not included as members of the Independent Board Committee. 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 for four occasions, details on which are set out in the Company's announcement dated 30 October 2015 and circulars dated 4 December 2015, 10 June 2016 and 1 December 2016. Notwithstanding the above, the previous engagements with the Company would not affect our independence from the Company and we are independent from the Company pursuant to Rule 13.84 of the Listing Rules, in particular that we did not serve as a financial adviser to (i) the Company, (ii) COSCO SHIPPING or its subsidiaries, and (ii) any core connected person of the Company within 2 years prior to 2 May 2017, being date of making our independence declaration to the Hong Kong Stock Exchange pursuant to Rule 13.85(1) of the Listing Rules.

BASIS OF OUR OPINION

In arriving at our recommendations, 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 Revised Proposed Non-public Issuance of A Shares, the COSCO Subscription and the Specific Mandate.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Revised Proposed Non-public Issuance of A Shares, the COSCO Subscription and the Specific Mandate. 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.

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 COSCO Subscription

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 providing integrated financial services with diversified leasing businesses such as vessel leasing, container leasing and non-shipping finance leasing, supply chain finance, shipping insurance, logistic infrastructure investment and other financial assets investment services.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the annual report of the Group for the year ended 31 December 2016 (the “**2016 Annual Report**”), on 11 December 2015, the Company announced that a notification was received from China Shipping that the SASAC has granted its approval in principle of the restructuring of China Shipping and its subsidiaries (the “**CS Group**”) and China Ocean Shipping (Group) Company and its subsidiaries (the “**COSCO Group**”) in relation to their businesses in container shipping, vessel leasing, oil shipping, bulk shipping and the financial sectors (the “**Restructuring**”). The Restructuring was passed at the extraordinary general meeting held on 1 February 2016.

According to the 2016 Annual Report, through the Restructuring, the Group will achieve a strategic transformation and transformed from a container liner operator to an integrated financial service platform focusing on leasing business such as leasing of vessels, containers and non-shipping leasing with a focus on shipping finance. The Group actively adjusted its business, service and management models to develop a diversified shipping financial service platform. In the course of reform and restructuring, the Company took efforts to forge ahead with the orderly development of all business segments, in which the synergy effect has initially been created. Through the Restructuring, the Group is to shape its four core business segments, i.e. the vessel leasing segment; the container leasing segment; the non-shipping leasing segment which consists of medical services, education and energy; and the financial investment segment which consists of fund management companies and financial investments.

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 2014, 2015 and 2016, which are extracted from the 2016 Annual Report and the Company’s annual report for the year ended 31 December 2015.

	Year ended 31 December		
	2016	2015	2014
	<i>RMB’000</i>	<i>RMB’000</i>	<i>RMB’000</i>
	(audited)	(audited)	(audited)
		(restated)	
<i>Continuing operations</i>			
Revenue	15,527,887	32,887,498	36,077,425
Costs of sales	(13,849,363)	(32,120,147)	(34,839,333)
Gross profit	1,678,524	767,351	1,238,092
Profit/(loss) from continuing operations	315,749	(22,637)	1,029,994
<i>Discontinued operation</i>			
Profit from discontinued operation	77,326	(80,333)	38,756
Profit/(loss) attributable to owners of the parent	347,503	(199,511)	1,044,036

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Continuing operations

Revenue decreased from approximately RMB36.1 billion for the year ended 31 December 2014 to approximately RMB32.8 billion for the year ended 31 December 2015, representing a decrease of approximately 11.8%. Such decrease was attributable to the decrease in volume of loaded cargoes and freight rates mainly due to a significant slowdown in global economic recovery and an imbalance in supply and demand in 2015.

The loss from continuing operations in 2015 was approximately RMB22.6 million as compared with profit from continuing operations of approximately RMB1.0 billion in 2014. It was attributable to (i) the lower level of revenue; (ii) the increase in selling, administrative and general expenses of approximately 112.2% and (iii) the other losses of approximately RMB67.5 million as compared to other gain of approximately RMB898.5 million, mainly due to the gains on disposal of subsidiaries of approximately RMB947.5 million was recorded in 2014, while there was no similar gain recorded in the corresponding period in 2015.

Revenue decreased from approximately RMB32.8 billion for the year ended 31 December 2015 to approximately RMB15.5 billion for the year ended 31 December 2016, representing a decrease of approximately 52.7%. The decline in the revenue was attributable to the combination of the decrease in the revenue from the liner operations mainly due to the Company ceased to be engaged in the container liner operations following the restructuring and transformation, which was partially offset by the effect of (i) the increase in the revenue from the shipping-related leasing business mainly due to the Company starting to lease out all its self-owned vessels since March 2016 and (ii) the increase in non-shipping financial leasing business driven by a rapid expansion in financial leasing business after the Group's subsidiary COSCO Shipping Leasing Co., Ltd commenced operations in the first half of 2015.

The Group recorded a profit from continuing operations for the year ended 31 December 2016 of approximately RMB315.7 million as compared to a loss of approximately RMB22.6 million for the year ended 31 December 2015. The turnaround from loss to profit was mainly due to (i) the increase in gross profit of approximately 118.7%; (ii) the decrease in selling, administrative and general expenses of approximately 26% and (iii) other gains of approximately RMB117.2 million for the year ended 31 December 2016 as compared to other losses of approximately RMB67.5 million for the year ended 31 December 2015, mainly attributable to the gains from disposal of interests in associates and available-for-sale investments.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Discontinued operation

In February 2016, the Restructuring was passed at the extraordinary general meeting. Among the disposed subsidiaries, Shanghai Puhai Shipping Liners Co., Ltd. and its subsidiaries, Universal Shipping (Asia) Co., Ltd., Golden Sea Shipping Pte. Ltd. and China Shipping (Singapore) Petroleum Pte. Ltd. constituted a major line of business of provision of container marine transportation services and related business, which was classified as a discontinued operation. These disposals were completed before 30 June 2016, the assets and liabilities are no longer included in the annual condensed consolidated statement of financial position as at 31 December 2016.

1.3 Financial position on the Group

	As at 31 December		
	2016	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)
		(restated)	
NON-CURRENT ASSETS			
Property, plant and equipment	58,392,439	56,591,248	36,369,808
Investments in associates	18,244,380	20,096,311	3,754,380
Finance lease receivables	15,010,397	5,680,658	–
Other non-current assets	21,947,270	2,203,427	87,916
	98,584,089	84,571,671	40,212,104
CURRENT ASSETS			
Inventories	859,415	1,238,768	1,185,498
Prepayments, trade, notes and other receivables	2,555,589	4,553,159	2,786,464
Finance lease receivables	3,593,896	1,682,327	–
Loans and receivables	3,132,913	3,133,055	–
Other current assets	1,207,149	1,126,514	1,197
Cash and cash equivalents	15,527,254	15,931,671	9,355,888
	26,876,216	27,665,494	13,329,047
CURRENT LIABILITIES			
Trade and notes payable, other payables and accruals	3,923,465	5,765,033	4,484,255
Interest-bearing bank and other borrowings	29,925,251	26,818,843	8,690,651
Other current liabilities	10,785,785	4,881,717	81,171
	44,634,474	37,465,593	13,256,077
Net current (liabilities)/assets	(17,758,258)	(9,800,099)	72,970
Total assets less current liabilities	80,825,831	74,771,572	40,285,074

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

	As at 31 December		
	2016	2015	2014
	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(audited)
		(restated)	
NON-CURRENT LIABILITIES			
Interest-bearing bank and other borrowings	64,102,361	25,349,767	13,463,254
Domestic corporate bonds	1,426,942	3,449,494	1,793,981
Other non-current liabilities	1,733,414	695,688	150,356
	67,262,717	29,494,949	15,407,591
Net assets	13,563,114	45,276,623	24,877,483
EQUITY			
Share capital	11,683,125	11,683,125	11,683,125
Reserves	(5,988,527)	25,662,872	16,893,754
Retained profits/(Accumulated losses)	7,555,449	7,433,077	(3,784,442)
	13,250,047	44,779,074	24,792,437
Non-controlling interests	313,067	497,549	85,046
Total equity	13,563,114	45,276,623	24,877,483

As at 31 December 2014, 2015 and 2016, 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 92.4%, 89.1% and 88.3% of the total assets of the Group as at 31 December 2014, 2015 and 2016, respectively. The property, plant and equipment of approximately RMB58.4 billion as at 31 December 2016 mainly comprised of container vessels.

As at 31 December 2014, 2015 and 2016, interest-bearing bank and other borrowings, trade and notes payable, other payables and accruals and corporate bonds were the major liabilities of the Group, which accounted for approximately 99.2%, 91.7% and 88.8% of the total liabilities of the Group as at 31 December 2014, 2015 and 2016, respectively.

As at 31 December 2016, the gearing ratio of the Group, being the ratio of net debts over Shareholders' equity, was approximately 662%, which was higher than that as at 31 December 2015. The increase was primarily due to the Restructuring which led to a significantly decrease in shareholder's equity.

1.4 Background information on COSCO SHIPPING

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the section headed “III. Connected Transaction – Proposed Subscription of A Shares by COSCO SHIPPING” in the Letter from the Board, COSCO SHIPPING has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, 50% of the total number of A Shares to be issued under the Revised Proposed Non-public Issuance of A Shares.

1.5 Reasons for and benefits of the Revised Proposed Non-public Issuance of A Shares

By virtue of the Restructuring, the Company had its business focus shifted from container liner operation to integrated financial services consisting of diversified leasing businesses such as vessel leasing, container leasing and non-shipping finance leasing. In light of this, as stated in the Letter from the Board, the Board considered that the Revised Proposed Non-public Issuance of A Shares is conducive to the comprehensive and sustainable development of the Company’s business and would lay a strong foundation for the Company’s transformation from a container liner operator into an integrated financial services platform with leasing businesses such as vessel leasing, container leasing and non-shipping leasing as core and shipping financing as feature. In addition, the COSCO Subscription also demonstrates the confidence that COSCO SHIPPING placed in the Company and COSCO SHIPPING’s support to the development and transformation of the business of the Group.

The Group’s gearing ratio, being the ratio of net debts over Shareholders’ equity, was approximately 662% as at 31 December 2016. The long term capital raised from the Revised Proposed Non-public Issuance of A Shares would optimise the Company’s capital structure and reduce the Company’s debt-to-asset ratio, which enables the Company to obtain further debt financing and lower the costs of its debt financing.

Apart from the Revised Proposed Non-public Issuance of A Shares, as disclosed in the circular of the Company dated 10 June 2016 and as approved by the Shareholders at the annual general meeting of the Company held on 30 June 2016, the Company intends to apply to the National Association of Financial Market Institutional Investors for registering mid-term notes of not exceeding RMB5 billion and super short-term financing bills of not exceeding RMB10 billion. The mid-term notes and the super short-term financing bills are intended to be used for repayment of bank loans, optimising debt financing structure and/or replenish the liquidity for the needs of daily production and operation of the Company.

As at the Latest Practicable Date, save for (i) the Revised Proposed Non-public Issuance of A Shares, the proceeds of which will be used for the specific purposes of the capital injections in FIL and the repayment of the maturing corporate bonds and (ii) the mid-term notes and the super short-term financing bills as approved by the Shareholders, the Company does not have any other specific fund raising plans for the next 12 months from the Latest Practicable Date.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As advised by the management of the Company, the gross proceeds to be raised from the Revised Proposed Non-public Issuance of A Shares will be not more than RMB8.6 billion. The net proceeds from the Revised Proposed Non-Public Issuance of A Shares (after deducting all applicable costs and expenses incurred in connection with the Revised Proposed Non-public Issuance of A Shares) are intended to be utilised:

- (i) as to approximately RMB6.8 billion to be used for capital injection in FIL, which in turn will be used by FIL to purchase containers during 2017 to 2019 for the purpose of maintaining and expanding container scale and securing competitive position in the market; and
- (ii) as to approximately RMB1.8 billion to be used for repayment of maturing corporate bonds (which are held by persons other than the existing Shareholders), the principal terms of which are as follows:

Issuer:	The Company
Date of first issuance:	12 June 2007
Maturity date:	On the date falling upon the expiry of 10 years after the date of first issuance, i.e. 12 June 2017
Principal amount:	RMB1.8 billion
Interest:	4.51% per annum

To understand further on the reasons of the Revised Proposed Non-public Issuance of A Shares, we have reviewed the feasibility report named “**Feasibility Report on the Use of Proceeds From the Non-public Issuance of A Shares (Revised)**” (the “**Feasibility Report**”), details of which are set out in the Appendix II to the Circular, provided to us by the Company for the following:

(i) *Capital injection in FIL*

FIL is a company incorporated under the laws of the British Virgin Islands with limited liability and an indirect wholly owned subsidiary of the Company. At the beginning of 2016, the former Florens Container Holdings Limited merged with the former Dong Fang International Investment Limited (the “**Dong Fang International**”). It principally engaged in container leasing, container management, container trade and other leasing, etc.

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As a platform for container leasing business under the Group, FIL is mainly responsible for the operation of container leasing, container management and sale of second-hand containers. After thirty years of development and expansion, FIL has established an industry leading brand. Upon its merger with Dong Fang International at the beginning of 2016, its number of containers reached approximately 3.7 million TEUs as of the end of 2016, becoming the world second largest container leasing company. The principal business of FIL is container-related operating leasing, financing leasing, management, trade, rental and management fee collection.

With the world economy entering into the cycle of “recession-rejuvenation” since global financial crisis, returns in the container leasing industry has been on continual decline. Despite the overall gloomy condition in the container leasing industry at present, the supply and demand structure in this field has changed since the fourth quarter of 2016. From the perspective of periodical investment, if the Group acquire assets at this point, assets prices will be more likely to rise than fall in the future. From the perspective of the macroeconomic environment, although the economies of China and Europe still risk declining, global economy has shown positive signs of recovering led by the US and the future economic condition is turning to the bright. Therefore, proper container purchase project enjoys greater opportunity to achieve capital increment both in second-hand container disposal and capital market.

According to the Feasibility Report, global container scale will grow from 38.04 million TEUs in the end of 2016 to 43.48 million TEUs in 2019, with a net increase of 5.44 million TEUs in the three years. Meanwhile, a total of 5.77 million TEUs second-hand containers will be retired and replaced by new containers all over the market. To sum up, it is estimated that the aggregate demand for containers all over the world from 2017 to 2019 will amount to approximately 11.21 million TEUs. On the other hand, as we discussed with the management of the Company, it is calculated that FIL will dispose and lease an annual average of 250,000 expired containers in 2017 and thereafter. With 5 million containers in terms of container scale and RMB50 billion in terms of assets scale, the expiration of the containers will be accounted for approximately 5% of the total number of containers. To fill in retired and expired containers, and to secure the competitive position in the industry, FIL needs to keep up purchasing containers.

FIL plans to purchase an aggregate of approximately 0.7804 million TEUs from 2017 to 2019 so as to maintain and expand container scale, secure competitive position in the market and increase shareholder returns. A total of approximately RMB7,493 million self-owned funds was used to purchase containers, of which the capital increase from the shareholders’ contribution of RMB6.8 billion in the Florens was planned to be financed from the proceeds, and the rest was settled through its self-raised fund.

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(ii) Repayment of maturing corporate bonds (which are held by persons other than the existing Shareholders)

In addition to the above projects, not more than RMB1.8 billion of the proceeds from the Revised Proposed Non-Public Issuance of A Shares (deducting the issue fee) will be used to repay the maturing corporate bonds.

Upon the completion of the Restructuring, Long Honour Investments Limited, FIL and Dong Fang International which were newly included into consolidated statements have relatively large amount of long-term liability and meanwhile, the amount of newly added bank current borrowings is enormous, resulting the increase in total liabilities of the Company after the Restructuring, significant rise of asset-liability ratio and decrease in finance safety. As at 31 December 2016, the Group's total bank and other borrowings were RMB94,027,612,000, of which RMB29,925,251,000 is repayable within one years. Therefore, the Company is under great pressure of short-term repayment.

After proceeds from the Revised Proposed Non-public Issuance of A Shares are in place, the Company will repay RMB1.8 billion of corporate bonds. Per our discussion with the management of the Company, by calculating on Renminbi loan benchmark interest rate (one-year) of financial institutions, the Company will save approximately RMB78.3 million of finance cost each year, reducing the Company's interest cost to some extent. Therefore, it is necessary for the Company to repay maturing corporate bonds with proceeds from the non-public issue and reduce total liabilities so as to decrease interest cost.

According to the Feasibility Report, to repay debts and supplement working capital with proceeds from the Revised Proposed Non-Public Issuance of A Shares will improve the liquid ratio of the Company, enhance its debt repayment capability, reduce finance risk and consolidate the financial structure of the Company. If calculated based on the Company's financial data as of 31 December 2016 and not taking into account the issuance costs, after taking into account RMB1.8 billion from the proceeds from the Revised Proposed Non-public Issuance of A Shares will be used to repay maturing corporate bonds and RMB1.8 billion of supplemented liquidity is credited to current assets, the debt-to-asset ratio of the Company will decrease from 89.19% to 83.24% and liquid ratio will increase from 0.53 to 0.71.

In future, the Company may comprehensively use various financing instruments to provide reasonable and proper financing arrangement for the sustainable development of the Company under the precondition of controlling financial risk and maintaining healthy financial structure.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We consider that after the Revised Proposed Non-public Issuance of A Shares, debt-to-asset ratio of the Group will be significantly reduced, which will help to improve capital structure and lower financial risk. The Company intends to use the above-mentioned proceeds to repay due liabilities and supplement working capital, which is in line with relevant laws and regulations, the actual situation of the Company and strategy requirements and shareholders interest as a whole, thus beneficial to the long-term and healthy development of the Company. The Revised Proposed Non-public Issuance of A Shares will further improve the financial condition of the Company and enhance its core competitive and anti-risk capabilities.

Having considered that (i) to finance the abovementioned expansion plans of FIL, the Group requires to raise the proceeds from the Revised Proposed Non-public Issuance of A Shares, together with the self-raised fund; (ii) the capital raised from the Revised Proposed Non-public Issuance of A Shares would optimise the Company's capital structure and reduce the Company's debt ratio and finance costs; (iii) the proceeds to be raised does not exceed the funding need of the specific purposes of the capital injection in FIL as above-mentioned and the repayment of maturing corporate bonds; and (iv) the proceeds are to be used in projects that are in line with the Group's principal business, we concur with the view of the Directors that the Revised Proposed Non-public Issuance of A Shares is in the interests of the Company and the Shareholders as a whole.

1.6 Financing alternatives of the Company

As at 31 December 2016, the cash and cash equivalents were approximately RMB15.53 billion, which is expected to meet capital needs of regular operating cash flows of the Group. As such, the Company has considered other fund raising methods such as obtaining debt financing and conducting rights issue or public offering for the abovementioned plans of use of proceeds.

(i) Debt financing

According to the 2016 Annual Report, the Group's gearing ratio, being the ratio of net debts over Shareholders' equity, was 662% as at 31 December 2016, which was higher than that as at 31 December 2015. The Directors considered that taking into account of the current gearing level of the Group, raising funds by equity financing with interest-free nature could reduce the gearing ratio. The Directors thus concluded that equity financing can improve the leverage position of the Group as compared to debt financing.

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(ii) Other equity financing alternatives

Given that the issued H Share capital of the Company is significantly lower than the issued A Share capital of the Company, the expected size of the fund to be raised by rights issue, open offer or placement of H Shares will be less than approximately RMB8.6 billion. Based on the closing prices of the H Shares and the A Shares on the Latest Practicable Date, the market capitalisation of H Shares and A Shares was approximately HK\$6.23 billion (or approximately RMB5.51 billion) and RMB29.35 billion, representing approximately 17.51% and 82.49% of the Company's total market capitalisation of approximately RMB35.58 billion, respectively.

The average trading price of the H Shares during the 20 trading days immediately preceding the date of the Announcement was approximately HK\$1.74 per Share (equivalent to approximately RMB1.53 per Share), which is significantly lower than that of the A Shares of approximately RMB4.18 per Share. If the Company conducts a fund raising exercise by issuance of new H Shares in Hong Kong with a proceed of RMB8.6 billion, assuming a pricing basis of not lower than 90% of the Average Trading Price, the number of H Shares to be issued will be substantially more than that required for the Revised Proposed Non-public Issuance of A Shares, which will lead to a greater dilution effect to the shareholding of the existing Shareholders and will not be in the interests of the Independent Shareholders. Further, as advised by the management of the Company, the Group mainly operates in the PRC and most of the transactions are denominated in RMB. The management of the Company consider that it will be in the interest of the Company to issue new A Shares to obtain the funding directly in RMB and can avoid the conversion of foreign currencies to RMB, as well as to go through relevant procedures and approvals as required by the relevant PRC rules and regulations to transfer the proceeds back to the PRC for the Group's uses if the Company conducts fund raising activities by issuance of new H Shares in Hong Kong.

Having considered that (i) equity financing can improve the leverage position of the Group as compared to debt financing; (ii) the issued H Share capital of the Company is significantly lower than the issued A Share capital of the Company; (iii) the greater dilution effect to the shareholding of the existing Shareholders if the Company conducts a fund raising exercise by issuance of new H Shares in Hong Kong with a proceed of RMB8.6 billion with the same pricing basis as the Revised Proposed Non-public Issuance of A Shares; and (iv) the issue of A Shares can avoid the conversion of foreign currencies to RMB, as well as to go through relevant procedures and approvals as required by the relevant PRC rules and regulations to transfer the proceeds back to the PRC, we concur with the Directors' view that it is in the interests of the Company and the Shareholders as a whole to raise funds by the Revised Proposed Non-public Issuance of A Shares (including the COSCO Subscription).

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2. The Terms of the Revised Proposed Non-public Issuance of A Shares

2.1 Details of the Revised Proposed Non-public Issuance of A Shares

The details of the Revised Proposed Non-public Issuance of A Shares are summarised and set out below:

Class and par value of Shares to be issued:	A Shares with a par value of RMB1.00 each.
Method and time of issuance:	The Revised Proposed Non-public Issuance of A Shares will be carried out by way of non-public issue of A Shares to not more than 10 specific target subscribers, including COSCO SHIPPING. The Company will complete the Revised Proposed Non-public Issuance of A Shares within six months after obtaining the approval from the CSRC.
Number of A Shares to be issued:	A maximum of 2,336,625,000 A Shares will be issued under the Revised Proposed Non-public Issuance of A Shares, which represents: (i) approximately 29.46% of the existing issued A Shares and 20% of the existing total issued share capital of the Company as at the Latest Practicable Date; and (ii) approximately 22.75% of the enlarged issued A Shares and approximately 16.67% of the enlarged total issued share capital of the Company upon completion of the Revised Proposed Non-public Issuance of A Shares.

The Cap will be adjusted if there occurs any ex-right event (such as, bonus issue, capitalization of capital reserves, additional issuance or placing of new Shares) between the Board Resolutions Date and the date of the issuance of A Shares under the Revised Proposed Non-public Issuance of A Shares. The formula for the adjustment is set out below:

$$Q = Q_0 \times (1 + N_1)$$

where,

- (i) Q is the Cap after adjustment for any ex-right or ex-dividend event between the Price Determination Date and the date of the Revised Proposed Non-public Issuance of A Shares;
- (ii) Q_0 is the Cap;
- (iii) N_1 is the number of (a) Shares being issued upon capitalisation of capital reserves for each Share, and/or (b) Shares being issued upon distribution of share dividend for each Share by the Company between the Board Resolutions Date and the date of issuance of A Shares under the Revised Proposed Non-public Issuance of A Shares.

Pursuant to the Implementation Rules for the Non-public Issuance of A Shares by Listed Companies, where the board of a listed company resolves to issue shares by way of non-public issuance, the board resolution shall specify, among other things, the maximum proceeds to be raised from the non-public issuance, the specific use of the proceeds and whether the number of shares to be issued shall be adjusted if there occurs any ex-right or ex-dividend event between the date of the board resolution and the date of issue of the shares.

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On 20 April 2017, the Board has approved the Revised Proposed Non-public Issuance of A Shares and passed resolutions that the gross proceeds to be raised from the Revised Proposed Non-public Issuance of A Shares shall be not more than RMB8.6 billion. Notwithstanding any adjustment to the Cap and/or the Benchmark Price:

- (i) maximum gross proceeds to be raised from the Revised Proposed Non-public Issuance of A Shares as approved by the Board will in any event not exceed RMB8.6 billion; and
- (ii) pursuant to the New PRC Regulations, the Cap will in any event not exceed 20% of the total number of total issued share capital of the Company prior to the issuance of the A Shares under the Revised Proposed Non-public Issuance of A Shares.

Subject to the Cap, the Board proposes that the Shareholders of the EGM and the Class Meetings grant to the Board and its authorised person(s) such authority as necessary for determining the final number of A Shares to be issued based on the market conditions and negotiations with the sponsor (the lead underwriter) with reference to the amount of proceeds to be raised and the actual amount of subscription received.

COSCO SHIPPING undertakes to subscribe 50% of the total number of A Shares to be issued under the Proposed Non-public Issuance of A Shares. China Shipping will not participate in the Revised Proposed Non-public Issuance of A Shares.

The Revised Proposed Non-public Issuance of A Shares is not underwritten.

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Target subscribers:

The target subscribers for the Revised Proposed Non-public Issuance of A Shares will be not more than 10 specific subscribers (including COSCO SHIPPING). The target subscribers other than COSCO SHIPPING include securities investment fund management companies, securities companies, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors and other qualified investors in compliance with applicable laws and regulations. Securities investment fund management companies, which subscribe for the A Shares with two or more of the funds managed by them, shall each be taken as one single subscriber. Trust companies may only subscribe for the A Shares with their own funds.

Pursuant to Rule 23 and 24 of the Rules of the Implementation Rules for the Non-public Issuance of Shares by Listed Companies, where the board resolution of the company has not identified specific target subscribers for the non-public issuance of shares, the sponsor shall issue invitation for subscription to eligible specific target subscribers after obtaining approval documents from the CSRC. The list of eligible specific target subscribers shall include: (i) investors who have submitted a letter of intent after the announcement of the board resolution by the company; (ii) the top 20 shareholders of the company; and (iii) not less than 20 securities investment fund management companies, 10 securities companies and five issuance institutional investors, which are eligible under the “Measures for the Administration of Securities Offering and Underwriting” (《證券發行與承銷管理辦法》).

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According to the applicable PRC laws, regulations and regulatory requirements, foreign investors cannot subscribe in non-public issue of A shares of listed companies by way of cash unless they are approved qualified foreign institutional investors or foreign strategic investors. In order to ensure the independence of the H Shareholders, and after considering the applicable PRC laws, regulations and regulatory requirements, the scope of targeted subscribers (other than COSCO SHIPPING and its associates) under the Revised Proposed Non-public Issuance of A Shares will exclude all the H Shareholders (including approved qualified foreign institutional investors, foreign strategic investors and approved PRC investors which could invest in H Shares, including the qualified domestic institutional investors and the southbound trading investors under the Shanghai-Hong Kong Stock Connect). According to the PRC Legal Advisers, the aforementioned scope of targeted subscribers is in compliance with the applicable PRC laws, regulations and regulatory requirements.

The final list of subscribers (other than COSCO SHIPPING) will be determined by the Board and its authorised person(s) with the authorization by the Shareholders at the EGM and the Class Meetings and the sponsor (the lead underwriter) based on the price inquiry results in accordance with the price priority principle and applicable laws and regulations, after obtaining the approval documents issued by the CSRC in respect of the Revised Proposed Non-public Issuance of A Shares.

As at the Latest Practicable Date, apart from the COSCO Subscription Agreement, the Company has not entered into any agreement with any potential subscribers in respect of the Revised Proposed Non-Public Issuance of A Shares. The Company currently expects that, with the exception of COSCO SHIPPING; (i) the A Shares to be issued under the Revised Proposed Non-public Issuance of A Shares will only be issued to subscribers who and whose ultimate beneficial owners are third parties independent of the Company and its connected persons, and none of them will become substantial shareholders of the Company nor, together with parties acting in concert with it, would trigger mandatory general offer obligation under the Takeovers Code, upon completion of their respective subscriptions of the A Shares under the Revised Proposed Non-public Issuance of A Shares; and (ii) the subscribers will not be parties acting in concert with COSCO SHIPPING. The Company will comply with all the relevant requirements of the Listing Rules and the Takeovers Code should there be any changes or if otherwise necessary.

**Price Determination Date,
issue price and pricing
principles:**

The Price Determination Date of the Revised Proposed Non-public Issuance of A Shares is the first date of the offering period of the Revised Proposed Non-public Issuance of A Shares.

The issue price shall not be lower than the Benchmark Price, being (i) 90% of the Average Trading Price or (ii) the Floor Price, whichever is higher. The final issue price will be determined by the Board and its authorised person(s) with the authorization by the Shareholders at the EGM and the Class Meetings and the sponsor (the lead underwriter) based on the price inquiry results in accordance with the price priority principle and applicable laws and regulations, after obtaining the approval documents issued by the CSRC in respect of the Revised Proposed Non-public Issuance of A Shares.

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Based on the 2016 Annual Report, the audited net asset value per Share of the Company as at 31 December 2016 was RMB1.16, which represents:

- (i) a discount of approximately 68.65% to the closing price of RMB3.70 per A Share as quoted on the Shanghai Stock Exchange as at the Latest Practicable Date;
- (ii) a discount of approximately 21.09% to the closing price of HK\$1.66 per H Share (equivalent to approximately RMB1.47) as quoted on the Hong Kong Stock Exchange as at the Latest Practicable Date;
- (iii) a discount of approximately 68.82% to the average closing price of approximately RMB3.72 per A Share as quoted on the Shanghai Stock Exchange for the last five trading days up to and including the Latest Practicable Date;
- (iv) a discount of approximately 21.09% to the average closing price of approximately HK\$1.66 per H Share (equivalent to approximately RMB1.47) as quoted on the Hong Kong Stock Exchange for the last five trading days up to and including the Latest Practicable Date;
- (v) a discount of approximately 69.39% to the average closing price of approximately RMB3.79 per A Share as quoted on the Shanghai Stock Exchange for the last 10 trading days up to and including the Latest Practicable Date; and

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- (vi) a discount of approximately 21.09% to the average closing price of approximately HK\$1.66 per H Share (equivalent to approximately RMB1.47) as quoted on the Hong Kong Stock Exchange for the last 10 trading days up to and including the Latest Practicable Date.

In the event that the issue price is expected to fall below the audited net asset value per Share of the Company as at 31 December 2016, being RMB1.16, the Company will re-comply with the necessary approval requirements, including, among other things, the Independent Shareholders' approval under the Hong Kong Listing Rules.

The Benchmark Price will be adjusted if there occurs any ex-right or ex-dividend event (such as distribution of dividend, bonus issue, capitalization of capital reserves, additional issuance or placing of new Shares) between the Price Determination Date and the date of the issuance of A Shares under the Revised Proposed Non-public Issuance of A Shares under the Revised Proposed Non-public Issuance of A Shares. The formula for the adjustment is set out below:

$$P = (P_0 - \text{Div}) / (1 + N_2)$$

where,

- (i) P is the Benchmark Price after adjustment for any ex-right or ex-dividend event between the Price Determination Date and the date of the issuance of A Shares under the Revised Proposed Non-public Issuance of A Shares;

- (ii) P_0 is the Benchmark Price before adjustment;
- (iii) Div is the amount of cash dividend per Share in RMB distributed by the Company between the Price Determination Date and the date of the issuance of A Shares under the Revised Proposed Non-public Issuance of A Shares; and
- (iv) N_2 is the number of (a) Shares being issued upon capitalisation of capital reserves for each Share, and/or (b) Shares being issued upon distribution of share dividend for each Share by the Company between the Price Determination Date and the date of the issuance of A Shares under the Revised Proposed Non-public Issuance of A Shares.

Please refer to the section headed “**II. Revised Proposed Non-public Issuance of A Shares – 1. Details of the Revised Proposed Non-public Issuance of A Shares – Price Determination Date, issue price and pricing principles**” of the Letter from the Board in the Circular for further details of the adjustment.

According to the Company Law of the PRC and the Articles of Association, the Company may only distribute dividends out of its distributable profits, being the Company’s profit after income tax after offsetting (i) the accumulated losses brought forward from the previous years and (ii) the allocations to the statutory surplus reserve fund and, if any, the discretionary common reserve (in such order of priorities) before payment of any dividend on shares.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the audited financial statements of the Company for the year ended 31 December 2016 prepared under PRC GAAP as set out in the overseas regulatory announcement published by the Company on 30 March 2017, the Company had accumulated losses as at 31 December 2016. In addition, as disclosed in the annual results announcement for the year ended 31 December 2016 published by the Company on 30 March 2017, the Board did not recommend the payment of any dividend for the year ended 31 December 2016. As such, the Company is of the view that the possibility of adjusting the Benchmark Price as a result of ex-right or ex-dividend events for the Revised Proposed Non-public Issuance of A Shares is relatively low.

All the target subscribers will subscribe for the A Shares under the Revised Proposed Non-public Issuance of A Shares at the same issue price in cash. COSCO SHIPPING will not participate in the price inquiry exercise for the Revised Proposed Non-public Issuance of A Shares, and will accept the price inquiry results and subscribe for the A Shares at the same issue price as other target subscribers.

**Conditions precedent of the
Revised Proposed Non-public
Issuance of A Shares:**

The Revised Proposed Non-public Issuance of A Shares is conditional upon:

- (i) the obtaining of the approval from the Shareholders at the EGM and the Class Meetings;
- (ii) the obtaining of the approval from the SASAC; and
- (iii) the obtaining of the approval from the CSRC.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

According to the PRC Legal Advisers, none of the conditions above may be waived by any party to the Revised Proposed Non-public Issuance of A Shares and therefore, if any of the conditions above is not satisfied, the Company will not proceed with the Revised Proposed Non-public Issuance of A Shares.

An application for the approval of the Revised Proposed Non-public Issuance of A Shares has been submitted to the SASAC on 5 May 2017 by COSCO SHIPPING.

As at the Latest Applicable Date, no application for the approval of the Revised Proposed Non-public Issuance of A Shares has been submitted to the CSRC by the Company. The Company will submit the application for approval to the CSRC following the approval by (i) the SASAC of the Revised Proposed Non-public Issuance of A Shares; and (ii) the Independent Shareholders of the adjustments under the Revised Proposed Non-public Issuance of A Shares at the EGM and the Class Meetings, in accordance with applicable laws and regulations in the PRC.

Lock-up period:

COSCO SHIPPING shall not transfer the A Shares subscribed under the Revised Proposed Non-public Issuance of A Shares within 36 months from the date of completion of the Revised Proposed Non-public Issuance of A Shares. All other target subscribers shall not transfer the A Shares subscribed under the Revised Proposed Non-public Issuance of A Shares within 12 months from the date of completion of the Revised Proposed Non-public Issuance of A Shares.

Place of listing of the A Shares to be issued:

The Company will apply to the Shanghai Stock Exchange for the listing of, and permission to deal in, the A Shares to be issued under the Revised Proposed Non-public Issuance of A Shares. The A Shares to be issued under the Revised Proposed Non-public Issuance of A Shares can be traded on the Shanghai Stock Exchange upon the expiration of the lock-up period.

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**Specific Mandate to issue
A Shares:**

The Company will issue the A Shares under the Specific Mandate to be sought from the Independent Shareholders at the EGM and the Class Meetings.

Distribution of profit:

Upon the completion of the Revised Proposed Non-public Issuance of A Shares, the existing and new Shareholders will be entitled to share the Company's cumulative undistributed profits at the time of the issuance of A Shares under the Revised Proposed Non-public Issuance of A Shares.

2.2 Subscription price of the A Shares under the COSCO Subscription Agreement and the Specific Mandate

2.2.1 Principle terms of the COSCO Subscription Agreement

As part of the Revised Proposed Non-public Issuance of A Shares, on 20 April 2017, the Company and COSCO SHIPPING entered into the COSCO Subscription Agreement pursuant to which COSCO SHIPPING has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, 50% of the total number of A Shares to be issued under the Revised Proposed Non-public Issuance of A Shares. The issue price of the A Shares to be issued under the Revised Proposed Non-public Issuance of A Shares shall not be lower than the Benchmark Price, being (i) 90% of the Average Trading Price (being the average trading price of the A Shares during the 20 trading days immediately preceding the Price Determination Date, which is calculated by dividing the total turnover of the A Shares by the total trading volume of the A Shares during the 20 trading days immediately preceding the Price Determination Date) or (ii) the Floor Price (being the latest audited net asset per Share of the Company before the issuance of A Shares under the Revised Proposed Non-public Issuance of A Shares), whichever is higher.

Subject to the abovementioned Benchmark Price, the final issue price will be determined by the Board and its authorised person(s) with the authorisation by the Shareholder at the EGM and the Class Meetings and the sponsor (the lead underwriter) based on the price inquiry results in accordance with the price priority principle and applicable laws and regulation, after obtaining the approval documents issued by the CSRC in respect of the Revised Proposed Non-public Issuance of A Shares. All the target subscribers will subscribe for the A Shares under the Revised Proposed Non-public Issuance of A Shares at the same issue price in cash.

COSCO SHIPPING (including the senior management who are also Directors) will not participate in the pricing exercise for the Revised Proposed Non-public Issuance of A Shares, but will accept results of market inquiry and subscribe for the A Shares at the same issue price as other target subscribers.

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In the event that the issue price is expected to fall below the audited net asset value per Share of the Company as at 31 December 2016, being RMB1.16, the Company will re-comply with the necessary approval requirements, including, among other things, the Independent Shareholders' approval under the Hong Kong Listing Rules.

We noted that the subscription price was not fixed as at the date of the COSCO Subscription Agreement, while in the previous subscription under the CS Subscription Agreement (entered into between the Company and China Shipping on 11 October 2016) had been fixed at RMB3.66 per A Share. For this reason, we understood from the Company that the relevant changes regarding the subscription price as mentioned above was due to the change of regulation regarding non-public issuance and accordingly the Board approved to make adjustments to the Proposed Non-public Issuance of A Shares on 20 April 2017. For our due diligence purpose, we obtained and reviewed the aforesaid regulations (including 《關於修改<上市公司非公開發行股票實施細則>的決定》 (Decision on Amending Implementing Rules on Non-Public Issuance of Shares by Listed Companies*) (the “Non-Public Stock Offerings Amendment Decision”) published by CSRC on 17 February 2017 and 《發行監管問答-關於引導規範上市公司融資行為的監管要求》 (the Issuance Regulatory Questions and Answers – Regulatory Requirements regarding Guiding and Regulating Listed Companies' Financing Activities*) (collectively, the “**New PRC Regulations**”) published by the CSRC on 17 February 2017) and the “Measure for Administration of the Issuance of Securities by Listed Companies” (《上市公司證券發行管理辦法》) (the “**Measures**”) and acknowledged that the basis is in compliance with the regulations of the PRC.

Accordingly, we have searched over 巨潮資訊網 (Cninfo*, www.cninfo.com.cn, being a website designated by CSRC for the purpose of information disclosure) with companies listed on the Shanghai Stock Exchange to identify non-public A shares issuance proposal or revised non-public A shares issuance proposal as published since 17 February 2017 (i.e. the date of the Non-Public Stock Offerings Amendment Decision) up to and including the date of the Announcement which applications had not yet been accepted (受理) by CSRC before 17 February 2017 (the “**Comparables**”), for comparison purpose. We have identified 25 Comparables in considering whether the terms of the Revised Proposed Non-public Issuance of A Shares are fair and reasonable. Despite that the businesses, operations, prospects as well as market capitalisation and the fund raising size of the relevant A-share issuance of the Company are not exactly the same as the subject companies of the Comparables, we consider that the Comparables are exhaustive, fair and representative as they represents the prevailing market practice of the Shanghai Stock Exchange for non-public issuance of A-shares subsequent to the implementation of the New PRC Regulations. In addition, as discussed below, given that (i) all the issuing companies (including the Comparables and the Company) shall follow the New PRC Regulations and the Measures in respect of, among others, the price referencing date, pricing principle and lock-up period; (ii) pursuant to the New PRC Regulations and the Measures, the subscription prices of the issuing companies shall not be fixed before their respective price referencing date (i.e. the first day of the issuance period); and (iii) the basis for A-share issue price of the issuing companies shall reflect their corresponding

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market prices; we consider that the Comparables and market comparable analysis are adequate and appropriate to demonstrate the market practices and the fairness of the issue price regarding issuance of A-shares after the New PRC Regulations becoming effective. Summarised below is our relevant findings:

Company	Stock code	Date of proposal/ latest revised proposal	Basis for A-share issue price
重慶市迪馬實業股份有限公司 Chongqing DIMA Industry Co., Ltd.	SH600565	21 February 2017	Not less than 90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
江蘇江南高纖股份有限公司 Jiangsu Jiangnan High Polymer Fiber Co., Ltd.	SH600527	21 February 2017	Not less than 90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
通策醫療投資股份有限公司 Topchoice Medical Investment Co., Inc.	SH600763	23 February 2017	90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
盛屯礦業集團股份有限公司 Chengtun Mining Group Co., Ltd.	SH600711	27 February 2017	90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)

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Company	Stock code	Date of proposal/ latest revised proposal	Basis for A-share issue price
東方證券股份有限公司 Orient Securities Co Ltd.	SH600958	28 February 2017	90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
維格娜絲時裝股份有限公司 V-Grass Fashion Co Ltd.	SH603518	28 February 2017	Not less than 90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
四川沱牌舍得酒業股份有限公司 Tuopai Yeast Liquor Co., Ltd.	SH600702	1 March 2017	Not less than 90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
西藏旅遊股份有限公司 Tibet Tourism Co., Ltd.	SH600749	6 March 2017	Not less than 90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)

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Company	Stock code	Date of proposal/ latest revised proposal	Basis for A-share issue price
四川成渝高速公路股份有限公司 Sichuan Expressway Company Limited	SH601107	6 March 2017	(i) 90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period); and (ii) last audited net asset value per share of the company, whichever is higher
保定天威保變電氣股份有限公司 Baoding Tianwei Baodian Electric Co. Ltd.	SH600550	8 March 2017	Not less than 90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
南京化纖股份有限公司 Nanjing Chemical Fibre Co.,Ltd	SH600889	9 March 2017	Not less than 90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
鵬博士電信傳媒集團股份有限公司 Chengdu Dr. Peng Telecom&Media Co., Ltd.	SH600804	13 March 2017	Not less than 90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)

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Company	Stock code	Date of proposal/ latest revised proposal	Basis for A-share issue price
廣西桂東電力股份有限公司 Guangxi Guidong Electric Power Co., Ltd.	SH600310	13 March 2017	Not less than 90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
大唐國際發電股份有限公司 Datang International Power Generation Co., Ltd.	SH601991	13 March 2017	Not less than 90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
廣州粵泰集團股份有限公司 Guangzhou Yuetai Group Co., Ltd.	SH600393	20 March 2017	Not less than 90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
引力傳媒股份有限公司 Inly Media Co Ltd.	SH603598	21 March 2017	Not less than 90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
恒通物流股份有限公司 Hengtong Logistic Co Ltd.	SH603223	23 March 2017	Not less than 90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)

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Company	Stock code	Date of proposal/ latest revised proposal	Basis for A-share issue price
大唐華銀電力股份有限公司 Datang Huayin Electric Power Co.,Ltd.	SH600744	24 March 2017	Not less than 90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
龍建路橋股份有限公司 Longjian Road & Bridge Co., Ltd.	SH600853	24 March 2017	90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
廣西豐林木業集團股份有限公司 Guangxi Fenglin Wood Industry Group Co., Ltd.	SH601996	24 March 2017	Not less than 90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
華能國際電力股份有限公司 Huaneng Power International, Inc.	SH600011	28 March 2017	Not less than 90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
長江精工鋼結構(集團)股份有限公司 Changjiang & Jinggong Steel Bld. (Group)	SH600496	28 March 2017	Not less than 90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)

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Company	Stock code	Date of proposal/ latest revised proposal	Basis for A-share issue price
杭州士蘭微電子股份有限公司 Hangzhou Silan Microelectronics Co., Ltd.	SH600460	30 March 2017	Not less than 90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
兗州煤業股份有限公司 Yanzhou Coal Mining Company Limited	SH600188	31 March 2017	Not less than 90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)
北京首創股份有限公司 Beijing Capital Co., Ltd.	SH600008	5 April 2017	Not less than 90% of the 20-day average trading price of the A-shares immediately preceding the price referencing date (i.e. the first day of the issuance period)

As shown in the above table, the A-share issue prices of the Comparables were not fixed as at the date of their relevant announcements. Moreover, we noted that (i) the basis of the subscription price is comparable to those of the Comparables; and (ii) the Price Determination Date and the price referencing dates of the Comparables will be the first day of the issuance period.

Having considered that (i) the subscription price will reflect the then latest market prices of the A Shares; (ii) the basis of subscription price is comparable to those of the Comparables; (iii) the basis of the subscription price is in compliance with the New PRC Regulations; and (iv) all subscriber will subscribe the A Shares at the same subscription price, we concur with the Directors that it is in line with the market practice and acceptable that the subscription price was not fixed as at the date of the COSCO Subscription Agreement and the basis for the determination of the subscription price is on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

Lock-up period

With reference to the Letter from the Board, COSCO SHIPPING shall not transfer the A Shares subscribed under the Revised Proposed Non-public Issuance of A Shares within 36 months from the date of the completion of the Revised Proposed Non-public Issuance of A Shares. All other target subscribers shall not transfer the A Shares subscribed under the Revised Proposed Non-public Issuance of A Shares within 12 months from the date of the completion of the Revised Proposed Non-public Issuance of A Shares.

Having considered that the above lock-up periods were determined in accordance with the New PRC Regulations, which stipulates that the lock-up period of shares shall be 36 months for share issued to certain categories of subscribers (including controlling shareholders, actual controllers and strategic investors introduced by the board of the listed issuer), and 12 months for share issues to other types of subscribers, we are of the view that the terms of the COSCO Subscription Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

3. Possible effects of the Revised Proposed Non-public Issuance of A Shares

3.1 Financial effects to the Group

As advised by the Directors, the Revised Proposed Non-public Issuance of A Shares and the COSCO Subscription would have the following financial effects to the Group:

(i) Net assets value

As referred to the 2016 Annual Report, the audited consolidated net assets value of the Group as at 31 December 2016 was approximately RMB13.6 billion. The Directors expected that the Group's net assets value would increase immediately after completion of the Revised Proposed Non-public Issuance of A Shares as the net proceeds from the Revised Proposed Non-public Issuance of A Shares will bring in additional funds to the Group.

(ii) Gearing

The Directors expect that the Group's debt to assets ratio will be reduced immediately after the completion of the Revised Proposed Non-public Issuance of A Shares, in view of the fact that additional funds will be brought to the Group without any increase in debt.

Based on the above, we concur with the Directors' view that the Revised Proposed Non-public Issuance of A Shares would not have any material adverse impact on the Group's financial position.

It should be noted that the aforementioned analysis is for illustrative purposes only and do not purport to represent how the financial position of the Group will be upon completion of the Revised Proposed Non-public Issuance of A Shares.

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3.2 Potential dilution to the shareholding of the existing Shareholders

As at the Latest Practicable Date, the total issued share capital of the Company is 11,683,125,000 Shares, which comprises 7,932,125,000 A Shares and 3,751,000,000 H Shares.

The shareholding structure of the Company (i) as at the Latest Practicable Date and (ii) immediately after completion of the Revised Proposed Non-public Issuance of A Shares (assuming that (i) the maximum number of A Shares up to the Cap is being issued; (ii) COSCO SHIPPING subscribes for 50% of the maximum number of A Shares being issued and (iii) there is no change in the total issued share capital of the Company since the Latest Practicable Date save for the issue of A Shares pursuant to the Revised Proposed Non-Public Issuance of A Shares) is as set out below:

					Shareholding immediately after completion of the Revised Proposed		
Name of Shareholder	Class of Shares	Shareholding as at the Latest Practicable Date			Non-public Issuance of A Shares		
		Approximate percentage of the issued		Approximate percentage of the total	Approximate percentage of the issued		Approximate percentage of the total
		Number of Shares		A Share issued share capital	Number of Shares		A Share issued share capital
				(%)			(%)
				(%)			(%)
COSCO SHIPPING and its associates							
(Note 1)	A	4,458,195,175	56.20	38.16	5,626,507,675	54.79	40.13
	H	100,944,000	–	0.86	100,944,000	–	0.72
Sub-total		4,559,139,175	–	39.02	5,727,451,675	–	40.85
Public A							
Shareholders	A	3,473,929,825	43.80	29.73	4,642,242,325	45.21	33.11
Public H							
Shareholders	H	3,650,056,000	–	31.24	3,650,056,000	–	26.04
Total		11,683,125,000	100.00	100.00	14,019,750,000	100.00	100.00

Note:

- As at the Latest Practicable Date, COSCO SHIPPING does not directly hold any Shares. An aggregate of 4,458,195,175 A Shares is held by China Shipping, a wholly-owned subsidiary of COSCO SHIPPING, and an aggregate of 100,944,000 H Shares is held by Ocean Fortune Investment Limited, an indirectly wholly-owned subsidiary of COSCO SHIPPING.

Upon completion of the Revised Proposed Non-public Issuance of A Shares (assuming there is no adjustment to the issue price of A Shares and no change in the total issued share capital of the Company since the Latest Practicable Date save for the issue of the Shares

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pursuant to the Revised Proposed Non-public Issuance of A Shares), (i) the shareholding of the public A Shareholders will be increased from approximately 29.73% to approximately 33.11%; and (ii) the shareholding of the public H Shareholders will be decreased from approximately 31.24% to approximately 26.04%.

Although there will be dilution effect to the shareholding interest of existing public shareholders of H Shares as a result of the Revised Proposed Non-public Issuance of A Shares, we have, however taken into account (i) the reasons for and benefits of the Revised Proposed Non-public Issuance of A Shares, the COSCO Subscription and proposed use of proceeds as set out in the section headed “1.5 Reasons for and benefits of the Revised Proposed Non-public Issuance of A Shares”; (ii) the alternative fund raising methods available to the Company as set out in the section headed “1.6 Financing alternatives of the Company”; (iii) the fairness and reasonableness of the basis of determining the subscription price of the A Shares to be issued as set out in the section headed “2. The Terms of the Revised Proposed Non-public Issuance of A Shares”, we consider that the Revised Proposed Non-public Issuance of A Shares is an acceptable means of funds raising by the Company and the shareholding dilution effects upon completion of the Revised Proposed Non-public Issuance of A Shares is acceptable so far as the Independent Shareholders are concerned.

RECOMMENDATION AND CONCLUSION

Having taken into account the above-mentioned principal factors and reasons, in particular:

- the information of the Group and COSCO SHIPPING as set out in the section headed “1.1 Background Information on the Company” and “1.4 Background Information on COSCO SHIPPING”;
- the reasons for and benefits of the Revised Proposed Non-public Issuance of A Shares and COSCO Subscription and the financing alternatives considered by the Company as set out in the section headed “1.5 Reasons for and benefits of the Revised Proposed Non-public Issuance of A Shares”;
- the details of the Revised Proposed Non-public Issuance of A Shares as set out in the section headed “2.1 Details of the Revised Proposed Non-public Issuance of A Shares”;
- the financing alternatives considered by the Company as set out in the section headed “1.6 Financing alternatives of the Company”;
- our analysis on the fairness and reasonableness of the subscription price and the lock-up arrangement under the COSCO Subscription and the Specific Mandate as set out in the section headed “2.2. Subscription price of the A Shares under the COSCO Subscription Agreement and the Specific Mandate”;
- the potential effects on the Group’s financial and the shareholding of the existing Shareholdings as set out in the section headed “3. Possible effects of the Revised Proposed Non-public Issuance of A Shares”,

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we are of the opinion that although the Revised Proposed Non-public Issuance of A Shares and the COSCO Subscription are not in the ordinary and usual course of the business of the Group, the entering into of the COSCO Subscription Agreement and the transactions contemplated thereunder are in the interests of the Company and the Shareholders as a whole, and the terms of the Revised Proposed Non-public Issuance of A Shares, the COSCO Subscription Agreement and the Specific Mandate 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 EGM and the Class Meetings to approve (i) the Revised Proposed Non-public Issuance of A Shares; (ii) the COSCO Subscription; and (iii) the Specific Mandate.

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 9 years of experience in corporate finance industry.

Note: In this letter from the Independent Financial Adviser, currency translation has been made at the rate of RMB1.00 to HK\$1.13

* *For identification purpose only*

This English translation is for reference only. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

STATEMENT OF THE COMPANY

1. The Company and all members of the board of directors (the “Board”) warrant the truthfulness, accuracy and completeness of the information herein without any false interpretations, misleading statements and material omissions.
2. Following the completion of the Non-public Issuance of A Shares described herein, the Company shall be responsible for any of its changes in operation and profits, and the investors shall be responsible for investment risks caused by the Non-public issuance of A Shares.
3. The proposal is the interpretation made by the Board for the Non-public Issuance of A Shares, and any statement against the information herein shall be deemed as misrepresentation.
4. Any information herein shall not represent material judgment, confirmation or approval of competent authorities for the Non-public Issuance of A Shares herein. The effectiveness and completion of any matters relevant to Non-public Issuance of A Shares have not yet been approved or verified by the competent authorities.
5. In case of any doubts, the investors shall consult their own stock brokers, lawyers, professional accountants or other professional advisers.

SPECIAL NOTES

1. The matters relevant to the Non-public Issuance of A Shares were considered and approved at the ninth meeting of the fifth session of the Board, the fourth extraordinary general meeting in 2016, the first A shares class meeting in 2016 and the first H share class meeting in 2016, and were approved by the State-owned Assets Supervision and Administration Commission (“SASAC”) on 15 December 2016. In accordance with “Questions and Answers in Respect of Issuance Regulation – Regulatory Requirement Regarding Guiding and Regulating Financing Activities of Listed Companies” (《發行監管問答 – 關於引導規範上市公司融資行為的監管要求》) and the “Decision on Amending Implementing Rules on Non-public Issuance of Shares by Listed Companies” (《關於修改〈上市公司非公開發行股票實施細則〉的決定》) issued by the China Securities Regulatory Commission (“CSRC”), the Company held the twenty-third meeting of the fifth session of the Board on 20 April 2017, and considered and approved the adjusting matters in relation to the proposal for the Non-public Issuance of A Shares.

The Non-public Issuance of A Shares herein are subject to verification and approval by the SASAC, approval at the general meeting, A shares class meeting and H shares class meeting, and verification and approval by the CSRC.

2. The target subscribers of the Non-public Issuance of A Shares are no more than 10 specific subscribers meeting the conditions as stipulated by the CSRC including China COSCO Shipping Corporation Limited (hereafter, “China COSCO”).

In addition to China COSCO, other target subscribers include securities investment fund management companies, securities companies, trust investment companies, finance companies, insurance institutional investors, qualified offshore institutional investors and other qualified investors that meet the provisions of laws and regulations in compliance with the provisions of the CSRC. A securities investment fund management company subscribing through over two funds managed by it will be regarded as one target subscriber. Trust investment companies may only pay the subscription price with their own funds. The H shareholders of the Company (excluding China COSCO) are not allowed to subscribe for the shares under the Non-public Issuance of A Shares. (In case of other provisions on the target subscribers under laws, administrative regulations, administrative rules of the CSRC or normative documents, such provisions shall prevail.)

3. The pricing benchmark date of the Non-public issuance of A Shares is the first day of the Issuance. In compliance with relevant provisions of the Measures for Administration of the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》), the issuance price under the Non-public Issuance of A Shares will be not less than 90% of the average trading price of A shares of the Company over the 20 trading days preceding the pricing benchmark date, also no less than the latest audited net assets per share at the time of the Issuance of the Company. (Note: the average trading price of A shares over the 20 trading days preceding the pricing benchmark date = the total turnover of A shares over the 20 trading days preceding the pricing benchmark date/the total trading volume of A shares over 20 trading days preceding the pricing benchmark date).

The final price of the Issuance shall be determined by the Board (as authorized by the general meeting) and by its authorized persons as well as the sponsor (underwriter) by accepting market quotations built upon the said Benchmark Price and with reference to bid prices of targeted subscribers in a price priority pursuant to relevant provisions such as Implementation Rules, after obtaining the approval from CSRC regarding the Non-public Issuance. China COSCO will not participate in market quotations process but is subject to the result of market quotations. The subscription price attributable to it is the same as to other targeted subscribers. The Benchmark Price of the Non-public Issuance will be adjusted accordingly in cases of ex-right or ex-dividend matters of A Shares of the Company; such as distribution of dividend, bonus issue, conversion of capital reserve into share capital, issuance of new shares or placement of shares during the period from the pricing benchmark date to the date of the Issuance.

4. The number of A shares under the Non-public Issuance shall be no more than 2,336,625,000 shares, and the approved number of issued shares by CSRC shall prevail. To the extent of the Issuance mentioned above, the number of shares to be issued under the Non-public Issuance of A Shares shall be determined by the Board and its authorized persons as authorized by the general meeting after consultation with the sponsor (lead underwriter) based on the quotation results, the total amount of proceeds and actual circumstances of the subscription.

The maximum number of shares under the Non-public Issuance will be adjusted accordingly in cases of ex-right or ex-dividend matters of A shares of the Company; such as distribution of dividend, bonus issue, conversion of capital reserve into share capital, issuance of new shares or placement of shares during the period from the Board Resolution Date to the date of the Issuance.

China COSCO is committed to subscribe for 50% of the shares under the Non-public Issuance of A Shares.

5. All of the shares under the Non-public Issuance of A Shares to be subscribed by China COSCO shall not be transferred within 36 months from the completion of the Issuance; and the shares to be subscribed by other target subscribers shall not be transferred within 12 months from the completion of the Issuance.
6. The gross proceeds from the Non-public Issuance shall not exceed RMB8.6 billion. Excluding issuance expenses, the net proceeds will be used for capital increase in Florens and repayment of maturing corporate bonds.
7. The resolutions with respect to the Non-public Issuance of shares will be valid within 12 months from the date of approval at the second extraordinary general meeting of shareholders, the first A Shares Class Meeting and the first H Shares Class Meeting in 2017.
8. Upon completion of the Non-public Issuance, the proportion of publically held shares of the Company shall not be less than 10%. Thus, the Non-public Issuance will not cause any share distribution of the Company which fails to meet the listing requirements.
9. The Non-public Issuance will not cause changes in the controlling shareholder or beneficial controller of the Company.
10. The undistributed accumulated profits of the company before the Issuance shall be shared by the existing and new shareholders upon completion of the Issuance.
11. Investors shall pay attention to the details on the Company's existing profit distribution policy, specific implementation of cash dividend and profit distribution for the last three years and the Shareholders' Return Plan for the Next Three Years (2016-2018) under "Section V Profit Distribution" herein.

Definitions

In the proposal, unless the context requires otherwise, the capitalized terms used in this proposal shall have the following meanings:

COSCO SHIP DEVP/Issuer/Company/Listed Company	COSCO SHIPPING Development Co., Ltd., formerly known as “China Shipping Container Lines Company Limited”
China COSCO/Indirect Controlling Shareholder	China COSCO Shipping Corporation Limited
China Shipping/Direct Controlling Shareholder	China Shipping (Group) Company
COSCO Group	China Ocean Shipping (Group) Company
Non-public Issuance of A Shares/Non-public Issuance/Issuance	the Non-public Issuance and listing of A shares of COSCO SHIP DEVP
Proposal	Proposal for the Non-public Issuance of A Shares by COSCO SHIPPING Development Co., Ltd. (Revised)
Pricing Benchmark Date	the first date in the period of Non-public Issuance of A Shares
Board Meeting	the twenty-third meeting of the fifth session of the Board of the Directors
Board Resolution Date	the date that COSCO SHIP DEVP considered and approved the Board resolution on adjusting the Proposal for the Non-public Issuance, i.e. 20 April 2017
Articles of Association	the Articles of Association of COSCO SHIPPING Development Co., Ltd. as promulgated and amended from time to time by the Issuer
Share Subscription Agreement	the Share Subscription Agreement Between COSCO SHIP DEVP and China COSCO Shipping Corporation Limited entered into by the Issuer and China COSCO on 20 April 2017
CSRC	China Securities Regulatory Commission

SSE	The Shanghai Stock Exchange
SASAC	State-owned Assets Supervision and Administration Commission of the State Council
Company Law	the Company Law of the People's Republic of China
Securities Law	the Securities Law of the People's Republic of China
Listing Rules	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange (2014 Revision)
Issuance Administration Measures	the Measures for Administration of the Issuance of Securities by Listed Companies (《上市公司證券發行管理辦法》)
Implementation Rules	Implementing Rules on Non-public Issuance of Shares by Listed Companies (2017 Revision) (《上市公司非公開發行股票實施細則(2017修訂)》)
Florens	Florens International Limited(佛羅倫國際有限公司), formerly known as “Florens Container Holdings Limited (佛羅倫貨箱控股有限公司)”
Long Honour	Long Honour Investments Limited (長譽投資有限公司)
Dong Fang International	Dong Fang International Investment Limited (東方國際投資有限公司)
COSCO SHIPPING Lines	COSCO SHIPPING Lines Co., Ltd.
COSCO Bulk Group	China COSCO Bulk Shipping (Group) Co., Ltd.
COSCO Shipping Bulk	COSCO Shipping Bulk Co., Ltd.
Fortune	COSCO (Cayman) Fortune Holding Co., Ltd.
Drewry	Drewry Shipping Consultants Ltd. (a world-famous shipping consultancy)
TAL	TAL International Group Inc (a world-famous container leaser)

Triton	Triton International Limited (a world-famous container leaser)
Seaco	Seaco SRL (a world-famous container leaser)
TEU	twenty-foot equivalent units, an unit of cargo capacity of container based on the volume of a normal 20-feet-long dry container or standard container
RMB, RMB10,000 and RMB100 million	Renminbi 1 Yuan, Renminbi 10,000 Yuan, Renminbi 100 million Yuan, respectively

Note: In the proposal, any discrepancies in any tables between totals and sums of amounts listed are due to rounding.

**SECTION I SUMMARY OF THE PROPOSAL FOR THE NON-PUBLIC ISSUANCE
OF A SHARES****I. Basic Information of the Issuer**

Legal name: 中遠海運發展股份有限公司

English name: COSCO SHIPPING Development Co., Ltd.

Registered address: Room A-538, International Trade Center, Pilot Free Trade Zone,
Shanghai, China

Office address: Maritime Research Building, 628 Minsheng Road, Pudong New Area,
Shanghai

A shares listed: The Shanghai Stock Exchange

Abbreviation for A shares: COSCO SHIP DEVP

Code of A shares: 601866

H shares listed: The Stock Exchange of Hong Kong Limited

Abbreviation for H shares: COSCO SHIP DEVP

Code of H shares: 02866

Legal representative: Sun Yueying

Incorporation (Business Registration) date: 3 March 2004

Postal code: 200135

Tel: 021-65966105

Fax: 021-65966498

Company website: www.cscl.com.cn

E-mail: ir@cnshipping.com

II. Background and Purpose of the Non-public Issuance***(I) Background of the Non-public Issuance******1. Transformation and upgrade of shipping industry accelerated its reform***

On 3 September 2014, the State Council issued the Certain Opinions Concerning the Promotion of the Healthy Development of Marine industry (《關於促進海運業健康發展的若干意見》) (the “Opinions”), which sets forth seven important tasks, i.e. optimizing maritime fleet composition, perfecting global maritime network, promoting transformation and upgrade of marine enterprises, vigorously developing modern shipping service industry, deepening the reform and opening-up of marine industry, enhancing international competitiveness of marine industry and boosting safe and green development, which signifies that marine development has become a national strategy. The Opinions play an important role in shoring up the confidence in maritime transport, creating synergies, deepening reform and speeding up the construction of a powerful maritime and shipping country. On 31 October 2014, the Ministry of Communications issued the Plan for Implementation of the Certain Opinions of the State Council Concerning the Promotion of the Healthy Development of Marine Industry (《貫徹落實<國務院關於促進海運業健康發展的若干意見>的實施方案》), detailing specific supportive measures. It signifies that the development of the shipping industry has become a national strategy, which will provide new development opportunities for the shipping industry.

Relevant national strategies and specific supportive measures explicitly put forward the intention to promote the transformation, upgrade and innovation in terms of technology, product and services, and expedite merger and restructuring of marine enterprises, to improve their anti-risk capability and international competitiveness. Marine enterprises are encouraged to appropriately diversify its operation while making their principal business of maritime transport stronger and better.

2. The Company implemented reform and restructuring plans to transform the Company into an integrated platform in providing shipping finance.

In order to implement the spirits of the 18th Party CPC National Congress and the Third, Fourth and Fifth Plenary Sessions of the Eighteenth Central Committee of CPC and the overall requirements of the SASAC on further implementation to the adjustment of the structure of the national economy, deepening reform of state-owned assets and enterprises, improving modern enterprise system and reinforcing the construction in enterprises required by the Communist Party of China, COSCO Group and China Shipping, with the focus of becoming stronger, better and larger, implemented restructuring and consolidation to build a comprehensive maritime and

logistics enterprise group with international competitiveness, aiming at further propel of the goal of building and realizing a powerful maritime country in respect of maritime development and providing powerful support for the implementation of “one belt, one road” strategy.

In the context of group integration, the Company has implemented material assets restructuring in 2015 and transformed from a shipping enterprise mainly engaged in the business of container transport into an integrated shipping finance that mainly provides diversified businesses including shipping finance, mainly engaging in diversified lease business including vessel leasing, container leasing and non-shipping financial leasing.

(II) Purposes of the Non-public Issuance

1. To consolidate the foundation for the business transformation of the Company

Upon transformation into an integrated shipping finance platform that mainly provides diversified businesses including leasing business, the Company will give play to the advantages in shipping and logistics industries to integrate resources of the industrial chain and develop various financial businesses so as to achieve combination of shipping and finance, combination of financing and finance, and synergetic development of a number of businesses and facilitate rapid development of four pillar businesses, i.e. leasing, investment, banking and insurance. The replenishment of equity capital can strengthen the Company’s capital strength and is conducive to consolidating the foundation for the business transformation of the Company and expanding the room for business development.

2. To lessen finance cost burden and optimize capital structure

In recent years, the Company’s liabilities increased with the rapid expansion of the Company and implementation of material assets restructuring. As at 31 December 2016, the consolidated liabilities of the Company amounted to RMB111.878 billion and the debt-to-asset ratio increased to 89.19%. As the Company develops various leasing and financial businesses, the Company’s liabilities may further increase. Through the Issuance, the Company will raise stable long-term capital, lessen financial cost burden and optimize capital structure. Besides, it will broaden debt financing potential and maintain lower debt financing cost, thus contributing to the overall performance of the business and sustainable development of the Company.

3. The Issuance reflects the Group's powerful support for the Company's development

China COSCO attaches great importance to the development of the the “6+1” industrial clusters covering shipping, logistics, finance, manufacturing of equipment, shipping services, socialized industry and Internet-related operations based on innovative business models, so as to further enhance integration of shipping elements and spare no efforts to establish a world-leading integrated logistics supply chain provider. The Company is an integral component of the shipping finance industrial cluster of China COSCO. Participation of China COSCO in the non-public issuance and active increase of its shareholding in the Company demonstrate the strong support from China COSCO in the development of the Company and its firm confidence in the long-term development of the Company.

III. Target Subscribers of the Non-public Issuance and Their Relationships with the Company

The target subscribers of the Non-public Issuance of A Shares are no more than ten specific subscribers including China COSCO, the indirect controlling shareholder of the Company. In addition to China COSCO, other target subscribers include securities investment fund management companies, securities companies, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors and other qualified investors that meet the provisions of laws and regulations in compliance with the provisions of the CSRC. A securities investment fund management company subscribing with over two funds managed by it will be regarded as one subscriber. Trust investment companies may only subscribe with their own funds. The H shareholders of the Company (excluding China COSCO) are not allowed to subscribe for the shares under the Non-public Issuance of A Shares (If otherwise prescribed in laws, administrative regulations, administrative rules and regulative documents of the CSRC with respect to the target subscribers, those relevant provisions shall prevail).

After the target subscribers (except for China COSCO) obtain the approval in respect of the Non-Public Issuance from the CSRC, the Board and its authorized representatives and the sponsor (lead underwriter) will decide the ultimate subscribers based on the relevant requirements of the Implementation Rules and other requirements, as well as the price offered by target subscribers, in accordance to the price priority principle.

The above specific target subscribers shall subscribe for the shares under the Non-public Issuance in cash at the same price. China COSCO will not participate in the price inquiry exercise in the market but will accept market price inquiry results, and its subscription price is the same as that for other target subscribers.

China COSCO, the indirect controlling shareholder of the Company, undertakes to subscribe for 50% of A shares under the Non-Public Issuance.

Upon completion of the Non-public Issuance, there will be no changes in the beneficial controller of the Company.

IV. Summary of the Proposal for the Non-Public Issuance

(I) Class and nominal value of the Shares to be issued

The Shares to be issued under the Non-Public Issuance are domestically listed in RMB denominated ordinary shares (A Shares) with a nominal value of RMB1.00 each.

(II) Method of issuance and date of issue

The A shares will be issued by way of Non-Public Issuance to target investors. The Company will, within six months following the approval of the CSRC, issue the A shares to no more than ten specific target investors, including China COSCO, in due course. It will be subject to adjustment according to the new requirements under the laws, administrative regulations, and administrative rules of the CSRC or regulative documents (if any).

(III) Target subscribers and ways of subscription

The target subscribers of the Non-Public Issuance shall not be more than ten specific subscribers which fulfill the conditions as required by the CSRC, including China COSCO. The other target subscribers except China COSCO will include securities investment and fund management companies, securities companies, trust investment companies, finance companies, insurance institutional investors and qualified foreign institutional investors approved by the CSRC or other qualified investors in compliance with relevant laws and regulations. A securities investment fund management company subscribing through over two funds managed by it will be regarded as one subscriber. Trust investment companies acted as the target subscribers may only pay the subscription price with their own funds. The H shareholders of the Company (except China COSCO) shall not be allowed to subscribe for A shares under the Non-Public Issuance (If otherwise prescribed in laws, administrative regulations, administrative rules and regulative documents of the CSRC with respect to the target subscribers, those relevant provisions shall prevail).

After the target subscribers (except for China COSCO) obtain the approval in respect of the Non-Public Issuance from the CSRC, the Board and its authorized representatives and the sponsor (lead underwriter) will decide the ultimate subscribers based on the relevant requirements of the Implementation Rules and other requirements, as well as the price offered by target subscribers, in accordance to the price priority principle.

(IV) Pricing Benchmark Date, issuance price and pricing principles

The Pricing Benchmark Date of the Non-Public Issuance is the first day of the Issuance. In accordance with the requirements of Measures for the Administration of Issuance, the issuance price will be not less than 90% of the average trading price of the A shares of the Company over the 20 trading days immediately preceding the Pricing Benchmark Date, and the latest audited net assets value per share upon the Company's Issuance. (Note: the average trading price of A shares over the 20 trading days preceding the Pricing Benchmark Date = total turnover of shares over the 20 trading days preceding the Pricing Benchmark Date/the total trading volume of shares over 20 trading days preceding the Pricing Benchmark Date).

The final price of the Non-public Issuance shall be determined by the Board (as authorized at the general meeting) and by its authorized persons as well as the sponsor (lead underwriter) through acceptance of market quotations built upon the Benchmark Price described in the preceding paragraph and with reference to bid prices of targeted subscribers in accordance to the price priority principle, pursuant to relevant provisions such as the Implementation Rules, after obtaining the approval from CSRC regarding the Non-public Issuance. China COSCO will not participate in the market price inquiry exercise but will accept the price inquiry result derived from market quotations. The subscription price attributable to it is the same as that to other targeted subscribers.

The Benchmark Price of the Non-public Issuance of A Shares is subject to adjustment according to ex-dividend or ex-right events such as distribution of dividend, bonus issue, conversion of capital reserve into share capital, issuance of new shares or placement of shares during the period from the pricing benchmark date to the date of the Issuance.

(V) Number of shares to be issued and ways of subscription

Not more than 2,336,625,000 A shares will be issued under the Non-Public Issuance and the number of shares to be issued are subject to the final approval by the CSRC. To the extent of the above Issuance, the Board and its authorized representative(s) shall determine the final number of the A shares to be issued in accordance with the authorization granted by the Shareholders at the general meeting and based on the total amount of funds raised and the actual subscription condition after consultation with the sponsor (lead underwriter).

The maximum number of A shares under the Non-public Issuance will be adjusted accordingly in cases of ex-right or ex-dividend events of the Company, such as bonus issue, conversion of capital reserve into share capital, issuance of new shares or placement of shares during the period from the Board Resolution Date to the date of the Issuance.

China COSCO undertakes to subscribe for 50% of A shares under the Non-Public Issuance.

(VI) Arrangement of lock-up period

All of the shares to be subscribed by China COSCO shall not be transferred within 36 months from the completion of the Non-public Issuance. Except China COSCO, the shares to be subscribed by other target subscribers shall not be transferred within 12 months from the completion of the Non-public Issuance.

(VII) Place of listing

After the expiration of the lock-up period of the Non-Public Issuance, the Company will apply to the Shanghai Stock Exchange for the listing of, and permission to deal in, the A shares to be issued under the Non-Public Issuance.

(VIII) Arrangement relating to the accumulated undistributed profits of the Company prior to the Non-Public Issuance

All the existing and new shareholders upon completion of the Non-Public Issuance will be entitled to the accumulated undistributed profits of the Company prior to the Non-Public Issuance.

(IX) Validity Period of the resolutions with respect to the Non-Public Issuance

The resolutions with respect to the Non-Public Issuance shall be valid for 12 months from the date of consideration and approval at the second extraordinary general meeting, the first A Shares Class Meeting and the first H Shares Class Meeting in 2017.

V. Amount and Use of Proceeds from the Non-Public Issuance of A Shares

The total proceeds raised from the Non-Public Issuance of A Shares is expected to be not more than RMB8.6 billion. The net proceeds after deducting issuance fees and expenses will be used for capital increase in Florens and repayment of maturing corporate bonds.

VI. Whether the Non-Public Issuance Constitutes a Connected Transaction

Before the Issuance, China COSCO who proposes to participate in the subscription was the indirect controlling shareholder of the Company, and indirectly held 39.02% equity interest in the Shares of the Company via China Shipping. Thus, the Issuance will constitute a connected transaction. The Company will strictly comply with relevant regulations to fulfill the procedures for reviewing the connected transaction and consider and approve that China Shipping should abstain from voting at the extraordinary general meeting, the A Shares Class Meeting and the H Shares Class Meeting in relation to the Issuance.

VII. Whether the Non-Public Issuance Causes the Change in the Control of the Company

Before the Issuance, China COSCO indirectly held a total of 39.02% equity interest in the shares of the Company through holding 100% equity interests in China Shipping and thus was an indirect controlling shareholder of the Company. According to the proposal of the Non-Public Issuance, and assuming that 2,336,625,000 A shares are to be issued under the Non-public Issuance by COSCO SHIP DEVP and of which 50% are subscribed by China COSCO, the shareholding of China COSCO in the Company, directly or indirectly, will increase to 40.85% upon the completion of the Issuance, and will remain to be the indirect controlling shareholder of the Company. Meanwhile, China Shipping shall remain as the direct controlling shareholder of the Company, and the SASAC shall remain as the beneficial controller of the Company. Therefore, the Issuance will not result in the change in control of the Company.

VIII. Approval Obtained and to be Obtained for the Non-Public Issuance

The Non-Public Issuance have been considered and approved at the ninth meeting of the fifth session of the Board of the Company, the 2016 fourth extraordinary general meeting, the 2016 first A Shares Class Meeting and the 2016 first H Shares Class Meeting, and for which the approval has been obtained from the SASAC who replied with the Approval of Non-Public Issuance of A Shares of the COSCO SHIPPING Development Co., Ltd. (Guo Zi Chan Quan [2016] No. 1265) on 15 December 2016.

Pursuant to relevant provisions of the Questions and Answers in Respect of Issuance Regulation – Regulatory Requirement Regarding Guiding and Regulating Financing Activities of Listed Companies and the Decision on Amending Implementing Rules on Non-public Issuance of Shares by Listed Companies issued by the CSRC, the Company held the twenty-third meeting of the fifth session of the Board on 20 April 2017 to consider and approve the adjustments to the proposal for the Non-Public Issuance. The Non-public Issuance is still subject to the fulfillment of following the procedures:

1. The Non-Public Issuance shall be subject to the approval of the SASAC;
2. The Non-Public Issuance shall be subject to approval of the extraordinary general meeting, the A Shares Class Meeting and the H Shares Class Meeting of the Company; and
3. The Non-Public Issuance shall be subject to the approval of the CSRC.

SECTION II PARTICULARS OF THE TARGET SUBSCRIBERS OF THE NON-PUBLIC ISSUANCE AND SUMMARY OF THE SHARE SUBSCRIPTION AGREEMENT

The Non-public Issuance of A Shares are proposed to be issued to no more than ten specific subscribers (including China COSCO) which meet the requirements of the CSRC. In addition to China COSCO, the target subscribers are securities investment fund management companies, securities companies, trust investment companies, finance companies, insurance institutional investors, qualified foreign institutional investors that meet the requirements of the CSRC and other qualified investors that meet the requirements of laws and regulations. A securities investment fund management company subscribing through over two funds managed by it will be regarded as one subscriber. Trust investment companies may only pay the subscription price with their own funds. The holders of H shares of the Company (excluding China COSCO) shall not participate in the subscription of the Non-public Issuance of A Shares. If the laws, administrative regulations, administrative rules or normative documents of the CSRC have other provisions on the target subscribers at the time of issuance, such provisions shall prevail.

China COSCO is the indirect controlling shareholder of the Issuer, the basic information of which is as follows:

I. Basic Information of China COSCO***(I) Profile of China COSCO***

Company name: China COSCO Shipping Corporation Limited

Domicile: No. 628 Mingsheng Road, China (Shanghai) Pilot
Free Trade Zone, Shanghai, the PRC

Legal representative: Xu Lirong

Registered capital: RMB11,000,000,000

Type of company: limited liability company (wholly state-owned)

Date of establishment: 5 February 2016

Unified creditability code: 91310000MA1FL1MMXL

The scope of business includes international shipping, ancillary business in international maritime transportation; engagement in import and export of goods and technologies; maritime, land, air freight agency business; leasing of self-owned vessels; sales of vessels, containers and steel; design of maritime engineering equipment;

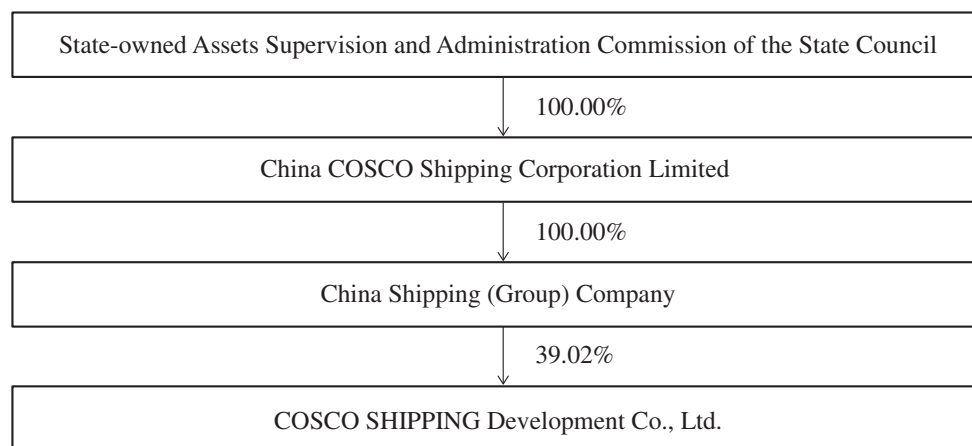
investment in docks and ports, sales of communication equipment, information and technology services; warehousing (other than hazardous chemicals); engagement in technological development, transfer of technology, technological consultancy, technological services in relation to shipping, spare parts and related fields, equity investment funds. (Projects that are subject to the approval in accordance with applicable laws shall carry out operating activities only after the approval by relevant authorities)

(II) Shareholding and control of the controlling shareholder

As at 31 December 2016, China Shipping directly held 4,410,624,386 A shares of COSCO SHIP DEVP and held 47,570,789 A shares of COSCO SHIP DEVP through a collective scheme, and indirectly held 100,944,000 H shares of COSCO SHIP DEVP, accounting for 39.02% of the total Shares of COSCO SHIP DEVP, being the direct controlling shareholder of the Issuer.

The sole shareholder of China Shipping is China COSCO. As of 31 December 2016, China COSCO indirectly held 39.02% of the equity interests in the shares of the issuer through holding 100% of the equity interests in China Shipping. China COSCO is affiliated to the SASAC, and is a central enterprise directly managed by the SASAC. The SASAC is the only investor and beneficial controller of China COSCO.

As of the disclosure date of the Proposal, the shareholding and control in relation of the Issuer was as follows:



(III) Developments of principal businesses in the last three years of China COSCO

In August 2015, COSCO Group and China Shipping commenced the implementation of reform and restructuring. In February 2016, China COSCO was formally established and listed in Shanghai; In May 2016, the SASAC gratuitously transferred 100% of its equity interest in COSCO Group and 100% of its equity interest in China Shipping to China COSCO, thus COSCO Group and China Shipping became the wholly-owned subsidiaries of China COSCO.

With the main focus on the four aspects of its strategy of “expanding its scale, enhancing its profitability, strengthening its ability to overcome cyclical effect and becoming international global company”, the new established China COSCO has built its “6+1” industrial cluster covering shipping, logistics, finance, manufacturing of equipment, shipping services, socialized industry and Internet-related operations based on innovative business models, and became a multi-industry cluster and the world’s leading integrated logistics supply chain services group with shipping, integrated logistics and related financial service as its pillar.

(IV) Brief financial statements in last year of the China COSCO

The brief financial statements (unaudited) in last year of China COSCO are as follows:

1. Main figures of assets and liabilities in the consolidated balance sheets for the year of 2016

	<i>Unit: RMB10,000</i>
Items	Consolidated statements
Total assets	65,875,709.18
Total liabilities	42,046,665.66
Owner’s equity	23,829,043.51

2. Main figures in consolidated statement of profit for the year of 2016

	<i>Unit: RMB10,000</i>
Items	Consolidated Statements
Total operating revenue	19,759,362.05
Total operating costs	21,658,777.49
Total profit	1,607,179.71
Net profit	398,750.64

3. Main figures in consolidated statement of cash flow for the year of 2016

	<i>Unit: RMB10,000</i>
Items	Consolidated Statements
Net cash flow generated from business activities	548,892.78
Net cash flow generated from investing activities	-3,989,988.45
Net cash flow generated from financing activities	4,083,862.08
Net increase in cash and cash equivalents	1,125,917.74

(V) Punishments imposed on the target subscribers and its directors, supervisors and senior management in the last five years

China COSCO and its directors, supervisors and senior management have neither been subject to administrative punishments (except for those obviously unrelated to the securities market) and criminal punishments nor involved in any major civil suit or arbitration in relation to economic disputes in the last five years.

(VI) Horizontal competition and connected transactions

1. Horizontal competition

Upon completion of material assets restructuring COSCO SHIP DEVP and its subsidiaries will be principally engaged in providing integrated financial services with diversified leasing businesses such as vessel leasing, container leasing and non-shipping finance leasing. Currently, the containers and vessel of enterprises under COSCO SHIP DEVP are leased to COSCO SHIPPING Lines, an enterprise controlled by COSCO Group. In the future, COSCO SHIP DEVP will actively explore new client base other than COSCO SHIPPING Lines. Its business model is to guarantee stable cash flows by developing relatively long-term vessel and container leasing business so as to gain reasonable and steady return on investment.

China Shipping operates shipping business, integrated logistics, shipping agency, vessel management, shipping maintenance and other auxiliary industries through subsidiaries controlled by it, instead of engaging in financial services such as vessel leasing, container leasing and non-shipping finance leasing directly. Therefore, there is no substantial horizontal competition between China Shipping and COSCO SHIP DEVP as well as its subsidiaries.

China COSCO wholly owns COSCO Group and China Shipping. In addition, its wholly-owned subsidiary COSCO Shipping Bulk is principally engaged in international and domestic dry bulk shipping business. COSCO Group is principally engaged in shipping, logistics and ship maintenance. Its controlling enterprises COSCO SHIPPING Lines and COSCO Bulk Group are principally engaged in international and domestic container and vessel shipping as well as dry bulk shipping business.

As required by the business model of shipping transportation, COSCO SHIPPING Lines will operate leasing business with other enterprises in the shipping industry to optimize resource allocation of each shipping line, utilize resources and address the problem of over-supply. COSCO Shipping Bulk and COSCO Bulk Group, based on the bulk transportation business model, will provide tailored services to different customers, including voyage charter, whole vessel charter and period leasing so as to promote diversity of its business model, thus improving the

competitiveness and business income. Therefore, the vessel and container leasing business of COSCO SHIPPING Lines, COSCO Shipping Bulk and COSCO Bulk Group is based on its basic necessities of shipping transportation business model. Such business belongs to one of the major businesses and is different from the container and vessel leasing business of COSCO SHIP DEVP in terms of nature and operation model. Therefore, there exists no competitive relationship.

Meanwhile, Fortune (the subsidiary of COSCO Group) is also engaged in the container and vessel leasing business to some extent. Fortune was established in November 1997, which was an overseas platform company established for the purpose of expanding channels in vessel financing and optimizing finance cost. During its operation, its container and vessel leasing business is mainly targeted at COSCO SHIPPING Lines and each single-vessel holding company will not operate any other new business upon expiration of life of its container vessels. Since the historical reasons that influence the business of Fortune, its container vessel leasing business is specially targeted at COSCO SHIPPING Lines, which differs from COSCO SHIP DEVP in business position and proposed target client base. Therefore, there exists no competitive relationship between Fortune and COSCO SHIP DEVP.

In view of the above, upon completion of the issue, there will be no substantial horizontal competition in the primary business of China COSCO and its controlled enterprises, China Shipping and its controlled enterprises, COSCO Group and its controlled enterprises as well as the Company.

2. *Connected transaction*

The Company has made adequate disclosure about the existing connected parties, connected relationship and connected transaction. The connected transaction is based on the business needs, development of the business and also act of making compensation of equal value principle according to the actual situations at arm's length, the prices are fair without deviating from the comparable market price and the necessary procedures have been performed. The connected transaction does not affect the independence of the operation of the Company, and causes no detriment to the interest of minority shareholders.

China COSCO proposes to subscribe for A shares under the Non-public Issuance, which constitutes a connected transaction with the Company. The Company will carry out the connected transaction in accordance with the relevant laws, regulations and other requirements. In addition, China COSCO and its controlled enterprises will not incur new connected transactions with the Company as a result of the Non-public Issuance.

(VII) Material transactions between the Company and the target subscribers for the 24 months prior to the disclosure of the proposal for Issuance

Within the 24 months prior to the day of the proposal of the Issuance, save for transactions disclosed by the Company in periodic reports and temporary announcements, the Company has not conducted any other material connected transactions with China COSCO and its controlled enterprises.

II. Summary of Share Subscription Agreement

The Company entered into the conditional Share Subscription Agreement with China COSCO, details of which are set out below:

(I) Parties and Date

Issuer: COSCO SHIPPING Development Co., Ltd.

Subscriber: China COSCO Shipping Corporation Limited

Date: 20 April 2017

(II) Issuance of Shares

If all the preconditions as required in this agreement are satisfied, COSCO SHIP DEVP agrees to issue A shares to China COSCO through Non-public issuance and China COSCO agrees to subscribe for the same issued by COSCO SHIP DEVP.

The shares of COSCO SHIP DEVP to be issued under the Non-public issuance are domestic listed Renminbi ordinary shares (A shares) at a nominal value of RMB1.00 per share.

Both parties agree that, COSCO SHIP DEVP will issue A shares at an issue price of not less than 90% of the average trading price of A shares for the 20 trading days preceding the pricing benchmark date of the Non-public Issuance and not less than the issuance price of the latest audited net assets per share to China COSCO. The final issuance price of the Non-public Issuance shall be determined by the Board and its authorized persons of COSCO SHIP DEVP upon obtaining the approval documents in relation to the Issuance from the CSRC, who accept enquiry on the basis of Benchmark Price as determined in the abovementioned paragraph according to relevant provisions under the Implementation Rules, and the sponsor (lead underwriter) in accordance with the authorization granted by the general meeting of the Company based on the bid prices offered by the subscribers from the price inquiry results and according to the price priority principle. China COSCO will not participate in price inquiry exercise in the form of market auction but will accept the price inquiry results, and its subscription price is the

same as the other issuance targets. The number of shares under the Non-public Issuance will be adjusted accordingly in cases of ex-right or ex-dividend matters of A shares of COSCO SHIP DEVP such as distribution of dividend, bonus issue, conversion of capital reserve into share capital, issuance of new shares or placement of shares during the period from the Pricing Benchmark Date to the date of the Issuance.

China COSCO agrees to subscribe for the A shares from COSCO SHIP DEVP in cash at the final determined price.

Both parties agree that, the number of A shares under the Non-public issuance shall be determined by the Board and its authorized persons as authorized by the general meeting after consultation with the sponsor (lead underwriter) in accordance with the final results of quotations for the Issuance and based on the total amount of proceeds and actual circumstance of the subscription. The number of shares under the Non-public Issuance will be adjusted accordingly in cases of ex-right or ex-dividend matters of A shares of COSCO SHIP DEVP such as bonus issue, conversion of capital reserve into share capital, issuance of new shares or placement of shares during the period from the Board Resolution Date to the date of Issuance.

China COSCO undertakes to subscribe for 50% of the A shares under the Non-public issuance.

China COSCO undertakes that upon completion of the issue, it will not transfer the A shares for a period of 36 months from the date of Non-public Issuance. China COSCO agrees to issue lock-up commitment and complete lock-up procedures for A shares subscribed for under the Non-public issuance in accordance with relevant laws, regulations and relevant requirements of the CSRC, the Shanghai Stock Exchange as well as COSCO SHIP DEVP.

Upon expiration of the lock-up period, A shares issued to China COSCO under the Non-public issuance will be listed and traded on the Shanghai Stock Exchange.

(III) Preconditions

The Non-public issuance shall be conditional upon:

1. Internal approval of COSCO SHIP DEVP. The Non-public Issuance has been effectively approved by the board of directors, extraordinary general meeting, A Shares class meeting and H Shares class meeting of COSCO SHIP DEVP.
2. Approval of the SASAC. Relevant matters concerning the Non-public Issuance have been approved by the SASAC.
3. Approval of the CSRC. Relevant matters concerning the Non-public Issuance have been approved by the CSRC.

(IV) Method of payment

China COSCO agrees, provided that all the pre-conditions set forth in the Agreement are fulfilled, the proceeds raised from this Non-Public Issuance of A Shares shall be paid by China COSCO in full to the account specifically opened for the Non-Public Issuance by the sponsor (the lead underwriter) on the designated payment date determined by the sponsor (the lead underwriter).

The sponsor (the lead underwriter) shall notify China COSCO at least two working days in advance of the designated payment date.

COSCO SHIP DEVP will designate a certified public accountant firm with qualifications for securities and futures trading to verify the subscription capital paid by China COSCO.

(V) Arrangement for the undistributed accumulated profits

The undistributed accumulated profits of COSCO SHIP DEVP before the Non-Public Issuance will be shared by both the new shareholders and the existing shareholders after the Non-Public Issuance.

(VI) Responsibility for breach of the agreement

Except for force majeure events, non-performance or failure to properly perform the obligations, or breach of any representation and/or warranty, under the agreement by any party to the Agreement, shall be deemed as a default. Such party (the “Defaulting Party”) shall remedy its default within 30 days (the “Remedy Period”) upon receipt of the notice demanding the remedy issued by the non-defaulting party to the agreement (the “Non-Defaulting Party”). If the Defaulting Party fails to remedy its default upon expiration of the Remedy Period, the Non-Defaulting Party has the right to demand the Defaulting Party to bear the liability for breach of the agreement and to compensate the Non-Defaulting Party for all the losses caused by it.

When the Agreement comes into force, if China COSCO fails to pay the Subscription money in accordance with the provisions of the agreement on schedule, it shall pay a penalty at 0.5% of the Subscription amount to COSCO SHIP DEVP for each day of delay, and China COSCO shall compensate COSCO SHIP DEVP for all direct economic losses arising from its delayed payment, and continue to fulfill its obligations of payment under the Agreement.

When the agreement comes into force, if China COSCO expressly disclaims any subscription or fails to pay the Subscription amount within 30 days upon receipt of the notice demanding the subscription money issued by COSCO SHIP DEVP, COSCO SHIP DEVP shall have the right to cancel the agreement unilaterally by written notice without

any responsibility, and the agreement will be cancelled on the next day from the date of the said written notice to terminate the Agreement issued by COSCO SHIP DEVP. China COSCO shall pay an overdue fine to COSCO SHIP DEVP for its delayed payment as well as a penalty equivalent to 1.5% of the Subscription amount under the agreement. Also, China COSCO shall compensate COSCO SHIP DEVP for all the losses suffered or incurred by COSCO SHIP DEVP as a result of such default (including but not limited to the underwriting fees, attorneys' fees and auditors' fees paid by COSCO SHIP DEVP for the Non-Public Issuance).

Upon the signing of the agreement, if the agreement is invalid due to the non-fulfillment of the pre-conditions set forth in the Agreement; the parties shall not pursue any responsibility of each other.

The terms of the responsibility for breach of the Agreement shall survive after the rescission or termination of the Agreement.

SECTION III FEASIBILITY ANALYSIS BY BOARD ON THE USE OF PROCEEDS RAISED IN THE ISSUANCE

I. Plan on the Use of Proceeds Raised in the Issuance

The total proceeds to be raised from the Non-public Issuance shall be no more than RMB8.6 billion and will be used for the following purposes after deducting the cost of Issuance:

		<i>Unit: RMB10,000</i>	
		Total	The amount of
		investment in	proceeds to be
No.	Project name	the project	used in the
			project
1	Capital Injection in Florens	680,000	680,000
2	Repayment of maturing corporate bonds	180,000	180,000
Total		860,000	860,000

Before receiving the proceeds, the Company will, depending on the actual situation of the progress of the projects, finance these projects by its self-raised fund which shall be replaced once the proceeds have been received according to procedures required by relevant regulations. If the net amount of the proceeds raised from the Issuance is less than the aggregate amount of the proceeds proposed to be invested in the aforementioned projects, the Company will make up for the shortfall through its self-raised fund. Based on the actual net proceeds raised from the Issuance, the Board may adjust and eventually decide the projects to be invested in, the priorities of and the investment amount of each project, in compliance with relevant laws and regulations.

II. Analysis on the Feasibility of the Proceeds Raised in the Issuance**(I) Capital injection in Florens***1. Basic information of the project*

Florens is an overseas company wholly-owned by the Company and is principally engaged in container leasing business. At the beginning of 2016, the former Florens Container Holdings Limited merged with the former Dong Fang International Investment Limited (東方國際投資有限公司). The new Florens formed upon merger is a top-three container leasing company in the world. In the upcoming decade, taking gaining benefit from economies of scale, revolutionizing service and improving capability as objectives and global customers as key service targets, it will, in addition to consolidating the existing market share in container leasing, management and sales business, actively expand diversified businesses as well as external markets and continue to increase market share and scale through acquisition of suitable companies in the industry at a proper time with a view to become a top-ranking container leasing company with 5 million containers in terms of container scale and RMB50 billion in terms of assets scale.

Against the background of gradual market rebound, competition returning back to a normal and increase of return on investment, Florens plans to procure an aggregate of approximately 0.7804 million TEUs during the period of 2017 to 2019 so as to maintain and expand container scale, secure competitive position in the market and increase shareholder returns. A total of approximately RMB7,493.00 million self-owned funds was used to procure containers, of which RMB6.8 billion was planned to be financed from the proceeds by way of capital increase from the shareholders' contribution, and the rest was settled through its self-raised fund.

Purchase of containers plan of Florens during 2017 to 2019

Item	<i>Unit: RMB10,000</i>					
	2017		2018		2019	
	Proposed investment	Self-owned funds utilized	Proposed investment	Self-owned funds utilized	Proposed investment	Self-owned funds utilized
Procurement of containers	72,576	46,086	531,624	337,581	575,800	365,633

2. *Basic information of Florens*

(1) Description of Florens

Chinese name: 佛羅倫國際有限公司

English name: Florens International Limited

Date of establishment: 16 July 1998

Registered address: Pasea Estate, Road Town, Tortola, British Virgin Islands

Type of company: a company with limited liability incorporated under the BVI law

Issued share capital: USD1,100,022,014

Scope of business: container leasing, container management, container trade and other leasing, etc.

(2) Equity structure of Florens

As at the date of the announcement of this proposal, COSCO SHIP DEVP holds 100% of equity interest in Florens through COSCO SHIPPING Development (Hong Kong) Co., Ltd.

(3) Business development of Florens

As a platform for overseas container leasing business under COSCO SHIP DEVP, Florens is mainly responsible for the operation of container leasing, management and sale of second-hand containers. After thirty years of development and expansion, Florens has established an industry leading brand. Upon its merger with Dong Fang International at the beginning of 2016, its number of containers reached approximately 3.7 million TEUs as of the end of 2016, becoming the second largest container leasing company in the world. The principal business of Florens is container-related operating leasing, financial leasing, management, trade, rental and management fee collection of containers.

(4) Financial position of Florens

The audited financial data of Florens in the last three years compiled in accordance with PRC ASBE are set out as below:

<i>Unit: RMB10,000</i>			
	31 December 2016	31 December 2015	31 December 2014
Item	(Unaudited)	(Unaudited)	(Audited)
Total assets	1,702,351.78	1,393,515.28	1,348,638.37
Total liabilities	881,220.64	628,440.71	674,984.85
Total owner's Equity	821,131.14	765,074.58	673,653.52
	2016	2015	2014
Item	(Unaudited)	(Unaudited)	(Audited)
Operating income	194,086.71	199,703.35	219,885.24
Operating cost	158,905.61	120,593.07	130,307.07
Operating profit	7,767.21	53,882.12	56,997.86
Total profit	8,815.30	54,554.42	61,668.57
Net profit	8,081.32	52,827.85	59,986.18

3. *Analysis of the necessity of the project*

- (1) To gain capital increment through grasping the unsatisfactory market status

With the world economy entering into the cycle of “recession-rejuvenation” since global financial crisis, returns in the container leasing industry has been on continual decline. Despite the present overall gloomy condition in the container leasing industry, the supply and demand structure in this field has changed since the fourth quarter of 2016. From the perspective of periodical investment, if we acquire assets at this point, assets prices will be more likely to rise than fall in the future. From the perspective of the macroeconomic environment, although the economies of China and Europe still risk declining, global economy has shown positive sign of recovery led by the US and the future economic condition is turning bright. Therefore, proper container procurement project enjoys greater opportunity to achieve capital increment both in second-hand container disposal and capital market.

- (2) To secure competitive position in the industry through filling in for retired and expired containers

According to the Drewry analysis and forecast for the period of 2017 to 2019, global container scale will grow from 38.04 million TEUs in the end of 2016 to 43.48 million TEUs in 2019, with a net increase of 5.44 million TEUs in the coming three years. Meanwhile, a total of 5.77 million TEUs second-hand containers will be retired and replaced by new containers all over the market. To sum up, it is estimated that the aggregate demand for containers all over the world from the period of 2017 to 2019 will amount to approximately 11.21 million TEUs. According to container leasing companies accounting for 47.8% in 2016, the container scale of container leasing companies is calculated to increase to approximately 5.36 million TEUs in total in the next three years, with a large growth scale. It is calculated that the Company will dispose and lease approximately 250,000 TEUs of retired containers annually on average in 2017 and thereafter. To fill in for retired and expired containers, secure the competitive position in the industry and reduce impact on the Company's operating results, the Company needs to keep up the procurement of containers.

4. *Feasibility analysis of the project*

- (1) Global container leasing industry gradually rebounds and this is driven by the slow recovery of global economy

The container leasing industry is highly correlated with the container traffic and is also affected by cyclical fluctuations in the macro economy. According to a forecast by the International Monetary Fund (IMF), spurred by the more-than expected recovery of US economy and the continuous growth of emerging economies, the growth rate of global GDP started to pick up against declining trend, which will help the global container leasing industry gradually come out of the industrial trough, and contribute to its rebound.

In addition, attributable to the following three factors, the demand for containers will be hopeful to increase steadily in the coming three years. Firstly, the demand of container liner shipping companies and end users for newly added containers will maintain stable growth; meanwhile, main container liner shipping companies generally adopt the slow sailing strategy, which reduces the turnover rate of container and thus increases demand for containers; secondly, taking into consideration of the specific requirements, safety and operating cost of transportation, advanced containers which can provide proper transportation environment for special goods are used for various goods; thirdly, the substitution of new and second-hand containers as well as increased trade in second-hand containers give rise to enormous demand for new containers.

- (2) Gradual adjustment of the supply and demand structure and anticipated rebound of the industry

Container rental is directly determined by supply-demand relationship with demand playing a more significant role. In their expansion efforts during 2010 and 2011, container leasing companies provided a large number of supplies to the container leasing industry. Meanwhile, various companies staged fierce competition to fight for high-quality freight customers and low cost financing. Due to change in market supply resulted from such expansion, container rentals fell quickly after 2012, thus putting large pressure on both the rental and investment return of container leasing companies. Since the fourth quarter of 2016, the costs in manufacturing new container turned up from decline, swiftly improving the rental of container and price of second-hand container disposal, and as a result, cash returns on container leasing began to rally.

In 2016, after Hanjin Shipping filed for bankruptcy, banks tightened up credit granted to ship owners or even the whole shipping industry, raising the expected financing costs in the industry. Various companies in the industry have restrained development and regained balance from large-scale structural overcapacity gradually. At the same time, the industry has witnessed several mergers and acquisitions which furthered the concentration of global container leasing industry, gradually forming a landscape of competition among oligarchies therein. Moreover, the US has started the cycle of interest rate hike. There is little room for return from container leasing companies to drop in the future. In view of the above, with the adjustment of the supply-demand structure of the container leasing market and with recovery of macro-economic situation and global trade, the industry boom is hopeful to come.

5. *Total investment and financing arrangement for the project*

Total investment as capital injection in Florens amounted to RMB6.8 billion. It is intended that the funds required by the project will be totally financed by proceeds from the Non-public Issuance of RMB6.8 billion.

6. *Economic benefits of the project*

As the useful life for containers is long (10-15 years), during which time investment returns may fluctuate subject to several uncertain factors. Therefore, the industry generally adopts Cash-On-Cash return as the significant reference index when assessing return on investment for new containers. It is calculated that the cash-on-cash return of procurement of containers during the period of 2017 to 2019 will be 10.7%, 11.0% and 11.0% respectively.

7. *Project registration and environmental evaluation*

Capital injection in the Florens does not involve such matters as registration with relevant NDRC authorities or obtaining environmental evaluation approval from environmental protection bureau in advance. However, it is required to commence the overseas investment registration procedure with NDRC and Ministry of Commerce, as well as complete the capital exit approval/registration procedure with foreign exchange administration departments.

(II) *Repayment of maturing corporate bonds*

In addition to the above projects, not more than RMB1.8 billion of the proceeds from the Non-Public Issuance of A Shares (deducting the issuance fee) will be used to repay the maturing corporate bonds (07 CSCL bonds).

1. *Necessity analysis on repayment of maturing corporate bonds*

(1) *Satisfying follow-up requirements of all businesses of the Company*

Upon completion of the 2015 material assets restructuring, the Company had its business focus shifted from container liner operation to integrated financial services mainly consisting of diversified leasing businesses such as vessel leasing, container leasing and non-shipping finance leasing. The Company will take good advantage of its experience in the shipping industry as well as the existing resources of the financial service industry to promote the development of the emerging industries, optimize its business models and achieve the diversified development of its financial business. The Company will strive to establish an integrated financial service platform with leasing business as core supported by shipping industry experience. The rapid development of all follow-up businesses requires the Company to be equipped with corresponding capital strength.

- (2) Improving capital structure to reduce debt-to-asset ratio and ease short-term repayment pressure

The Company has not conducted equity financing since its listing in 2007. Upon completion of the 2015 material assets restructuring, Long Honour, Florens and Dong Fang International newly included into the consolidated financial statements have relatively large amount of long-term liability and meanwhile, the amount of newly added bank current borrowings is enormous after transaction, resulting the increase in total liabilities of the Company after the completion of the material assets restructuring, significant rise of debt-to-asset ratio and decrease in finance safety. The interest-bearing liability scale and debt-to-asset ratio of the Company in the consolidated statement for the recent three years are set out as below:

Item	Unit: RMB10,000		
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
Short-term borrowings	1,878,811.16	756,763.28	385,497.00
Borrowings and bonds repayable within one year	1,321,296.19	298,963.00	483,568.14
Long-term borrowings	6,410,236.08	1,780,797.16	1,346,325.38
Bonds payable	142,694.17	179,643.21	179,398.09
Total interest-bearing liabilities	9,753,037.60	3,016,166.65	2,394,788.61
Debt-to-asset ratio	89.19%	60.90%	53.54%

Note: All financial data for the period of 2014 to 2016 are audited data from annual report of each year.

As of 31 December 2016, short-term borrowings of the Company amounted to RMB18.788 billion, long-term borrowings amounted to RMB64.102 billion, bonds payable amounted to RMB1.427 billion, borrowings and bonds re-payable within one year amounted to RMB13.213 billion, and total interest-bearing liabilities amounted to RMB97.530 billion in the consolidated financial statements. Therefore, the Company is under great pressure of short-term repayment.

Comparison of debt-to-asset ratio between the Company and its comparable listed companies in the industry is set out as below:

		As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
Comparable companies				
000415.SZ	Bohai Financial	–	75.33%	81.40%
600705.SH	AVIC Capital	83.55%	83.85%	81.68%
1606.HK	China Development Bank Leasing	86.61%	90.37%	90.02%
3360.HK	Far East Horizon	85.08%	83.52%	84.24%
Average of comparable companies		85.08%	83.27%	84.33%
Midpoint of comparable companies		85.08%	83.68%	82.96%
COSCO SHIP DEVP		89.19%	60.90%	53.54%

Note: The above data are derived from Wind. All financial data of COSCO SHIP DEVP for the period of 2014 to 2016 are audited data from annual report of each year; As of the published date of this Proposal, Bohai Financial has not yet published its 2016 annual report.

As of 31 December 2016, the debt-to-asset ratio of the Company was 89.19%, higher than the average level of that of the comparable listed companies in the industry. The relatively high debt-to-asset ratio raised the financial risk of the Company and limited the financing ability of the Company, and prevented the development and expansion of the Company to some extent.

Comparison of the current ratio between the issuer and the comparable listed companies in the industry is as follows:

		As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
Comparable companies				
000415.SZ	Bohai Financial	–	1.27	0.59
600705.SH	AVIC Capital	0.92	0.92	0.92
1606.HK	China Development Bank Leasing	1.18	0.95	0.99
3360.HK	Far East Horizon	0.99	0.97	1.18
Average of comparable companies		1.03	1.03	0.92
Midpoint of comparable companies		0.99	0.96	0.95
COSCO SHIP DEVP		0.53	0.97	1.01

Note: The above data are derived from Wind. All financial data of COSCO SHIP DEVP for the period of 2014 to 2016 are audited data from annual report of each year; As of the published date of this Proposal, Bohai Financial has not yet published its 2016 annual report.

Affected by the material assets restructuring, the Company's liquid ratio has been declining to 0.53 as of end of 2016, far below the average of that of comparable listed companies in the industry. The short-term repayment capability of the Company is significantly weaker than comparable listed companies in the industry, which shows that the Company is under greater pressure of working capital than its comparable industry peers. Therefore, to repay due liabilities with the proceeds raised will raise the Company's liquid ratio, and increase its working capital for its daily operation, which will help improve the capital structure of the Company and reduce its liabilities.

(3) Reducing interest cost

Although debt financing provides capital support and guarantee for the Company's expansion, it also increases the interest cost. Upon the completion of restructuring, interest-bearing liabilities of the Company increased rapidly, giving rise to higher interest cost. As affected by the global recession and overall environment in the shipping industry, profitability of the container liner shipping business of the Company was low with interest cost accounting for a large portion of operating profit. Interest cost expense of the Company during the reporting period is set out as below:

Item	2016	Unit: RMB10,000	
		2015	2014
Interest cost	169,094.34	59,817.92	49,007.98
Operating profit	22,306.70	-316,152.97	109,271.90
Interest cost as a percentage of operating profit (%)	758.04%	-18.92%	44.85%

Note: All financial data for the period of 2014 to 2016 are the audited data from annual report of each year.

The interest cost of the Company for 2014 to 2016 accounted for 44.85%, -18.92% and 758.04% of the corresponding operating profit. After proceeds from the Non-Public Issuance are in place, the Company will repay RMB1.8 billion of corporate bonds. If calculated according to Renminbi loan benchmark interest rate (one-year) estimated by financial institutions, the Company will save approximately RMB78.3 million of finance cost each year, reducing the Company's interest cost to some extent. Therefore, it is necessary for the Company to repay maturing corporate bonds with proceeds from the Non-Public Issuance and appropriately reduce total liabilities so as to decrease interest cost.

2. Feasibility analysis on repayment of due liabilities

To repay due debts with proceeds from the Non-Public Issuance of A Shares will to some extent improve the liquidity indicators of the Company, enhance its debt repayment capability, reduce finance risk and consolidate the financial structure of the Company. If calculated based on the Company's financial data as of 31 December 2016 and without taking into account of the costs of the Issuance, after consideration that RMB1.8 billion from the proceeds raised from the Non-Public Issuance of A Shares will be used to repay maturing corporate bonds, and the debt-to-asset ratio of the Company will decrease from 89.19% to 83.24% and liquid ratio will increase from 0.53 to 0.71.

After the Non-Public Issuance, the debt-to-asset ratio will significantly decrease, which will help to improve capital structure and lower financial risk. In future, the Company may comprehensively use various financing instruments to provide reasonable and proper financing arrangement for the sustainable development of the Company under the precondition of controlling financial risk and maintaining healthy and appropriate financial arrangements.

Therefore, upon completion of the Non-Public Issuance, the Company intends to use the above-mentioned proceeds to repay due liabilities, which is in line with relevant laws and regulations, the actual situation of the Company and strategy requirements and shareholders interest as a whole, and is thus beneficial to the long-term and healthy development of the Company. The successful use of the proceeds will further improve the financial position of the Company and enhance its core competitiveness and anti-risk capabilities.

III. Impact of the Non-Public Issuance on Business Operation and Financial Position of the Company*(1) Impact of the non-public issue on the Company's business*

Proceeds from the Non-Public Issuance will be mainly used for capital injection in Florens and repayment of maturing corporate bonds, which is in line with the Company's business transformation (i.e. to enhance shipping leasing business and container leasing business etc.) after restructuring, national policy relevant to the industry and industry development trend. It is expected that when the proceeds are in place, the core competitive strength will be further enhanced and its anti-risk capability will be effectively strengthened, which is of significant strategic meaning to the long-term and sustainable development of the Company and provides strong capital security.

(2) Impact of the non-public issue on the Company's financial position

As of 31 December 2016, the debt-to-asset ratio of the Company was 89.19%. The higher debt-to-asset ratio raised the financial risk of the Company and limited the financing ability of the Company, and prevented the development and expansion of the Company to some extent. Upon completion of the Non-Public Issuance, the Company's equity capital will increase, and capital strength will be quickly improved. If calculated based on the Company's financial data as of 31 December 2016, assuming the proceeds from the Non-Public Issuance will be RMB8.6 billion. Upon the funds raised from the Issuance (without taking into account the issuance costs) are in place, the consolidated debt-to-asset ratio will reduce to from 89.19% to 83.47%, and RMB1.8 billion of the proceeds raised will be used to repay maturing corporate bonds, as such the debt-to-asset ratio will further reduce to 83.24%.

Upon the Non-Public Issuance, it will improve capital structure and lower financial risk through implementation of the projects to be invested with the proceeds raised. In addition, it will help the Company to comprehensively use various financing instruments in the future to provide reasonable and proper financing arrangement under the precondition of controlling financial risk and maintaining healthy and appropriate financial arrangements.

**SECTION IV DISCUSSION AND ANALYSIS OF BOARD ON THE INFLUENCE OF
THE NON-PUBLIC ISSUANCE OF A SHARES ON THE COMPANY**

I. Changes in the Businesses, Articles of Association, Shareholding Structure, Senior Management and Business Structure of the Company after the Non-Public Issuance

(1) Impact on the businesses, assets and business structure of the Company

Through material asset restructuring, COSCO SHIP DEVP is expected to experience a strategic transformation, and transform from a container liner operation into an integrated financial service platform with leasing businesses such as vessel leasing, container leasing and non-shipping leasing as core with the characteristics of shipping finance. Upon completion of the Non-Public Issuance, the container leasing business capability of the Company will be further consolidated and improved, and its core competitiveness will be enhanced with principal business unchanged. Therefore, the Issuance will not have a material impact on the business and assets of the Company.

(2) Impact on the Articles of Association

The number of Shares to be issued under the Non-Public Issuance will be not more than 2,336,625,000 Shares. The issuer's share capital will be increased correspondingly upon completion of the Non-Public Issuance. The issuer will make necessary amendments to the terms with respect to provisions relevant to share capital and others relating to the Issuance under the Articles of Association based on the actual circumstances of the Issuance and register the change thereof with the industry and business administration.

(3) Impact on the shareholding structure

Before the Non-Public Issuance, as of 31 December 2016, China Shipping directly held 4,410,624,386 A Shares of the Company and held 47,570,789 A Shares through Collective Plan, and held 100,944,000 H Shares through Ocean Fortune Investment Limited, a wholly-owned subsidiary of COSCO Shipping Financial Co., Limited which in turn is a wholly-owned subsidiary of the Company. China Shipping held in total of 4,559,139,175 Shares of the Company and is the direct controlling shareholder of the Company, representing 39.02% of the total share capital of the Company. China Shipping is the direct controlling shareholder of the Company. China COSCO indirectly held 39.02% of equity interests in the shares of the Company through holding 100% of equity interests in China Shipping and is an indirect controlling shareholder of the Company. In addition, the SASAC is the beneficial controller of the Company.

Assuming 2,336,625,000 A Shares are issued under the Non-Public Issuance by COSCO SHIP DEVP, of which, 50% will be subscribed by China COSCO. The particulars of change in the shareholding structure of the Company before and after the Issuance will be as follows:

Shareholder's name	Shareholding before the Non-public Issuance		Shareholding after the Non-public Issuance	
	Number of shares held	Shareholding proportion	Number of shares held	Shareholding proportion
China Shipping and its indirect wholly-owned subsidiary Ocean Fortune Investment Limited	4,559,139,175	39.02%	4,559,139,175	32.52%
China COSCO	–	–	1,168,312,500	8.33%
Total of shares directly and indirectly held by China COSCO	4,559,139,175	39.02%	5,727,451,675	40.85%
Other investors (no more than nine investors)	–	–	1,168,312,500	8.33%
Other public shareholders	<u>7,123,985,825</u>	<u>60.98%</u>	<u>7,123,985,825</u>	<u>50.81%</u>
Total share capital	<u>11,683,125,000</u>	<u>100.00%</u>	<u>14,019,750,000</u>	<u>100.00%</u>

Note: The above estimates are based on the share capital structure of COSCO SHIP DEVP as of 31 December 2016; number of shares held by other public shareholders includes the numbers of A shares and H shares held by public shareholders.

Based on the above assumptions, China COSCO will, directly and indirectly, hold a total of 5,727,451,675 Shares of COSCO SHIP DEVP upon the completion of the Non-Public Issuance, representing 40.85% of the total share capital of COSCO SHIP DEVP, thus remaining as the indirect controlling shareholder of the Company. Meanwhile, China Shipping shall remain as the direct controlling shareholder and the SASAC shall remain as the actual controller of the Company. Therefore, the Issuance will not result in the change in control of the Company.

(4) Impact on the structure of the senior management

As of the date of the announcement of this proposal, the Company does not have a specific plan with respect to the change of the structure of the senior management. Upon completion of the Non-public Issuance, no change will occur to the senior management of the Company except for reallocation of normal human resources. In the future, if the Company intends to change its senior management structure, it will comply with necessary legal procedures and information disclosure obligation in accordance with relevant requirements.

II. Change in Financial Position, Profitability and Cash Flow of the Company after the Non-public Issuance

After the proceeds from the Non-public Issuance are in place, the total assets and scale of the net asset of the Company will increase accordingly, financial position will be improved to a large extent and debt-to-asset structure will improve, thus enhancing the capital strength of the Company.

(1) Impact on financial position

After the proceeds from the Non-public Issuance are in place, both total assets and net assets of the Company will increase, capital structure will be more stable and capital strength will be effectively enhanced, which will help to lower the financial risks of the Company, improve its repayment capability and provide guarantee to its sustainable development.

(2) Impact on profitability

Upon completion of the Non-public Issuance, capital strength of the Company will enhance, financial cost will be controlled and its subsequent financing capability will greatly improve. Part of the proceeds will be used for capital injection in Florens and repayment of maturing corporate bonds, which will promote the Company's competitiveness in the industry in the future.

(3) Impact on cash flow

Upon completion of the Non-public Issuance, cash inflow from financing activities of the Company will increase excessively. Part of the proceeds will be used for capital injection in Florens and repayment of maturing corporate bonds. After the proceeds are in place and put into use, the cash outflow of the Company generated from investment activities will increase to some extent. When the project generates revenue, cash flow from operating activities of the Company will be improved.

III. Change in Business Relationship, Management Relationship, Connected Transactions and Industry Competition between the Listed Company and the Controlling Shareholders as well as their Associates

Upon completion of the Non-public Issuance, China Shipping will remain as the direct controlling shareholder of the Company and China COSCO will remain as the indirect controlling shareholder. No change will occur to the business and management relationship between the Company and the direct and indirect controlling shareholders as well as its associates.

For details of the change in the connected transactions and industry competition, please refer to part VI under item 1 of Section II. Except that the Non-public Issuance itself constitutes a connected transaction, no new peer competition or connected transactions among the Company and the direct and indirect controlling shareholders as well as its associates will take place as a result of the Non-public Issuance.

IV. Whether There is Embezzlement of Funds or Assets by the Controlling Shareholder and Its Affiliates, or Whether Guarantee is Provided by the Listed Company to the Controlling Shareholder and its Affiliates after the Non-public Issuance

Before and after the completion of the Non-public Issuance, the capital or assets of the listed company will not be misappropriated by the direct and indirect controlling shareholders or its associates. In addition, there will not be any form of guarantee provided by the Listed Company to the direct and indirect controlling shareholders or its associates.

V. Change in Debt-to-asset Ratio after the Issuance

As of 31 December 2016, the debt-to-asset ratio of the Company in the consolidated statements was 89.19%. Calculated based on the financial information of the Company as of 31 December 2016 and without considering the costs of issuance, upon receipt of the proceeds and repayment of maturing corporate bonds with RMB1.8 billion of proceeds, the debt-to-asset ratio of the Company in the consolidated financial statements with assets and liabilities will be reduced to 83.24%. The Non-public Issuance will not cause increase in the liabilities (including contingent liabilities) of the Company. The capital structure of the Company will improve due to the Non-public Issuance, thus increasing the anti-risk and sustainable operating capacities.

VI. Risks Related to the Issuance of Shares***(I) Risks Relating to the Non-public issuance of A Shares***

The macro-economy and profitability of the Listed Company are subject to relatively great uncertainty and meanwhile, the capital market is subject to fluctuation. Fluctuation in the capital market and price of A shares of the Listed Company will bring about uncertainty to Non-public Issuance of A Shares.

(II) Risks Relating to the Market***1. Risks relating to the fluctuation in macro-economy***

The vessel leasing, container leasing and investment businesses in which the Listed Company engages in are highly related to the macro-economy in China and worldwide. At present, although the macro-economy of China is generally stable, it still faces slow economic growth, structural imbalance and other uncertainties. The global macro-economy picks up slowly while recovery in different economic entities varies significantly. Issues like debt crisis, trade imbalance and exchange rate dispute will render uncertainty to the world's economy. Fluctuations in macro-economy will result in decrease in world trade demands and poor operation of customers. Despite the fact that the Listed Company has established a sound risk prediction and risk control system to ensure operational and asset security to the largest extent, fluctuations in the macro-economy will still cause such risks with less demand from clients, difficulty in capital turnover and decrease in profit to the Listed Company.

2. Risks relating to industry competition

At present, the container leasing industry is competitive. Upon their merger, TAL and Triton became the world's largest container leasing company in terms of container scale, which significantly boasted their competitiveness. Upon their merger, Florens and Dong Fang International Asset Management Ltd. under the Company became the world's second largest container leasing company with relatively strong integrated capability in the industry, but would inevitably be affected by industry competition. Meanwhile, the container leasing industry depends on the container-building companies to provide high-quality containers. Although the Company holds certain equity interests in China International Marine Containers (Group) Ltd. and three other container-building plants, which guarantees steady supply of containers to a certain extent, it would still be influenced by operating fluctuations of container-building companies at the upper-stream of the industry line.

The vessel leasing industry remains to be highly competitive. At present, with oversupply in the international shipping industry, slow recovery in international trade and supply of shipping capacity exceeds demand, ship owners are competing in areas like rental fees, renting terms, quality of cargo ships, customer service and reliability. The Company faces intensified competition from several vessel leasing companies, including those with higher capabilities that offer better rental rates and deploy a larger fleet. Certain competitors may be more involved in the market and possess more financial resources in certain shipping lines and regions. Operational pressure in the shipping market will spread to the ship leasing market, which will indirectly affect the competition in terms of rental rates between the Company and other vessel leasing companies.

3. Risks relating to exchange rate

Florens' accounts are denominated in US dollars while the consolidated financial statements of the Listed Company are denominated in Renminbi. Therefore, change in exchange rate of Renminbi against US dollars will result in foreign currency conversion risk in the consolidated statements of the listed company, thereby affecting the profitability reflected in the future consolidated statements of the Listed Company to some extent. Meanwhile, since the Listed Company operates its business around the globe, settlement currencies are US dollars or other currencies in the course of transaction. Therefore, fluctuation in exchange rate will have an impact on the revenue of certain business of the Company.

(III) Risks relating to business and operation

1. Management risks with respect to business integration

Upon the material assets restructuring in 2015, the principal business of the Company transformed from containers transportation to a comprehensive financial service platform with vessel leasing, container leasing and non-shipping finance leasing as the core businesses, creating synergy with other financial services. The Company has formulated a detailed management adjustment proposal and talent strategy in accordance with business integration. The Company will establish a streamlined, efficient and flat organization and management structure in line with business requirements after restructuring, achieve professional management with high autonomy while realizing differentiated management based on development stages of various businesses and shareholding level and optimize recruitment and assessment of talents, as well as incentive scheme so as to attract, select and gather professional financial talents. However, the schedule and actual outcome of the establishment of such management structure to be in line with new business features are subject to uncertainties.

2. *Risks in relation to the change in income structure*

Before the material assets restructuring in 2015, the principal business of the Company is containers transportation and it mainly generates revenue from transportation fees through shipping lines. Upon the material assets restructuring, COSCO SHIP DEVP earns rental income through leasing self-owned or hired vessel and containers. Income structural change before and after transaction may result in significant change in the total revenue of COSCO SHIP DEVP.

3. *Periodic risks*

The container shipping industry has a cyclical nature, as a result of change in the supply and demand of container shipping service, which will in turn affect the profitability and asset value of the container leasing business of the Company. Decrease in demand of container shipping service or excessive increase in the capacity of the shipping industry will cause certain decrease in shipping price and may result in depreciation in the vessel assets of the Company, thus having an adverse impact on the business, financial position and operation results of the Company.

4. *Risks relating to the significant fluctuation in the market value of vessels*

The market value of the fleet of the Company may be subject to various factors, including general economic and market condition that affects demand for shipping service, competition from other vessel companies, type and size of vessel, prevailing level of rental rate and technological development. If the Company sells vessel when the price of vessel drops, the sales price may be lower than its book value in the financial statements of the Company of relevant vessels.

5. *Risks relating to shipping safety*

Ships might face various accidents during voyage, including running aground, fire, collision, shipwreck, piracy, environmental incident and severe weather condition as well as natural disaster, which may cause loss to ships and cargo. In addition, change in international relations, regional disputes, wars and terrorist activities may affect the safety and normal operation of ships. During voyage, ships may experience oil leaks, piracy and other sudden events due to climatic or regional factors, thus causing unexpected expense or significant asset loss to the Issuer.

(IV) Management risks resulting from the expansion of the scale of the Company

The Non-public issuance will help to improve the debt-to-asset ratio of the Company, optimize capital structure and expand the business of the Company. Therefore, the scale of asset and business of the Company will be further expanded. However, with the expansion of its business, if the human resources, internal communication, overall collaboration, operation and other internal risk control management cannot respond to business development requirement in a timely manner, internal management risk may occur.

(V) Risks relating to the proceeds investment project

Proceeds raised from the Non-public issuance will be mainly used for capital injection in Florens and repayment of maturing corporate bonds. Although the Company has conducted sufficient analysis in respect of macro-environment, industry policy, market competition and technical basis of the projects when performing feasibility analysis on the projects to be invested with proceeds raised from the Issuance. However, since uncertain factors including changes in macro-environment, adjustment of industry policy, overall situation of industry development, market demand and change in competitive conditions may affect the implementation of relevant projects. If unpredictable and adverse changes occur to such factors, the projects to be invested with proceeds raised from the Issuance will be subject to risks of uncertain returns.

(VI) Risks relating to the fluctuation in results of the business of the Company

After the material assets restructuring in 2015, the principal business of the Company transforms from containers transportation to a comprehensive financial service platform with vessel leasing, container leasing and non-shipping finance leasing as core businesses, supported by other financial services. Results of the above-mentioned business transformation have not yet materialized and are subject to market risks, business and operation risks, risks relating to the projects to be invested with proceeds and other factors. Therefore, operating results of the Company are still subject to fluctuation.

*(VII) Other Risks**1. Risks of approval*

The Non-Public Issuance of A Shares is considered and approved by the Board of the Company, and is subject to approval by the SASAC, as well as consideration and approval by the Company's extraordinary general meeting, A Shares class meeting and H Shares class meeting and authorizations by the CSRC. There exist uncertainties in obtaining the approvals and the timing of the final authorization in relation to the Non-Public Issuance.

2. *Risks about share price*

Return on investment in share market is accompanied by risks. The Non-public Issuance will have a certain impact on the Company's production, operation and financial position. Changes in the Company's fundamental aspects will affect the price of shares. Besides, share price is not only influenced by profitability and the development prospects of the Company, but is also influenced by investors' sentiment, supply and demand in shares, development and consolidation in the industry in which the Company is operated, state's macro-economic conditions and other factors such as political, economic and financial policies.

3. *Risks on the Dilution in Earnings per Share and Return on Asset As a Result of the Issuance*

When the funds raised from the Issuance are in place, the size of share capital and the net assets of the Company will increase. Since the implementation of investment projects financed by the proceeds will take some time, and can only achieve the expected level of return after the projects put into operation and begin to generate a stable income. During this period, the enlarged share capital and net assets may lead to a dilution in earnings per share and return on net asset of the Company in the short term, and therefore the above-mentioned indicators are exposed to risk of decrease in the short term.

In response to the above circumstance, the Company will truly, accurately, timely, completely and fairly disclose material information that may affect the price of the Company's shares to investors, in accordance with the requirements of the Company Law, Securities Law, and Measures for Administration of Information Disclosure by Listed Companies and the Listing Rules, as well as other relevant laws and regulations. The information disclosed supplies a reference for investors to make investment decisions. Meanwhile, investors are advised to note that there may be risks of share price volatility in the stock market at present and in the future.

SECTION V PROFIT DISTRIBUTION

I. Existing Profit Distribution Policy of the Company

In order to standardize and enhance the transparency of cash dividends distribution of the Company, the Resolution Regarding Amendments to the Articles of Association was considered and approved at the ninth meeting of the fifth session of the Board of the Company, the fourth extraordinary general meeting in 2016, the first A Shares class meeting in 2016 and the first H Shares class meeting in 2016 in accordance with the Company Law, Securities Law, Guidance on the Articles of Association of Listed Companies (revised in 2014) (《上市公司章程指引》(2014修訂)), Notice Regarding Further Implementation of Cash Dividend Distribution of Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》),

Listed Companies Regulatory Guidance No. 3 – Cash Dividends Distribution of Listed Companies (《上市公司監管指引第3號 – 上市公司現金分紅》) and other relevant laws, regulations and normative documents and based on the actual situation of the Company. The amended Articles of Association shall come into force upon being submitted to and approved by the general meeting of the Company. Pursuant to the amended Articles of Association, the profit distribution policy of the Company is as follows:

Article 16.13 The Company may distribute the dividends in the following forms:

- (I) Cash;
- (II) Shares.

Article 16.14 The basic principles of the profit distribution policy of the Company are as follows:

- (I) The Company shall take full account of return to investors and distribute dividend to its shareholders each year in proportion to the distributable profit realized in the year concerned (being the lower of the amounts as stated in the financial statements and the consolidated financial statements of the parent company);
- (II) The Company shall place an emphasis in creating reasonable return to its shareholders, maintain the continuity and stability of its profit distribution policy, and operate its businesses for the long-term interest of the Company, the entire interest of all its shareholders and the sustainable development of the Company; the Company's profit distribution shall neither exceed the amount of accumulated distributable profit nor undermine its ongoing operation;
- (III) The Company shall give priority to dividend distribution in cash.

Article 16.15 The profit distribution policy of the Company is specified as follows:

- (I) Profit shall be distributed in the following manner:

The Company may distribute dividends in cash, in shares, in a combination of both cash and shares or otherwise as permitted by laws and regulations. The Company shall give priority to dividend distribution in cash. Subject to the adherence of the profit distribution principles and pre-conditions, the Company shall in principle distribute profit each year. The Board of the Company may propose interim profit distribution with reference to the Company's profitability and capital requirements.

(II) Specific conditions and proportions of cash dividend of the Company

The following conditions shall be met at the same time in distributing cash dividends by the Company:

1. If the Company makes profit and the distributable profit realized in the year concerned (i.e. after-tax profits after the Company covers the losses and withdraws the reserve) are positive (according to the financial statements of the parent company) with adequate liquidity, the Company may distribute dividend in cash provided that it shall not undermine the subsequent ongoing operation of the Company.
2. External auditors had issued a standard unqualified audit report for the financial statements of the Company for the year concerned.
3. The capital needs for the Company's normal operation are satisfied and there is no such event as significant cash expenditure, excluding projects funded by raised proceeds.

Such significant cash expenditure refers to the proposed external investment, asset acquisition, repayment of debts or acquisition of equipment by the Company with accumulated expenditure within the following 12 months amounting to or exceeding 30% of the latest audited net assets of the Company.

The Company shall comply with the proportions set out as follows when distributing cash dividends:

Pursuant to the provisions of the Company Law of the People's Republic of China and relevant laws and regulations, as well as the Articles of Association, provided that the conditions for cash dividend distribution are satisfied and are consistent with the normal operation and sustainable development of the Company, dividends distributed in the form of cash to be made for each of the coming three years shall not be less than 10% of the distributable profit realized for the year concerned, on the condition that no imminent cash outlays are expected. In addition, the accumulated profits to be distributed in cash for the three consecutive years concerned shall not be less than 30% of the average annual distributable profit of the Company for the same period. The specific distribution proportion for each year shall be determined by the Board of the Company based on the Company's operating conditions and relevant rules of the CSRC and submitted to the general meeting for consideration and approval.

The Board of the Company shall take various factors into consideration, including its industry features, development stages, business model and profitability as well as whether it has any substantial capital expenditure arrangements, and differentiate the following circumstances to propose a differentiated policy for cash dividend distribution pursuant to the procedures stipulated in the Articles of Association:

1. Where the Company is in a developed stage with no substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 80% of the total profit distribution;
2. Where the Company is in a developed stage with substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 40% of the total profit distribution;
3. Where the Company is in a developing stage with substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 20% of the total profit distribution.

In the case that it is difficult to distinguish the Company's development stage but the Company has significant capital expenditure arrangements, the profit distribution may be dealt with pursuant to the preceding provisions.

(III) Specific conditions for distributing dividends in shares by the Company

Where the Company's business is in a sound condition, and the Board considers that the share price of the Company does not reflect its share capital size and distributing dividend in the form of shares is in the entire interest of all the shareholders of the Company, the Company may adopt dividend distribution in the form of shares provided that the above conditions for cash dividend are fully satisfied. Should the Company distribute dividends in shares, it should be made on the premise of offering reasonable cash dividend returns and maintaining appropriate capital size, and take into account the growth of the Company and dilution in net assets per share.

Article 16.16 Procedures for reviewing the profit distribution proposal of the Company and related information disclosure are as follows:

(I) Procedures for reviewing the profit distribution proposal of the Company:

1. The Company's profit distribution plan shall be drafted by the management of the Company with reference to investors' opinions, and shall then be submitted to the Board and the supervisory committee of the Company for consideration, and independent directors shall express their opinions. The Board shall thoroughly discuss the profit distribution plan, keep detailed records of the contents of the recommendations of the management, key points of the speeches of the Directors present at the meeting, voting results of the Board, etc. and prepare written minutes to be properly kept at the Company's archives. The Board shall thoroughly discuss the rationality of the profit distribution proposal and prepare a specific resolution and submit it to the general meeting for consideration.

2. If the Board receives a distribution plan from other shareholders that satisfies relevant conditions, the Board shall ask the relevant shareholders for the specific reasons and background of such plan, and publish an announcement setting out the contents and reasons of the plan in accordance with the “Rules of Procedures for General Meeting” of the Company and submit it to the general meeting for consideration.
3. Independent directors may solicit opinions from minority shareholders, put forth profit distribution plan and submit it directly to the Board for consideration.
4. Before the cash dividend distribution proposal is considered at the shareholders’ general meeting, the Company should proactively communicate and interact with shareholders via different channels, in particular, with the minority shareholders, and the Company shall fully listen to the opinions and demands of minority shareholders and timely answer the questions raised by minority shareholders.
5. At the end of last accounting year, where the Board meeting does not propose any plan for profit distribution in cash in spite of making profit in that accounting year, it shall explain matters such as the specific reasons for not proposing any profit distribution in cash and the actual usage of the profit retained by it. The independent directors may issue their opinions on such issues, and then submit the same at the general meeting for consideration in accordance with the relevant laws, regulations and regulatory policies.

(II) Information disclosures regarding profit distribution proposal of the Company:

1. The Company shall disclose in details in its periodic report the formulation and implementation of the profit distribution policy, especially cash dividend policy, and state whether the policy is in compliance with the requirements of the Articles of Association or the resolutions passed at the general meeting; whether the basis and ratio of the distribution of dividends are specific and clear; whether the relevant decision-making procedures and systems are sound; whether the independent directors have duly performed their duties; whether there are enough channels for minority shareholders to express their views and concerns, and whether their legal rights and interests are sufficiently protected, etc.
2. In the event of any adjustment or alteration to the cash dividend policy, the Company shall fully describe whether the conditions and procedures for such adjustment or alteration are in compliance and transparent.

3. Where no cash dividends distribution plan are proposed by the Board of the Company for the year when profits are recorded, the Board shall explain in details the reasons for not distributing cash dividends, the exact usage of and application plan for the retained profits in the periodic report, and the independent directors shall express their opinions thereon.
4. Where there is a change in the control of the Company resulting from issue of securities, material asset restructuring, merger and division or acquisition, the Company shall disclose in details the cash dividend policy and relevant arrangements after the offering or issuance, restructuring or change in control, as well as the Board's explanation of the aforesaid in the prospectus, offering proposal, report of material asset restructuring, report of changes in equity or report of acquisition.

Article 16.17 Alteration of the Company's profit distribution policy: In case of war, natural disaster and other force majeure events, or changes in the Company's external operational environment resulting in material impact on its production and operations, or relatively significant changes in the Company's operational position, the Company may adjust its profit distribution policy.

The Board shall conduct specific discussion over adjustment to its profit distribution policy, provide detailed reasons for such adjustment, form a written report to be considered by independent Directors, and then submit the same at the general meeting for approval by way of a special resolution. In considering alterations to its profit distribution policy, the Company shall make voting accessible on the internet to its shareholders.

II. Specific Implementation of Cash Dividend and Profit Distribution by the Company for the Last Three Years

Profit Distribution for the last three years of the Company:

Year	Amount of cash dividends (tax inclusive)	Net profit attributable to shareholders of the listed company in annual consolidated statements of dividends	Unit: RMB10'000
			Proportion in net profit attributable to shareholders of the listed company in consolidated statements (%)
2014	—	106,128.20	—
2015	—	-294,911.40	—
2016	—	36,859.22	—

Note: On 30 March 2017, the Company convened the 21st meeting of the fifth session of the Board of Directors, and Proposal on Profit Distribution of the Company in 2016 was considered and approved. The profit distribution plan needs to be considered and approved by the general meeting.

As the undistributed profit at the end of each of the last three years was negative, failing to meet the conditions on cash dividends distribution, the profit distribution of the Company for the last three years complied with the provisions on profit distribution under the then effective Articles of Association.

III. Shareholders' Return Plan for the Next Three Years (2016-2018)

To further increase the transparency of the profit distribution policy of COSCO SHIP DEVP, perfect and improve the decision-making and supervision system of profit distribution of the Company, ensure the continuity and stability of profit distribution, generate reasonable returns on investment for investors, practically safeguard the legitimate interests of minority shareholders and steer investors towards long-term and reasonable investment, the shareholders' return plan for the coming three years (2016-2018) of COSCO SHIPPING Development Co., Ltd. is formulated by the Company pursuant to the Notice Regarding Further Implementation of Cash Dividends Distribution by Listed Companies (《關於進一步落實上市公司現金分紅有關事項的通知》) (Zheng Jian Fa [2012] No. 37), the Guideline on the Distribution of Cash Dividends by Listed Companies of the Shanghai Stock Exchange (《上海證券交易所上市公司現金分紅指引》) and the Listed Companies Regulatory Guidance No. 3 – Cash Dividends Distribution of Listed Companies (《上市公司監管指引第3號 – 上市公司現金分紅》) (CSRC Announcement [2013] No. 43), and the Articles of Association, taking into account the Company's profitability, operating growth plan, shareholders' return, social capital costs and external financing environment. The plan has been considered and approved at the 2016 fourth extraordinary general meeting, the 2016 First A Shares Class Meeting and the 2016 First H Shares Class Meeting of the Company. Particulars are as follows:

(I) Factors considered by the Company in formulating the plan

With the focus placed on the long-term and sustainable development and on the basis of comprehensive analysis on actual circumstance of its business development, development strategy, profitability, social capital costs and external financing environment, the Company, on the premises of guaranteeing its reasonable share capital size and equity structure, has taken into full account both short-term and long-term interests in systematical arrangement for profit distribution and formulated the sustainable, stable and scientific dividend return plan and mechanism for investors after taking full account of the characteristics of the Company's industry and the Company's current development stage, business model, profitability, cash flow, fund demands for project investment, bank credit and debt financing environment, so as to ensure the continuity and stability of profit distribution policy of the Company and give comprehensive consideration to the overall interests of all shareholders and the long-term interests and sustainable development of the Company.

(II) Principles for formulation of the plan

The Company shall implement a continuous and stable profit distribution policy and give comprehensive consideration to the reasonable return on investment for investors and long-term development of the Company. The Company will mainly distribute dividends in cash in the coming three years (2016-2018). The plan was formulated in accordance with provisions on profit distribution under the relevant laws, regulations and the Articles of Association on the basis of maintaining the continuity and stability of profit distribution policy.

(III) Specific plan on shareholders' return plan of the Company for the coming three years (2016-2018)***1. Profit shall be distributed in the following manner:***

The Company may distribute dividends in cash, in shares, in a combination of both cash and shares or otherwise as permitted by laws and regulations. The Company shall give priority to dividend distribution in cash. Subject to the adherence of the profit distribution principles and conditions, the Company shall in principle distribute profit each year. The Board of the Company may propose interim profit distribution with reference to the Company's profitability and capital requirements.

2. Specific conditions and minimum proportions of cash dividend of the Company are as follows:

The following conditions shall be met at the same time when the Company distributes cash dividends:

- (1) If the Company makes profit and the distributable profit realized in the year concerned (i.e. after-tax profits after the Company covers losses and withholds reserves) are positive (according to the financial statements of the parent company) with adequate liquidity, the Company may distribute dividend in cash provided that it shall not undermine the subsequent ongoing operation of the Company.
- (2) External auditors had issued a standard unqualified audit report for the financial statements of the Company for that year.
- (3) The capital needs for the Company's normal operation are satisfied and there is no such event as significant cash expenditure, excluding projects funded by raised proceeds.

Such significant cash expenditure refers to the proposed external investment, asset acquisition, repayment of debts or acquisition of equipment by the Company with accumulated expenditure within the following 12 months amounting to or exceeding 30% of the latest audited net assets of the Company.

The Company shall comply with the proportions set out as follows when distributing cash dividends:

Pursuant to the provisions of the Company Law of the People's Republic of China and relevant laws and regulations, as well as the Articles of Association, provided that the pre-conditions for cash dividend distribution are satisfied and are consistent with the normal operation and sustainable development of the Company, dividends distributed in the form of cash to be made for each of the coming three years shall not be less than 10% of the distributable profit realized for the year concerned, on condition that no imminent cash outlays are expected. In addition, the accumulated profit to be distributed in cash for the three consecutive years concerned shall not be less than 30% of the average annual distributable profit of the Company for the same period. The specific distribution proportion for each year shall be determined by the Board of the Company based on the Company's operating conditions and relevant rules of the CSRC and submitted to the general meeting for consideration and approval.

The Board of the Company shall take various factors into consideration, including the Company's industry features, development stages, business model and profitability as well as whether the Company has any substantial capital expenditure arrangements and differentiating the following circumstances and propose a differentiated policy for cash dividend distribution pursuant to the procedures stipulated in the Articles of Association:

- (1) Where the Company is in a developed stage with no substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 80% of the total profit distribution;
- (2) Where the Company is in a developed stage with substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 40% of the total profit distribution;
- (3) Where the Company is in a developing stage with substantial capital expenditure arrangements, the dividend distributed in the form of cash shall not be less than 20% of the total profit distribution.

In the case that it is difficult to distinguish the Company's stage of development but the Company has significant capital expenditure arrangements, the profit distribution may be dealt with pursuant to the preceding provisions.

3. *Specific conditions for distributing dividends in shares by the Company*

Where the Company's business is in a sound condition, and the Board considers that the share price of the Company does not reflect its share capital size and distributing dividend in the form of shares is in the entire interest of all the shareholders of the Company, the Company may adopt dividend distribution in the form of shares provided that the above conditions for cash dividend are fully satisfied. Should the Company distribute dividends in shares, it should be made on the premise of offering reasonable cash dividend returns and maintaining appropriate capital size, and take into account the growth of the Company and dilution in net assets per share.

(IV) Decision-making procedures and mechanism of profit distribution

1. The Company's profit distribution plan shall be drafted by the management of the Company with reference to investors' opinions, and shall then be submitted to the Board and the supervisory committee of the Company for consideration. Independent directors shall state explicit opinions. The Board shall thoroughly discuss the profit distribution plan, record in detail the contents of the recommendations of the management, key points of the speeches of the Directors present at the meeting, voting results of the Board, etc. and form written minutes to be properly kept as the Company's archives. The Board shall thoroughly discuss the rationality of the profit distribution proposal and form a specific resolution and submit it to the general meeting for consideration.
2. If the Board receives a distribution plan from other shareholders that satisfies relevant conditions, the Board shall ask the relevant shareholders for the specific reasons and background of such plan, and publish an announcement setting out the contents and reasons of the plan in accordance with the "Rules of Procedures for General Meeting" of the Company and submit it to the general meeting for consideration.
3. Independent directors may solicit opinions from minority shareholders, propose a cash dividend distribution plan and directly submit their proposals to the Board of Directors for review.
4. Before the cash dividend distribution proposal is considered at the shareholders' general meeting, different channels should be used to proactively communicate and interact with shareholders by the Company, in particular, the minority shareholders, and the Company shall fully hear the opinions and demands of the minority shareholders and timely answer to the questions raised by them.

5. At the end of last accounting year, when the Board does not propose any plan for dividend distribution in cash in spite of making profit in that accounting year, it shall explain matters such as the specific reasons for not proposing any dividend distribution in cash and the actual usage of the profit retained by it. The independent directors shall express their opinions on such issues independently, and then submit the same at the general meeting for approval in accordance with the relevant laws, regulations and regulatory policies.

(V) Formulation of cycle and adjustment mechanism in respect of the plan

The Company shall review the Resolution Regarding Shareholders' Return of the Company for the Next Three Years at least once in every three years and make appropriate amendments, if necessary, based on the opinions of shareholders (particularly the minority shareholders), independent directors and supervisors, so as to ascertain the plan for shareholders' return during the period. The Company will formulate the Resolution Regarding the Shareholders' Return of the Company for the Next Three Years, which will be submitted by the Board to the shareholders' general meeting for approval. Independent directors shall give their independent views therefore and report at the shareholders' general meeting for consideration and approval by two thirds or more of the voting rights held by the shareholders present at such shareholders' general meeting.

(VI) Information disclosure of profit distribution of the Company

1. The Company will disclose the formulation and execution of the profit distribution policy, especially, cash dividend policy, in the periodic report and explain: if the provisions of the Articles of Association or the requirements under the resolutions made by the general meeting are met; that the dividend distribution standards and proportion are clear and definite; if the relevant decision-making procedures and mechanism are complete; whether the independent directors have fulfilled their obligations in due diligence and given play to the due role; and if minority shareholders have an opportunity to fully express opinions and demands and if the legitimate rights and interests of minority shareholders have been fully protected.
2. Where there's adjustment to or change in cash dividend policy, it is also required to give detailed statement in relation to compliance and transparency of conditions and procedures of such adjustment or change.
3. Where the Company records annual profit, but the Board has no submitted the cash dividend distribution plan, the Board shall explain the specific reasons for not proposing any cash dividend and the utilization plan and actual usage of the profit retained by it in the periodic report, and the independent directors shall express independent opinions on the same.

4. Where there is a change in the Company's control resulting from the issuance of the securities, material asset restructuring, merger and division or acquisition, the Company shall disclose in details the cash dividend distribution policy and relevant arrangements after the offering or issuance, restructuring or change in the control, as well as the Board's explanation of the aforesaid in the prospectus, offering proposal, report of material asset restructuring, report of change in equity or report of acquisition.

(VII) Supplementary provisions

The matters not covered by the resolution shall be implemented in accordance with the relevant laws, regulations, normative documents and the Articles of Association. The resolution shall be implemented upon the approval of the general meeting and the power of interpretation of, and amendments to, the resolution shall be vested in the Board of the Company.

SECTION VI ANALYSIS ON DILUTION OF CURRENT RETURNS ARISING FROM THE NON-PUBLIC ISSUANCE AND REMEDIAL MEASURES

Pursuant to the relevant requirements of the Opinions of the General Office of the State Council on Further Strengthening the Protection of Small and Medium Investors' Legitimate Interests in Capital Market (Guo Ban Fa [2013] No. 110) (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》), the Several Opinions of the State Council on Further Promoting the Healthy Development of Capital Market (Guo Fa [2014] No. 17) (《國務院關於進一步促進資本市場健康發展的若干意見》) and Guiding Opinions on Matters Relating to the Dilution of Current Returns as a Result of Initial Public Offering, Refinancing and Major Asset Restructuring (CSRC Announcement [2015] No. 31) (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》), in order to protect the interests of the minority shareholders, the Company has conducted a thorough analysis on the impact of the Non-Public Issuance on dilution of current returns and introduced detailed remedial measures, and relevant entities have also made commitments to fulfill the remedial measures of the Company. The particulars are as follows:

I. Impact of Dilution of Current Returns Arising from the Non-public Issuance on the Main Financial Indicators of the Company

The Company intends to raise up to RMB8.6 billion through the Non-public Issuance of up to 2,336,625,000 shares. The Company has conducted a thorough analysis of the impact of the Non-public Issuance on the main financial indicators of the Company for the corresponding year, with details set forth as follows:

(I) Assumption for the analysis

The analysis is based on the following assumptions:

1. That the Non-public Issuance shall be completed by the end of November 2017 and 2,336,625,000 shares shall be issued under the Non-public Issuance. Such assumption is only used to calculate the impact of the Non-public Issuance on the earnings per share of the Company, and is not indicative of the judgment

of the Company on the actual time of completion of the Non-public Issuance and the number of shares to be issued, which are subject to the final approval of China Securities Regulatory Commission (“CSRC”);

2. That there is no material adverse changes in the macro-economic environment and conditions of the stock market as well as the operating environment of the Company;
3. That the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for 2016, is RMB-1,641.7787 million. The net profit of the Company for 2017 will be calculated based on the following 3 assumptions (which are not indicative of the judgment of the Company on its operating results and development for 2017 and does not constitute a profit forecast of the Company):

Scenario 1: assuming that the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for 2017, is 50% more than the net profit attributable to the shareholders of the listed company for 2016, net of non-recurring gains or losses;

Scenario 2: assuming that the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for 2017, is nil;

Scenario 3: assuming that the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for 2017, is RMB100 million;

4. Without taking into account the impact of the proceeds from the Non-public Issuance on the production and operation as well as the financial conditions, such as operating income, financial costs and investment profits, of the Company;
5. That there has been no provident fund converted to share capital or distribution of stock dividends, which have an impact on the number of shares, in 2017.

(II) Influence on earnings per share of the Company

Based on the above assumptions, the impact of the Non-Public Issuance on the major financial indicators of the Company is estimated as follows:

Item	2016	2017	
		Prior to the Issuance	After the Issuance
Total Share capital (10,000 shares)	1,168,312.50	1,168,312.50	1,401,975.00
Scenario 1: assuming that the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for 2017, is 50% more than the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for 2016;			
Net profit attributable to shareholders of the Listed Company, net of non-recurring gains or losses (RMB10,000)	-164,177.87	-82,088.94	-82,088.94
Basic earnings per share, net of non-recurring gains or losses (RMB per share)	-0.141	-0.070	-0.069
Diluted earnings per share, net of non-recurring gains or losses (RMB per share)	-0.141	-0.070	-0.069
Scenario 2: assuming that the net profit attributable to the shareholders of the listed company for 2017, net of non-recurring gains or losses, is nil;			
Net profit attributable to the shareholders of the listed company, net of non-recurring gains or losses (RMB10,000)	-164,177.87	0.00	0.00
Basic earnings per share, net of non-recurring gains or losses (RMB per share)	-0.141	0.000	0.000
Diluted earnings per share, net of non-recurring gains or losses (RMB per share)	-0.141	0.000	0.000
Scenario 3: assuming that the net profit attributable to the shareholders of the listed company for 2017, net of non-recurring gains or losses, is RMB100 million;			
Net profit attributable to the shareholders of the listed company, net of non-recurring gains or losses (RMB10,000)	-164,177.87	10,000.00	10,000.00

Item	2016	2017	
		Prior to the Issuance	After the Issuance
Basic earnings per share, net of non-recurring gains or losses (RMB per share)	-0.141	0.009	0.008
Diluted earnings per share, net of non-recurring gains or losses (RMB per share)	-0.141	0.009	0.008

Notes:

- For the calculation of basic and diluted earnings per share, the Company has complied with the requirements on the Guiding Opinions on Matters Relating to the Dilution of Current Returns As a Result of Initial Public Offering, Refinancing and Major Asset Restructuring issued by the CSRC (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》), as well as the Regulations on the Preparation of Information Disclosure for Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (《公開發行證券的公司信息披露編報規則第9號 – 淨資產收益率和每股收益的計算及披露》) promulgated by the CSRC.
- Basic earnings per share = current net profit attributable to the holders of the ordinary shares of the Company/weighted average of the number of ordinary shares in issue; weighted average of the number of ordinary shares in issue = number of ordinary shares in issue at beginning of the period + number of new ordinary shares in issue in the period * period of issuance/reporting period – number of ordinary shares repurchased * period of repurchase/reporting period.

From the above table, we can conclude that there is a risk of dilution for the earnings per share of the Company for 2017 upon completion of the Non-public Issuance.

II. Risks Associated with the Dilution of Current Returns as a Result of the Non-Public Issuance

Upon completion of the Non-public Issuance, after the proceeds have been received, the Company's total share capital will increase. Based on the above calculation, the Non-public Issuance may lead to a decrease in earnings per share for the corresponding year compared with that prior to the Issuance. In 2017, with the proceeds in place, there is a risk of short-term dilution of the current returns of the Company. Investors are hereby advised to make sensible decisions and be aware of the risks.

Meanwhile, the Company's assumptions on the relevant financial data for 2017 are only for the purpose of calculating the relevant financial indicators, which are not indicative of the Company's forecast on the operating results and development trend of the Company in 2017, nor does it constitute a profit forecast or commitment of the Company. Furthermore, the Issuance is subject to the approval of CSRC, and whether the approval will be granted, as well as the time of issuance is still uncertain. Investors should not make investment decisions based on the above assumptions, and the Company shall not be held liable for any losses resulting from the investment decisions made based on such assumptions.

III. Explanations for the Necessity and Rationality of the Non-public Issuance by the Board of Directors***(I) To meet the needs of business development and to promote and implement the business strategy***

The Company plans to rely on the shipping finance to utilize its advantages in the shipping logistics industry and integrated industrial chain resources, so as to build an industrial cluster with leasing, investment, insurance and banking at the core of the business and grow into a “one-stop” financial services group with market mechanism, differentiated advantages and international vision as well as industry with financial integration, financing with finance integration and collaborative development of its various business areas. The proceeds from the Non-public Issuance will be used for capital injection in Florens International Limited (referred to as Florens), which will help it capture market opportunities, develop premium business and expedite the accomplishment of the Company’s strategic objectives.

(II) To reduce financial costs, satisfy the Company’s day-to-day operational needs and optimize its capital structure

In recent years, with the rapid growth of the business scale and the major asset restructuring, the liabilities of the Company expanded accordingly. As of 31 December, 2016, the Company’s consolidated liabilities amounted to RMB111.878 billion, representing a debt-to asset ratio of 89.19%. With the Company rolling out various types of leasing and financing business, its liabilities may continue to grow. Use of part of the proceeds from the Non-public Issuance to repay mature corporate bonds will optimize the capital structure, reduce financial costs and improve the overall competitiveness of the Company.

IV. Relationship between the Investment Projects through Non-public Issuance and the Company’s Existing Businesses and Reserves on the Company’s Talent, Technology and Market Resources for the Investment Projects***(I) Relationship between the investment projects and the Company’s existing business******1. Capital injection in Florens***

The Company intends to use the proceeds for capital injection in Florens, for purchase of containers during the period of 2017 to 2019. According to Florens’ plan, a total of about 0.7804 million TEUs of containers will be purchased during the period of 2017 to 2019 to replace the retired containers that are sold and those with finance leases expired, so as to promote the comprehensive and coordinated development of container leasing business. Through this investment project, the number of Florens’ container fleet will be maintained and expanded and its

competitive position in the industry will be further consolidated. In the meantime, the container leasing industry will gradually rebound. With the gradual increase in the return on investment, the procurement of containers when the container leasing industry market is at relatively low level is beneficial to the increase in capital return.

2. Repayment of mature corporate bonds

The Company intends to use the proceeds to repay mature corporate bonds, so as to improve the Company's capital structure and liquidity indicators, reduce its liabilities and financial risks and enhance its capital strength and anti-risk capability, which will help the Company to reduce its financial expenses and lay a solid foundation for its rapid development in the future.

(II) Fund raising investment project in relation to the reserves on the human resources, technology and market

1. Capital Injection in Florens

(1) Human resources reserve

As a company dedicated to the container leasing industry for years, Florens attached high importance to human resources reserve by recruiting and training a large number of comprehensive talents with rich management experience, and built a professional management team with high quality. The staff team in the container leasing business segment currently consists of professional talents in various professional fields, such as professional accountants, professional management staff, professional lawyers and professional legal advisors.

(2) Technical reserve

Florens has been actively participating in promoting and optimizing the inspection and maintenance standards in the industry. It established the CIC inspection standards together with a number of famous container leasing companies in the industry, such as Triton and Seaco, with an aim to effectively decrease the maintenance costs while keeping the containers in good condition. Most of the operations have achieved full scale automation and thus having significantly improved the work efficiency and service quality. For example, the full scale automatic billing management system of depots and the online inventory data management system further improved the efficiency in management cost.

(3) Market reserve

Florens has thoroughly implemented a major client policy by establishing business relationship with the top 20 liner operators in the world and at the same time continued to develop relationship with regional customers with quality. As at the end of December 2016, the number of leasing customers of the company has reached nearly 300.

2. *Repayment of maturing corporate bonds*

One of the above-mentioned fund raising investment projects through Non-public Issuance is for the purposes of repayment of maturing corporate bonds without involving reserves relating to human resources, technology and market.

(I) Special Risk associated with the Dilution of Current Returns as a Result of the Issuance

After the raised proceeds have been received upon the Issuance, the share capital and net assets of the Company will increase. Since the implementation of the investment projects financed by the proceeds raised will take some time, return to shareholders during the implementation period can still be achieved mainly through our existing businesses. As a result, the enlarged share capital and net assets may lead to dilution in earnings per share and return on net assets of the Company in the short term, therefore the abovementioned indicators are exposed to risk of decrease in the short term. The Company reminds investors to make rational investment and pay attention to the risk of dilution of the current returns after the Issuance.

(II) Specific Measures to Compensate the Dilution on Current Returns as a Result of the Issuance

To reduce the impact of dilution of current returns as a result of the Non-public Issuance and increase returns earned for the benefits of the shareholders of the Company, the Company intends to compensate the dilution on current returns through the following measures:

1. Strengthen the supervision of investment projects financed by the proceeds raised to ensure the efficient use of funds raised from the Issuance.

In order to regulate the management and use of proceeds raised by the Company to ensure that the proceeds are used for investment projects financed by such proceeds only, the Company has complied with the requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and the Listing Rules and other laws and regulations and regulatory documents, to formulate and improve the Administrative Measures for

Proceeds Raised, pursuant to which the Company will take strict administrative measures for the use of proceeds and place the proceeds in a special account for specific designated purpose only, so as to ensure that the proceeds are used sufficiently and efficiently for intended use. The Company will strive to improve the utilization efficiency of the proceeds, perfect and enhance the investment decision process, formulate more reasonable plan for the use of proceeds, make reasonable use of various financing tools and channels, control finance cost, enhance the utilization rate of proceeds, reduce various expenses and costs of the Company and comprehensively and effectively manage the relevant operation and control risks, so as to improve operational efficiency.

2. *Accelerate the construction progress of investment projects financed by the proceeds raised to realise the expected return as soon as possible.*

The proceeds raised from the Non-Public Issuance will mainly be used for capital injection in Florens and repay maturing corporate bonds. After receiving the proceeds upon the issuance, the Company will speed up the construction and operation of investment projects financed by the proceeds raised, actively allocate resources, arrange the progress of the projects in a reasonable and comprehensive manner, strive to realize the expected benefits from the projects as soon as possible, expand the returns of the shareholders in subsequent years, and mitigate the risk of dilution of current returns as a result of the Issuance.

3. *Promote the implementation of the development strategies to comprehensively enhance the overall competitiveness of the Company.*

After its strategic transformation, the Company will rely on shipping financing to take advantage of the strengths in the shipping and logistics industry and to integrate the industrial chain resources. The Company will build an industrial cluster with leasing, investment, insurance and banking as the core, and will establish a “one-stop” financial service group that combines shipping with finance and combines financing with finance which can coordinate the development among various operations based on market mechanism, differentiated competitive advantages and international perspective. The Company will strive to integrate its quality resources for being a shipping financial platform, give full effect to the industrial advantages of the Group, collaboratively develop a variety of financial operations to become China’s leading and the world’s first-class integrated financial services group with a distinct shipping logistic features, so as to comprehensively enhance the overall competitiveness of the Company.

4. *Stringently implement cash dividend distribution policy and optimize investment return mechanism.*

According to the requirements of the Notice Regarding Further Implementation of Cash Dividends Distribution by Listed Companies and the Listed Companies Regulatory Guidance No. 3 – Cash Dividends Distribution of Listed Companies issued by the CSRC, the Company further improved and refined the profit distribution policy. By fully taking into account of the investment on the return for the shareholders and for the growth and development of the Company, the Company formulated the Plan for Shareholders' Return Plan for the Next Three Years (2016-2018) of COSCO SHIPPING Development Co., Ltd., and revised the profit distribution policy set out in the Articles of Association accordingly. The formulation and perfection of the aforesaid system further clarifies the decision making procedures and mechanism of dividend distribution and the specific proportion of bonus shares to be issued of the Company, which will effectively guarantee the reasonable investment return of all shareholders. In the future, the Company will continue to strictly implement its dividend policy and optimise the investment return mechanism to ensure that the interests of its shareholders, especially the minority shareholders, can be protected.

V. Undertakings with Regards to the Remedial Measures for Dilution on Current Returns by the Proposed Non-public Issuance of the Company

To ensure that the dilution of current returns are covered upon the Non-public Issuance of A Shares of the Company and protect the legitimate interests of the Company and all its shareholders, each of the directors, senior management of the Company, China Shipping and COSCO shipping Group have issued their respective Letters of Undertaking Regarding Effective Implementation of Measures aiming at Remedying Diluted Current returns Through the Non-public Issuance of Shares of COSCO SHIPPING Development Co., Ltd. in accordance with the requirements of the applicable laws, regulations and regulatory documents including the Several Opinions of the State Council on Further Promoting the Healthy Development of the Capital Markets (Guo Fa [2014] No. 17) (國務院關於進一步促進資本市場健康發展的若干意見 (Guo Fa [2014] No. 17) and the Opinions of the General Office of the State Council on Further Strengthening the Protection of Small and Medium Investors' Legitimate Interests in the Capital Markets (Guo Ban Fa [2013] No. 110) (國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見 (Guo Ban Fa [2013] No. 110) and the Guiding Opinions on Matters Relating to the Dilution of Current Returns As a Result of Initial Public Offering, Refinancing and Major Asset Restructuring CSRC Announcement [2015] No. 31) (關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見 CSRC Announcement [2015] No. 31). Details of such undertakings are set out as follows:

(I) Undertakings by the Directors and Senior Management

According to the Letter of Undertakings Regarding Directors and Senior Management's Commitment to Ensure the Implementation of the Non-public Issuance of Shares by COSCO SHIPPING Development Co., Ltd. to Cover the Dilution of Current

Returns issued by the Directors and senior management of the Company, the Directors and senior management of the Company have made the following undertakings:

1. I hereby undertake not to transfer benefits to other entities or individuals with no consideration or under unfair terms, and shall not damage the Company's interests in any other ways.
2. I hereby undertake to constrain the consumption behavior in relation to my work duty.
3. I hereby undertake not to use the Company's assets for investments or consumption activities that are unrelated to the engagement and performance of my work duties.
4. I hereby undertake that the remuneration system formulated by the board of directors or the remuneration committee will be linked with the implementation of the Company's remedial measures in relation to the returns of the Company.
5. I hereby undertake that the vesting conditions for the proposed share incentive scheme (if any) of the Company will be linked with the implementation of the Company's remedial measures in relation to returns of the Company.
6. From the date of making these undertakings until completion of the Proposed Non-public Issuance of A Shares, I undertake to make supplemental undertakings in accordance with the latest regulations imposed by the China Securities Regulatory Commission, which renders the aforementioned undertakings that are inadequate to satisfy such regulatory requirements.
7. I hereby undertake to perform these undertakings. If I violate these undertakings and cause losses to the Company or the investors, I shall be liable to indemnify the Company or the investors for their losses in accordance with the law."

(II) Undertakings by China Shipping

As the direct controlling shareholder of the Company, China Shipping has issued the Letter of Undertakings Regarding China Shipping (Group) Company's Commitment to Ensure the Implementation of the Non-public Issuance of Shares by COSCO SHIPPING Development Co., Ltd. to Cover the Dilution of Current Returns and has made the following undertakings:

"The Company shall continue to ensure the independence of the Listed Company, and shall not go beyond its power to interfere with the operation management activities of the Listed Company and shall not encroach upon the interests of the listed company."

The Company hereby undertakes to perform these undertakings. If the Company violates such undertakings and causes losses to the Listed Company or to the investors, the Company shall be liable to indemnify the Listed Company or the investors for their losses in accordance with the law.

(III) Undertakings by China COSCO

As the direct controlling shareholder of the Company and the sole shareholder of China Shipping, China COSCO has issued the Letter of Undertakings Regarding China COSCO Shipping Corporation Limited's Commitment to Ensure the Implementation of the Non-public Issuance of Shares by COSCO SHIPPING Development Co., Ltd. to Cover the Dilution of Current Returns and has made the following undertakings:

The Company shall continue to ensure the independence of the Listed Company, and shall not go beyond its power to interfere with the operation management activities of the listed company and shall not encroach upon the interests of the listed company.

The Company hereby undertakes to perform these undertakings. If the Company violates such undertakings and causes losses to the listed company or to the investors, the Company shall be liable to indemnify the listed company or the investors for their losses in accordance with the law.

There is no text in this page which requires to be redacted for the Proposal for the Non-public Issuance of A Shares (Revised) of COSCO SHIPPING Development Co., Ltd.

COSCO SHIPPING Development Co., Ltd.
Board of Directors

APPENDIX II FEASIBILITY REPORT ON THE USE OF PROCEEDS FROM THE NON-PUBLIC ISSUANCE OF A SHARES (REVISED)

This English translation is for reference only. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

Definitions

In the proposal, unless the context requires otherwise, the capitalized terms used in this proposal shall have the following meanings:

COSCO SHIP DEVP/ Issuer/Company/ Listed Company	COSCO SHIPPING Development Co., Ltd. formerly known as “China Shipping Container Lines Company Limited”
Non-public Issuance of A Shares/Non-public Issuance/Issuance	the Non-public Issuance and listing of A shares of COSCO SHIP DEVP
Report	Feasibility Report on the Use of Proceeds Raised in the Non-public Issuance of A Shares of COSCO SHIPPING Development Co., Ltd. (Revised)
Florens	Florens International Limited (佛羅倫國際有限公司), formerly known as “Florens Container Holdings Limited (佛羅倫貨箱控股有限公司)”
Dong Fang International	Dong Fang International Investment Limited (東方國際投資有限公司)
Drewry	Drewry Shipping Consultants Ltd. (a world-famous shipping consultancy company)
Triton	Triton International Limited (a world-famous container company)
Seaco	Seaco SRL (a world-famous container company)
TEU	short for the twenty-foot equivalent unit, is an unit of cargo capacity of container based on the volume of a normal 20-foot-long dry container or standard container
RMB, RMB10,000 and RMB100 million	Renminbi 1 Yuan, Renminbi 10,000 Yuan, Renminbi 100 million Yuan, respectively

Note: In the report, any discrepancies in any tables between totals and sums of amounts listed are due to rounding.

APPENDIX II FEASIBILITY REPORT ON THE USE OF PROCEEDS FROM THE NON-PUBLIC ISSUANCE OF A SHARES (REVISED)

I. PLAN ON THE USE OF PROCEEDS RAISED IN THE ISSUANCE

The total proceeds to be raised from the Non-public Issuance shall be no more than RMB8.6 billion and will be used for the following purposes after deducting the cost of Issuance:

		<i>Unit: RMB10,000</i>	
		Total	The amount of
		investment in	proceeds to be
		the project	used in the
No.	Project name		project
1	Capital Increase in Florens	680,000	680,000
2	Repayment of maturing corporate bonds	180,000	180,000
	Total	860,000	860,000

Before receiving the proceeds raised upon the Issuance, the Company will, depending on the actual progress of the investment projects, finance these projects by its self-raised fund which shall be replaced once the proceeds have been received in accordance with the procedures required by relevant regulations. If the net amount of the proceeds is less than the aggregate amount of the proceeds proposed to be invested in the aforementioned projects, the Company will make up for the shortfall through its self-raised fund. Based on the actual net proceeds raised from the Issuance, the Board may adjust and eventually decide the projects to be invested in, the priorities of and the investment amount of each project, in compliance with relevant laws and regulations.

II. ANALYSIS ON THE FEASIBILITY OF THE PROCEEDS RAISED IN THE ISSUANCE

(I) Project of capital increase in Florens

1. Basic information of the project

Florens is an overseas wholly-owned subsidiary of the Company which is engaged in container leasing business. At the beginning of 2016, the former Florens Container Holdings Limited merged with the former Dong Fang International Investment Limited (東方國際投資有限公司). The new Florens formed upon such merger is the world's top-three container leasing company. In the upcoming decade, realizing benefit from economies of scale, innovating service and improving capability as objectives and global customers as key service targets, it will, in addition to consolidating the existing market share in container leasing, management and sales business, actively expand diversified businesses as well as external markets and continue to increase market share and scale merit through acquisition of suitable companies in the industry at a proper time with a view to becoming a top-ranking container leasing company with 5 million containers in terms of container scale and RMB50 billion in terms of assets scale.

**APPENDIX II FEASIBILITY REPORT ON THE USE OF PROCEEDS FROM
THE NON-PUBLIC ISSUANCE OF A SHARES (REVISED)**

Against the background of gradual market rebound, competition returning back to a normal level and increase of return on investment, Florens plans to procure an aggregate of approximately 0.7804 million TEUs during the period of 2017 to 2019 so as to maintain and expand container scale, secure competitive position in the market and increase shareholder returns. A total of approximately RMB7,493 million self-owned funds was used to procure containers, of which the capital increase from the shareholders' contribution of RMB6.8 billion in Florens was planned to be financed from the proceeds, and the rest was settled through its self-raised fund.

Floren's plan of procurement of containers during the period of 2017 to 2019

Item	<i>Unit: RMB10,000</i>					
	2017		2018		2019	
	Proposed investment	Self-owned funds utilized	Proposed investment	Self-owned funds utilized	Proposed investment	Self-owned funds utilized
Procurement of containers	72,576	46,086	531,624	337,581	575,800	365,633

2. Basic information of Florens

(1) Description of Florens

Chinese name: 佛羅倫國際有限公司

English name: Florens International Limited

Date of establishment: 16 July 1998

Registered address: Pasea Estate, Road Town, Tortola, British Virgin Islands

Type of company: a company with limited liability incorporated under the laws of the British Virgin Islands

Issued share capital: USD1,100,022,014

Scope of business: container leasing, container management, container trade and other leasing, etc.

(2) Equity structure of Florens

As at the date of the announcement of this proposal, COSCO SHIP DEVP holds 100% equity interest in Florens through COSCO SHIPPING Development (Hong Kong) Co., Ltd.

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(3) Business development of Florens

As a platform for overseas container leasing business under COSCO SHIP DEVP, Florens is mainly responsible for the operation of container leasing, management and sale of second-hand containers. After thirty years of development and expansion, Florens has established an industry leading brand. Upon its merger with Dong Fang International at the beginning of 2016, its number of containers reached approximately 3.7 million TEUs as of the end of 2016, becoming the second largest container leasing company in the world. The principal business of Florens is container-related operating leasing, financial leasing, management, trade, rental and management fee collection of containers.

(4) Financial position of Florens

The financial data of Florens in the last three years compiled in accordance with PRC ASBE are set out as below:

Unit: RMB10,000

	31 December 2016	31 December 2015	31 December 2014
Item	(Unaudited)	(Unaudited)	(Audited)
Total assets	1,702,351.78	1,393,515.28	1,348,638.37
Total liabilities	881,220.64	628,440.71	674,984.85
Total owner's Equity	821,131.14	765,074.58	673,653.52

	2016	2015	2014
Item	(Unaudited)	(Unaudited)	(Audited)
Operating income	194,086.71	199,703.35	219,885.24
Operating cost	158,905.61	120,593.07	130,307.07
Operating profit	7,767.21	53,882.12	56,997.86
Total profit	8,815.30	54,554.42	61,668.57
Net profit	8,081.32	52,827.85	59,986.18

3. Analysis of the necessity of the project

(1) To gain capital increment through grasping the unsatisfactory market status

With the world economy entering into the cycle of “recession-rejuvenation” since global financial crisis, returns in the container leasing industry has been on continual decline. Despite the present overall gloomy condition in the container leasing industry, the supply and demand structure in this field has changed since the fourth quarter of 2016. From the perspective of periodical investment, if we acquire assets at this point, assets prices will be more likely to rise than fall in the future.

From the perspective of the macroeconomic environment, although the economies of China and Europe still risk declining, global economy has shown positive sign of recovery led by the US and the future economic condition is turning bright. Therefore, proper container procurement project enjoys greater opportunity to achieve capital increment both in second-hand container disposal and capital market.

(2) To secure competitive position in the industry through filling in for retired and expired containers

According to the Drewry analysis and forecast for the period of 2017 to 2019, global container scale will grow from 38.04 million TEUs in the end of 2016 to 43.48 million TEUs in 2019, with a net increase of 5.44 million TEUs in the coming three years. Meanwhile, a total of 5.77 million TEUs second-hand containers will be retired and replaced by new containers all over the market. To sum up, it is estimated that the aggregate demand for containers all over the world from the period of 2017 to 2019 will amount to approximately 11.21 million TEUs. According to container leasing companies accounting for 47.8% in 2016, the container scale of container leasing companies is calculated to increase to approximately 5.36 million TEUs in total in the coming three years, with a large growth scale. It is calculated that the Company will dispose and lease approximately 250,000 TEUs of retired containers annually on average in 2017 and thereafter. To fill in for retired and expired containers, secure the competitive position in the industry and reduce impact on the Company's operating results, the Company needs to keep up procuring containers.

4. Feasibility analysis of the project

(1) Global container leasing industry gradually rebounds and this is driven by the slow recovery of global economy

The container leasing industry is highly correlated with the container traffic and is also affected by cyclical fluctuations in the macro economy. According to a forecast by the International Monetary Fund (IMF), spurred by the more-than expected recovery of US economy and the continuous growth of emerging economies, the growth rate of global GDP started to pick up against declining trend, which will help the global container leasing industry gradually come out of the industrial trough, and contribute to its rebound.

In addition, attributable to the following three factors, the demand for containers will be hopeful to increase steadily in the coming three years. Firstly, the demand of container liner shipping companies and end users for newly added containers will maintain stable growth; meanwhile, main container liner shipping companies generally adopt the slow sailing strategy, which reduces the turnover rate of container and thus increases demand for containers; secondly, taking into

consideration of the specific requirements, safety and operating cost of transportation, advanced containers which can provide proper transportation environment for special goods are used for various goods; thirdly, the substitution of new and second-hand containers as well as increased trade in second-hand containers give rise to enormous demand for new containers.

(2) Gradual adjustment of the supply and demand structure and anticipated rebound of the industry

Container rental is directly determined by supply-demand relationship with demand playing a more significant role. In their expansion efforts during 2010 and 2011, container leasing companies provided a large number of supplies to the container leasing industry. Meanwhile, various companies staged fierce competition to fight for high-quality freight customers and low cost financing. Due to change in market supply resulted from such expansion, container rentals fell quickly after 2012, thus putting huge pressure on both the rental and investment return of container leasing companies. Since the fourth quarter of 2016, the costs in manufacturing new container turned up from decline, swiftly improving the rental of container and price of second-hand container disposal, and as a result, cash returns on container leasing as a whole began to rally.

In 2016, after Hanjin Shipping filed for bankruptcy, banks tightened up credits granted to ship owners or even the whole shipping industry, raising the expected financing costs in the industry. Various companies in the industry have restrained development and regained balance from large-scale structural overcapacity gradually. At the same time, the industry has witnessed several mergers and acquisitions which furthered the concentration of global container leasing industry, gradually forming a landscape of competition among oligarchies therein. Moreover, the US has started the cycle of interest rate hike. There is little room for return from container leasing companies to drop in the future. In view of the above, with the adjustment of the supply-demand structure of the container leasing market, and with recovery of macroeconomic situation and global trade, the industry boom is hopeful to come.

5. *Total Investment and financing arrangement for the project*

Total investment as capital increase in Florens amounts to RMB6.8 billion. It is intended that the funds required by the project will be totally financed from the proceeds from the Non-Public Issuance of RMB6.8 billion.

6. *Economic benefits analysis of the project*

As the useful life for containers is long (10-15 years), during which time investment returns may be subject to several uncertain factors. Therefore, the industry generally adopts Cash-On-Cash return as the significant reference index when assessing return on

investment for new containers. It is calculated that the cash-on-cash return of procurement of containers during 2017 to 2019 will be 10.7%, 11.0% and 11.0% respectively.

7. *Project registration and environmental evaluation*

Capital increase in Florens does not involve such matters as registration with relevant NDRC authorities or obtaining environmental evaluation approval from environmental protection bureau in advance. However, it is required to commence the overseas investment registration procedure with NDRC and Ministry of Commerce, as well as complete the capital exit approval/registration procedure with foreign exchange administration departments.

(II) REPAYMENT OF MATURING CORPORATE BONDS

In addition to the above projects, not more than RMB1.8 billion of the proceeds from the Non-Public Issuance of A Shares (deducting the issuance fee) will be used to repay the maturing corporate bonds (07 CSCL bonds).

1. *Necessity analysis on repayment of maturing corporate bonds*

(1) *Satisfying follow-up requirements of all businesses of the Company*

Upon completion of the 2015 material assets restructuring, the Company had its business focus shifted from container liner operation to integrated financial services mainly consisting of diversified leasing businesses such as vessel leasing, container leasing and non-shipping finance leasing. The Company will take good advantage of its experience in the shipping industry as well as the existing resources of the financial service industry to promote the development of the emerging industries, optimize its business models and achieve the diversified development of its financial business. The Company will strive to establish an integrated financial service platform with leasing business as core supported by shipping industry experience. The rapid development of all follow-up businesses requires the Company to be equipped with corresponding capital strength.

(2) *Improving capital structure to reduce debt-to-asset ratio and ease short-term repayment pressure*

The Company has not conducted equity financing since its listing in 2007. Upon completion of the 2015 material assets restructuring, Long Honour, Florens and Dong Fang International newly included into the consolidated financial statements have relatively large amount of long-term liability and meanwhile, the amount of newly added bank current borrowings is enormous after transaction, resulting the increase in total liabilities of the Company after the completion of the material assets restructuring,

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significant rise of debt-to-asset ratio and decrease in finance safety. The interest-bearing liability scale and debt-to-asset ratio of the Company in the consolidated statement for the recent three years and one period is set out as below:

Item	<i>Unit: RMB10,000</i>		
	As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
Short-term borrowings	1,878,811.16	756,763.28	385,497.00
Borrowings and bonds payable due within one year	1,321,296.19	298,963.00	483,568.14
Long-term borrowings	6,410,236.08	1,780,797.16	1,346,325.38
Bonds payable	142,694.17	179,643.21	179,398.09
Total interest-bearing liabilities	9,753,037.60	3,016,166.65	2,394,788.61
Debt-to asset ratio (%)	89.19%	60.90%	53.54%

Note: the financial data for the period of 2014 to 2016 are the audited ones in each annual report.

As of 31 December 2016, short-term borrowings of the Company amount to RMB18.788 billion, long-term borrowings amount to RMB64.102 billion, bonds payable amount to RMB1.427 billion, borrowings and bonds payable due within one year amount to RMB13.213 billion, total interest-bearing liabilities amount to RMB97.530 billion in the consolidated financial statements. Therefore, the Company is under great pressure of short-term repayment.

Comparison of debt-to-asset ratio between the Company and its comparable listed companies in the industry is set out as below:

Comparable companies		As at 31 December 2016	As at 31 December 2015	As at 31 December 2014
000415.SZ	Bohai Financial	—	75.33%	81.40%
600705.SH	AVIC Capital	83.55%	83.85%	81.68%
1606.HK	China Development Bank Leasing	86.61%	90.37%	90.02%
3360.HK	Far East Horizon	85.08%	83.52%	84.24%
Average of comparable companies		85.08%	83.27%	84.33%
Midpoint of comparable companies		85.08%	83.68%	82.96%
COSCO SHIP DEVP		89.19%	60.90%	53.54%

Note: The above data are derived from Wind. The financial data of COSCO SHIP DEVP for the period of 2014 to 2016 are the audited ones in each annual report; As of the published date of this Proposal, Bohai Financial has not yet published its 2016 annual report.

As of 31 December 2016, the debt-to-asset ratio of the Company was 89.19%, higher than the average of the comparable listed companies in the industry. Relatively high debt-to-asset ratio increases the finance risks of the Company, restricts its financing capability and curbs its development and expansion to some extent.

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The comparison of liquid ratio of the Issuer with the comparable companies in the industry is set out below:

Comparable companies		31 December 2016	31 December 2015	31 December 2014
000415.SZ	Bohai Financial	–	1.27	0.59
600705.SH	AVIC Capital	0.92	0.92	0.92
1606.HK	China Development Bank Leasing	1.18	0.95	0.99
3360.HK	Far East Horizon	0.99	0.97	1.18
Average of Comparable Companies		1.03	1.03	0.92
Median of Comparable Companies		0.99	0.96	0.95
COSCO SHIP DEVP		0.53	0.97	1.01

Note: The above data are derived from Wind; the financial data of COSCO SHIP DEVP for the period of 2014 to 2016 were audited ones in each annual report; Bohai Financial has not yet published its 2016 annual report.

Influenced by major assets restructuring, liquid ratio of the Issuer has been declining year by year to 0.53 as of the end of 2016, far below the comparable companies in the industry on average. The short-term repayment capability of the Company is significantly weaker than comparable listed companies in the industry, which shows that the Company is under greater pressure of working capital than its industry peers. Therefore, to repay due liabilities with the proceeds raised will raise the Company's liquid ratio, and increase its working capital, which will help improve the capital structure of the Company and reduce its liabilities.

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(3) Reducing interest cost

Although debt financing provides capital support and guarantee for the Company's expansion, it also increases interest cost. Upon completion of restructuring, the interest-bearing liability increased significantly and the interest expenses increased correspondingly as affected by the global recession and overall environment in the shipping industry, profitability of the Company was low with interest cost accounting for a large portion for operation profit. Interest expense of the Company during the Reporting Period is set out as below:

Item	Unit: RMB10,000		
	2016	2015	2014
Interest cost	169,094.34	59,817.92	49,007.98
Operating profit	22,306.70	(316,152.97)	109,271.90
Interest cost as a percentage of operating profit (%)	758.04%	(18.92%)	44.85%

Note: Financial data for the period of 2014 to 2016 were the audited ones in each annual report.

The interest cost of the Company for the period of 2014 to 2016 accounted for 44.85%, -18.92% and 758.04% of the corresponding operating profit, respectively. After proceeds from the Non-public Issuance are in place, the Company will repay RMB1.8 billion of corporate bonds. Calculated based on Renminbi loan benchmark interest rate (one-year) estimated by financial institutions, the Company will save approximately RMB78.3 million of finance cost every year, reducing the Company's interest cost to some extent. Therefore, it is necessary for the Company to repay maturing corporate bonds with proceeds from the Non-Public Issuance and reduce total liabilities so as to decrease interest cost.

2. Feasibility analysis on repayment of due liabilities

To repay due liabilities with proceeds from the proposed Non-Public Issuance of A Shares will to some extent improve the liquid ratio of the Company, enhance its debt repayment capability, reduce finance risk and consolidate the financial structure of the Company. If calculated based on the Company's financial data as of 31 December 2016 without taking into account of the costs of the Issuance, after considering that RMB1.8 billion from the proceeds raised from the Non-public Issuance of A Shares will be used to repay maturing corporate bonds, the debt-to-asset ratio of the Company will decrease from 89.19% to 83.24% and liquid ratio will increase from 0.53 to 0.71.

After the Non-public Issuance, debt-to-asset ratio will be significantly reduced, which will help to improve capital structure and lower financial risk. In future, the Company may comprehensively use various financing instruments to provide reasonable and proper financing arrangement for the sustainable development of the Company under the precondition of controlling financial risk and maintaining healthy financial structure.

Therefore, upon completion of the Non-public Issuance, the Company intends to use the above-mentioned proceeds to repay due liabilities, which is in line with relevant laws and regulations, the actual situation of the Company and strategy requirements and shareholders interest as a whole, thus benefit the long-term and healthy development of the Company. The successful use of the proceeds will further improve the financial condition of the Company and enhance its core competitiveness and anti-risk capabilities.

III. IMPACT OF THE NON-PUBLIC ISSUANCE ON BUSINESS OPERATION AND FINANCIAL POSITION OF THE COMPANY

(I) Impact of the non-public issuance on the Company's business

Proceeds from the Non-Public Issuance will be mainly used for capital increase in Florens and repayment of maturing corporate bonds, which is in line with the Company's business transformation, namely to enhance, among other things, shipping leasing business and container leasing business after restructuring, national policy relevant to the industry and the industry development trend. It is expected that when the proceeds are in place, the core competitive strength will be further enhanced and its anti-risk capability will be effectively strengthened, which is of significant strategic meaning to the long-term sustainable development of the Company and provide strong capital security.

(II) Impact of the non-public issuance on the Company's financial position

As of 31 December 2016, the debt-to-asset ratio of the Company was 89.19%. The higher debt-to-asset ratio raised the financial risk of the Company and limited the financing ability of the Company, and prevented the development and expansion of the Company to some extent. Upon completion of the Non-Public Issuance, the Company's equity capital will increase, and capital strength will be quickly improved. If calculated based on the Company's financial data as of 31 December 2016, assuming the proceeds from the Non-Public Issuance will be RMB8.6 billion, upon the funds raised from the Issuance (without taking into account the issuance costs) are in place, the consolidated debt-to-asset ratio will reduce from 89.19% to 83.47%, and RMB1.8 billion of the proceeds raised will be used to repay maturing corporate bonds, as such the debt-to-asset ratio will further reduce to 83.24%.

Upon the Non-Public Issuance, it will improve capital structure and lower financial risk through implementation of the projects to be invested with the proceeds raised. In addition, it will help the Company to comprehensively use various financing instruments in the future to provide reasonable and proper financing arrangement under the precondition of controlling financial risk and maintaining healthy and appropriate financial arrangements.

IV. CONCLUSION

In view of the above, investment with proceeds raised from the Non-public Issuance is in line with relevant national industrial policy relevant to the industry, industry development trend and the strategic targets of the Company, which will help to promote the sustainable development and core competitiveness of the Company. Therefore, utilization of proceeds raised from the Non-public Issuance is feasible and in line with the interests of shareholders as a whole.

COSCO SHIPPING Development Co., Ltd.
Board of Directors

This English translation is for reference only. In the event of any discrepancy between the English translation and the Chinese version of the document, the Chinese version shall prevail.

**COSCO SHIPPING DEVELOPMENT CO., LTD.
ANNOUNCEMENT ON REMEDIAL MEASURES REGARDING DILUTION ON
CURRENT RETURNS AND THE IMPACT ON THE COMPANY'S MAJOR
FINANCIAL INDICATORS BY THE NON-PUBLIC ISSUANCE OF A SHARES
(REVISED)**

The board of directors of the Company and all directors hereby confirms that the information in this announcement does not contain any false representations, misleading statements or material omissions, and the directors jointly and severally accept full responsibilities for the truthfulness, accuracy and completeness of the information contained herein.

In order to further implement the requirements of the Several Opinions of the State Council on Further Promotion of the Healthy Development of the Capital Markets (《國務院關於進一步促進資本市場健康發展的若干意見》) (Guo Fa [2014] No. 17) and the Opinions of the General Office of the State Council on Further Strengthening the Protection of Small and Medium Investors' Legitimate Interests in the Capital Markets (《國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見》) (Guo Ban Fa [2013] No. 110), and in accordance to the Guiding Opinions on Matters Relating to the Dilution of Current Returns As a Result of the Initial Public Offering, Refinancing and Major Asset Restructuring (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》) (CSRC Announcement [2015] No. 31), the Company has conducted a thorough analysis on the impact of the Non-public Issuance on the dilution of current returns, after which an announcement regarding the impact of dilution of current returns on the main financial indicators of the Company and the remedial measures taken by the Company was published, with details set forth as follows:

**I. REGARDING THE IMPACT OF DILUTION OF CURRENT RESULTS ON THE
MAIN FINANCIAL INDICATORS OF THE COMPANY AS A RESULT OF THE
NON-PUBLIC ISSUANCE**

The Company intends to raise up to RMB8.6 billion through the Non-public Issuance of up to 2,336,625,000 shares. The Company has conducted a thorough analysis of the impact of the Non-public Issuance on the main financial indicators of the Company for the corresponding year, with details set forth as follows:

(I) Assumption for the analysis

The analysis is based on the following assumptions:

1. That the Non-public Issuance shall be completed by the end of November 2017 and 2,336,625,000 shares shall be issued under the Non-public Issuance. Such assumption is only used to calculate the impact of the Non-public Issuance on the earnings per share of the Company, and is not indicative of the judgment of the Company on the actual time of completion of the Non-public Issuance and the number of shares to be issued, which are subject to the final approval of China Securities Regulatory Commission ("CSRC");
2. That there is no material adverse changes in the macro-economic environment and conditions of the stock market as well as the operating environment of the Company;
3. That the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for 2016, is RMB-1,641.7787 million. The net profit of the Company for 2017 will be calculated based on the following 3 assumptions (which are not indicative of the judgment of the Company on its operating results and development for 2017 and does not constitute a profit forecast of the Company):

Scenario 1: assuming that the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for 2017, is 50% more than the restated net profit attributable to the shareholders of the listed company for 2016, net of non-recurring gains or losses;

Scenario 2: assuming that the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for 2017, is nil;

Scenario 3: assuming that the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for 2017, is RMB100 million;

4. Without taking into account the impact of the proceeds from the Non-public Issuance on the production and operation as well as the financial conditions, such as operating income, financial costs and investment profits, of the Company;
5. That there has been no provident fund converted to share capital or distribution of stock dividends, which have an impact on the number of shares in 2017.

APPENDIX III	REMEDIAL MEASURES REGARDING DILUTION ON CURRENT RETURNS AND THE IMPACT ON THE COMPANY'S MAJOR FINANCIAL INDICATORS BY THE NON-PUBLIC ISSUANCE OF A SHARES (REVISED)
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(II) Impact on earnings per share of the Company

Based on the above assumptions, the impact of the Non-Public Issuance on the major financial indicators of the Company is calculated as follows:

Item	2016	2017	
		Prior to the issuance	After the issuance
Total number of shares (10,000 shares)	1,168,312.50	1,168,312.50	1,401,975.00
Scenario 1: assuming that the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for 2017, is 50% more than the net profit attributable to the shareholders of the listed company net of non-recurring gains or losses for 2016;			
Net profit attributable to the shareholders of the listed company, net of non-recurring gains or losses (RMB10,000)	(164,177.87)	(82,088.94)	(82,088.94)
Basic earnings per share, net of non-recurring gains or losses (RMB per share)	(0.141)	(0.070)	(0.069)
Diluted earnings per share, net of non-recurring gains or losses (RMB per share)	(0.141)	(0.070)	(0.069)

Scenario 2: assuming that the net profit attributable to the shareholders of the listed company for 2017, net of non-recurring gains or losses, is nil;

Net profit attributable to the shareholders of the listed company, net of non-recurring gains or losses (RMB10,000)	(164,177.87)	0.00	0.00
Basic earnings per share, net of non-recurring gains or losses (RMB per share)	(0.141)	0.000	0.000
Diluted earnings per share, net of non-recurring gains or losses (RMB per share)	(0.141)	0.000	0.000

Item	2016	2017	
		Prior to the issuance	After the issuance
Scenario 3: assuming that the net profit attributable to the shareholders of the listed company for 2017, net of non-recurring gains or losses, is RMB100 million;			
Net profit attributable to the shareholders of the listed company, net of non-recurring gains or losses (RMB10,000)	(164,177.87)	10,000.00	10,000.00
Basic earnings per share, net of non-recurring gains or losses (RMB per share)	(0.141)	0.009	0.008
Diluted earnings per share, net of non-recurring gains or losses (RMB per share)	(0.141)	0.009	0.008

Notes:

- For the calculation of basic and diluted earnings per share, the Company has complied with the requirements on the Guiding Opinions on Matters Relating to the Dilution of Current Returns As a Result of Initial Public Offering, Refinancing and Major Asset Restructuring issued by the CSRC (《關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見》), as well as the Regulations on the Preparation of Information Disclosure for Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (《公開發行證券的公司信息披露編報規則第9號 – 淨資產收益率和每股收益的計算及披露》) promulgated by the CSRC.
- Basic earnings per share = current net profit attributable to the holders of the ordinary shares of the Company/weighted average of the number of ordinary shares in issue; weighted average of the number of ordinary shares in issue = number of ordinary shares in issue at beginning of the period + number of new ordinary shares in issue in the period * period of issuance/reporting period – number of ordinary shares repurchased * period of repurchase/reporting period.

From the above table, we can conclude that there is a risk of dilution for the earnings per share of the Company for 2017 upon completion of the Non-public Issuance.

II. RISKS ASSOCIATED WITH THE DILUTION OF CURRENT RETURNS AS A RESULT OF THE NON-PUBLIC ISSUANCE

Upon completion of the Non-public Issuance, after the proceeds have been received, the Company's total share capital will increase. Based on the above calculation, the Non-public Issuance may lead to a decrease in earnings per share for the corresponding year compared with that prior to the Issuance. In 2017, with the proceeds in place, there is a risk of short-term dilution of the current returns of the Company. Investors are hereby advised to make sensible decisions and be aware of the risks.

Meanwhile, the Company's assumptions on the relevant financial data for 2017 are only for the purpose of calculating the relevant financial indicators, which are not indicative of the Company's forecast on the operating results and development trend of the Company in 2017, nor does it constitute a profit forecast or commitment of the Company. Furthermore, the Issuance is subject to the approval of CSRC, and whether the approval will be granted, as well as the time of issuance is still uncertain. Investors should not make investment decisions based on the above assumptions, and the Company shall not be held liable for any losses resulting from the investment decisions made based on such assumptions.

III. EXPLANATIONS FOR THE NECESSITY AND RATIONALITY OF THE NON-PUBLIC ISSUANCE BY THE BOARD OF DIRECTORS

(I) To meet the needs of business development and to promote and implement the business strategy

The Company plans to rely on the shipping finance to utilize its advantages in the shipping logistics industry and integrate industrial chain resources, so as to build an industrial cluster with leasing, investment, insurance and banking at the core of the business and grow into a "one-stop" financial services group with market mechanism, differentiated advantages and international vision as well as industry with financial integration, financing with finance integration and collaborative development of its various business areas. The proceeds from the Non-public Issuance will be used in the capital increase in Florens International Limited (referred to as Florens), which will help it capture market opportunities, develop premium business and expedite the accomplishment of the Company's strategic objectives.

(II) To reduce financial costs, satisfy the Company's day-to-day operational needs and optimize its capital structure

In recent years, with the rapid growth of the business scale and the major asset restructuring, the liabilities of the Company expanded accordingly. As of 31 December, 2016, the Company's consolidated liabilities amounted to RMB111.878 billion, representing a debt-to asset ratio of 89.19%. With the Company rolling out various types of leasing and financing business, its liabilities may continue to grow. Use of part of the proceeds from the Non-public Issuance to repay mature corporate bonds will optimize the capital structure, reduce financial costs and improve the overall competitiveness of the Company.

IV. RELATIONSHIP BETWEEN THE INVESTMENT PROJECTS THROUGH NON-PUBLIC ISSUANCE AND THE COMPANY'S EXISTING BUSINESSES AND RESERVES ON THE COMPANY'S TALENT, TECHNOLOGY AND MARKET RESOURCES FOR THE INVESTMENT PROJECTS**(I) Relationship between the investment projects and the Company's existing business*****1. Capital injection in Florens***

The Company intends to use the proceeds for capital injection in Florens, for purchase of containers during the period of 2017 to 2019. According to Florens' plan, a total of about 0.7804 million TEUs of containers will be purchased during the period of 2017 to 2019 to replace the retired containers that are sold and those with finance leases expired, so as to promote the comprehensive and coordinated development of container leasing business. Through this investment project, the number of Florens' container fleet will be maintained and expanded and its competitive position in the industry will be further consolidated. In the meantime, the container leasing industry will gradually rebound. With the gradual increase in the return on investment, the procurement of containers when the container leasing industry market is at relatively low level is beneficial to the increase in capital return.

2. Repayment of mature corporate bonds

The Company intends to use the proceeds to repay mature corporate bonds, so as to improve the Company's capital structure and liquidity indicators, reduce its liabilities and financial risks and enhance its capital strength and anti-risk capability, which will help the Company to reduce its financial expenses and lay a solid foundation for its rapid development in the future.

(II) Fund raising investment project in relation to the reserves on the human resources, technology and market***1. Capital Increase in Florens******(1) Human resources reserve***

As a company dedicated to the container leasing industry for years, Florens attached high importance to human resources reserve by recruiting and training a large number of comprehensive talents with rich management experience, and built a professional management team with high quality. The staff team in the container leasing business segment currently consists of professional talents in various professional fields, such as professional accountants, professional management staff, professional lawyers and professional legal advisors.

(2) *Technical reserve*

Florens has been actively participating in promoting and optimizing the inspection and maintenance standards in the industry. It established the CIC inspection standards together with a number of famous container leasing companies in the industry, such as Triton and Seaco, with an aim to effectively decrease the maintenance costs while keeping the containers in good condition. Most of the operations have achieved full scale automation and thus having significantly improved the work efficiency and service quality. For example, the full scale automatic billing management system of depots and the online inventory data management system further improved the efficiency in management cost.

(3) *Market reserve*

Florens has thoroughly implemented a major client policy by establishing business relationship with the top 20 liner operators in the world and at the same time continued to develop relationship with regional customers with quality. As at the end of December 2016, the number of leasing customers of the company has reached nearly 300.

2. *Repayment of maturing corporate bonds*

One of the above-mentioned fund raising investment projects through Non-public Issuance is for the purposes of repayment of maturing corporate bonds without involving reserves relating to human resources, technology and market.

V. REMEDIAL MEASURES TAKEN BY THE COMPANY ON THE IMPACT OF DILUTION OF CURRENT RETURNS AS A RESULT OF THE ISSUANCE

(I) Special Risk associated with the Dilution of Current Returns as a Result of the Issuance

After the raised proceeds have been received upon the Issuance, the share capital and net assets of the Company will increase. Since the implementation of the investment projects financed by the proceeds raised will take some time, return to shareholders during the implementation period can still be achieved mainly through our existing businesses. As a result, the enlarged share capital and net assets may lead to dilution in earnings per share and return on net assets of the Company in the short term, therefore the abovementioned indicators are exposed to risk of decrease in the short term. The Company reminds investors to make rational investment and pay attention to the risk of dilution of the current returns after the Issuance.

(II) Specific Measures to Compensate the Dilution on Current Returns as a Result of the Issuance

To reduce the impact of dilution of current returns as a result of the Non-public Issuance and increase returns earned for the benefits of the shareholders of the Company, the Company intends to compensate the dilution on current returns through the following measures:

1. Strengthen the supervision of investment projects financed by the proceeds raised to ensure the efficient use of funds raised from the Issuance.

In order to regulate the management and use of proceeds raised by the Company to ensure that the proceeds are used for investment projects financed by such proceeds only, the Company has complied with the requirements of the Company Law of the People's Republic of China, the Securities Law of the People's Republic of China and the Listing Rules and other laws and regulations and regulatory documents, to formulate and improve the Administrative Measures for Proceeds Raised, pursuant to which the Company will take strict administrative measures for the use of proceeds and place the proceeds in a special account for specific designated purpose only, so as to ensure that the proceeds are used sufficiently and efficiently for intended use. The Company will strive to improve the utilization efficiency of the proceeds, perfect and enhance the investment decision process, formulate more reasonable plan for the use of proceeds, make reasonable use of various financing tools and channels, control finance cost, enhance the utilization rate of proceeds, reduce various expenses and costs of the Company and comprehensively and effectively manage the relevant operation and control risks, so as to improve operational efficiency.

2. Accelerate the construction progress of investment projects financed by the proceeds raised to realise the expected return as soon as possible.

The proceeds raised from the Non-Public Issuance will mainly be used to capital increase in Florens and repay maturing corporate bonds. After receiving the proceeds upon the Issuance, the Company will speed up the construction and operation of investment projects financed by the proceeds raised, actively allocate resources, arrange the progress of the projects in a reasonable and comprehensive manner, strive to realize the expected benefits from the projects as soon as possible, expand the returns of the shareholders in subsequent years, and mitigate the risk of dilution of current returns as a result of the Issuance.

3. Promote the implementation of the development strategies to comprehensively enhance the overall competitiveness of the Company.

After its strategic transformation, the Company will rely on shipping financing to take advantage of the strengths in the shipping and logistics industry and to integrate the industrial chain resources. The Company will build an industrial cluster with leasing,

investment, insurance and banking as the core, and will establish a “one-stop” financial service group that combines shipping with finance and combines financing with finance which can coordinate the development among various operations based on market mechanism, differentiated competitive advantages and international perspective. The Company will strive to integrate its quality resources for being a shipping financial platform, give full effect to the industrial advantages of the Group, collaboratively develop a variety of financial operations to become China's leading and the world's first-class integrated financial services group with a distinct shipping logistic features, so as to comprehensively enhance the overall competitiveness of the Company.

4. Stringently implement cash dividend distribution policy and optimize investment return mechanism.

According to the requirements of the Notice Regarding Further Implementation of Cash Dividends Distribution by Listed Companies and the Listed Companies Regulatory Guidance No. 3 – Cash Dividends Distribution of Listed Companies issued by the CSRC, the Company further improved and refined the profit distribution policy. By fully taking into account of the investment on the return for the shareholders and for the growth and development of the Company, the Company formulated the Plan for Shareholders' Return Plan for the Next Three Years (2016-2018) of COSCO SHIPPING Development Co., Ltd., and revised the profit distribution policy set out in the Articles of Association accordingly. The formulation and perfection of the aforesaid system further clarifies the decision making procedures and mechanism of dividend distribution and the specific proportion of bonus shares to be issued of the Company, which will effectively guarantee the reasonable investment return of all shareholders. In the future, the Company will continue to strictly implement its dividend policy and optimise the investment return mechanism to ensure that the interests of its shareholders, especially the minority shareholders, can be protected.

VI. UNDERTAKINGS WITH REGARDS TO THE REMEDIAL MEASURES FOR DILUTION ON CURRENT RETURNS BY THE PROPOSED NON-PUBLIC ISSUANCE OF THE COMPANY

To ensure that the remedial measures for dilution of current returns by the Proposed Non-public Issuance of A Shares of the Company are implemented, and to protect the legitimate interests of the Company and all its shareholders, each of the directors, senior management of the Company, China Shipping and COSCO shipping Group have issued their respective Letters of Undertaking Regarding Effective Implementation of Measures aiming at Remedying Diluted Current returns Through the Non-public Issuance of Shares of COSCO SHIPPING Development Co., Ltd. in accordance with the requirements of the applicable laws, regulations and regulatory documents including the Several Opinions of the State Council on Further Promoting the Healthy Development of the Capital Markets (Guo Fa [2014] No. 17) (國務院關於進一步促進資本市場健康發展的若干意見 (Guo Fa [2014] No. 17) and the

Opinions of the General Office of the State Council on Further Strengthening the Protection of Small and Medium Investors' Legitimate Interests in the Capital Markets (Guo Ban Fa [2013] No. 110) (國務院辦公廳關於進一步加強資本市場中小投資者合法權益保護工作的意見 (Guo Ban Fa [2013] No. 110) and the Guiding Opinions on Matters Relating to the Dilution of Current Returns As a Result of Initial Public Offering, Refinancing and Major Asset Restructuring CSRC Announcement [2015] No. 31) (關於首發及再融資、重大資產重組攤薄即期回報有關事項的指導意見 CSRC Announcement [2015] No. 31). Details of such undertakings are set out as follows:

(I) Undertakings by the Directors and Senior Management of the Company

According to the Letter of Undertakings Regarding Directors and Senior Management's Commitment to Ensure the Implementation of the Non-public Issuance of Shares by COSCO SHIPPING Development Co., Ltd. to Cover the Dilution of Current Returns issued by the Directors and senior management of the Company, the Directors and senior management of the Company have made the following undertakings:

1. I hereby undertake not to transfer benefits to other entities or individuals with no consideration or under unfair terms, and shall not damage the Company's interests in any other ways.
2. I hereby undertake to constrain the consumption behavior in relation to my work duty.
3. I hereby undertake not to use the Company's assets for investments or consumption activities that are unrelated to the engagement and performance of my work duties.
4. I hereby undertake that the remuneration system formulated by the board of directors or the remuneration committee will be linked with the implementation of the Company's remedial measures in relation to the returns of the Company.
5. I hereby undertake that the vesting conditions for the proposed share incentive scheme (if any) of the Company will be linked with the implementation of the Company's remedial measures in relation to returns of the Company.
6. From the date of making these undertakings until completion of the Proposed Non-public Issuance of A Shares, I undertake to make supplemental undertakings in accordance with the latest regulations imposed by the China Securities Regulatory Commission, which renders the aforementioned undertakings that are inadequate to satisfy such regulatory requirements.
7. I hereby undertake to perform these undertakings. If I violate these undertakings and cause losses to the Company or the investors, I shall be liable to indemnify the Company or the investors for their losses in accordance with the law.

(II) Undertakings by China Shipping

As the direct controlling shareholder of the Company, China Shipping has issued the Letter of Undertakings Regarding China Shipping (Group) Company's Commitment to Ensure the Implementation of the Non-public Issuance of Shares by COSCO SHIPPING Development Co., Ltd. to Cover the Dilution of Current Returns and has made the following undertakings:

"The Company shall continue to ensure the independence of the Listed Company, and shall not go beyond its power to interfere with the operation management activities of the Listed Company and shall not encroach upon the interests of the Listed Company."

The Company hereby undertakes to perform these undertakings. If the Company violates such undertakings and causes losses to the Listed Company or to the investors, the Company shall be liable to indemnify the Listed Company or the investors for their losses in accordance with the law.

(III) Undertakings by China COSCO

As the direct controlling shareholder of the Company and the sole shareholder of China Shipping, China COSCO has issued the Letter of Undertakings Regarding China COSCO Shipping Corporation Limited's Commitment to Ensure the Implementation of the Non-public Issuance of Shares by COSCO SHIPPING Development Co., Ltd. to Cover the Dilution of Current Returns and has made the following undertakings:

The Company shall continue to ensure the independence of the Listed Company, and shall not go beyond its power to interfere with the operation management activities of the Listed Company and shall not encroach upon the interests of the Listed Company.

The Company hereby undertakes to perform these undertakings. If the Company violates such undertakings and causes losses to the Listed Company or to the investors, the Company shall be liable to indemnify the Listed Company or the investors for their losses in accordance with the law.

Announcement is hereby given.

COSCO SHIPPING Development Co., Ltd.

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 Shares	Capacity	Number of Shares interested (Note 1)	Approximate percentage of the relevant class of Shares of the Company (%)	Approximate percentage of the total issued share capital of the Company (%)
Wang Daxiong	Director	H Shares	Other	834,677 (L) (Notes 2 and 3)	0.02	0.01
Liu Chong	Director	H Shares	Other	1,112,903 (L) (Notes 2 and 4)	0.03	0.01
Xu Hui	Director	H Shares	Other	945,968 (L) (Notes 2 and 5)	0.03	0.01
Fu Yi	Supervisor	H Shares	Other	556,452 (L) (Notes 2 and 6)	0.01	0.00

Notes:

1. “L” means long position in the shares.
2. 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 the Asset Management Plan, pursuant to which the executive Directors, Supervisor, senior management and employees of the Company have 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 will 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.
3. Mr. Wang Daxiong is one of the participants of the Asset Management Plan through which he holds 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 does not hold any Shares.
4. Mr. Liu Chong is one of the participants of the Asset Management Plan through which he holds 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 does not hold any Shares.
5. Mr. Xu Hui is one of the participants of the Asset Management Plan through which he holds 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 does not hold any Shares.
6. Mr. Fu Yi is one of the participants of the Asset Management Plan through which he holds approximately 8.06% of the total number of units of the Asset Management Plan as at the Latest Practicable Date. Accordingly, the 556,452 H Shares represent the interests derived from the units subscribed by Mr. Fu Yi in the Asset Management Plan as at the Latest Practicable Date. As at the Latest Practicable Date, Mr. Fu Yi does not hold any Shares.

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

As at the Latest Practicable Date:

- (i) Ms. Sun Yueying, an executive Director, is also the chief accountant and member of the Party leadership group of COSCO SHIPPING;
- (ii) Mr. Chen Dong, an non-executive Director, is also a department general manager of COSCO SHIPPING;
- (iii) Mr. Huang Jian, an non-executive Director, is also a department general manager of COSCO SHIPPING;
- (iv) Mr. Feng Boming, an non-executive Director, is also a department general manager of COSCO SHIPPING;

(v) Mr. Hao Wenyi, a Supervisor, is also a department general manager of COSCO SHIPPING; and

(vi) Mr. Ye Hongjun, a Supervisor, is also the chief legal adviser of COSCO SHIPPING.

Save as disclosed above, none of the Directors or Supervisors of the Company 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 follow:

Name of Shareholder	Class of Shares	Capacity	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 (%)
China Shipping	A Shares	Beneficial owner	4,458,195,175 (L) (Note 2)	56.20	38.16
	H Shares	Interest of controlled corporation	100,944,000 (L) (Note 3)	2.69	0.86
COSCO SHIPPING	A Shares	Interest of controlled corporation	4,458,195,175 (L) (Note 2)	56.20	38.16
	H Shares	Interest of controlled corporation	100,944,000 (L) (Note 3)	2.69	0.86
The Northern Trust Company (ALA)	H Shares	Approved lending agent	249,945,900 (P)	6.66	2.14

Notes:

1. “L” means long position in the shares and “P” means shares in the lending pool.
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 2016, 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. MATERIAL INTERESTS

As at the Latest Practicable Date:

- (i) none of the Directors or Supervisors had any direct or indirect interest in any assets which had been, since 31 December 2016 (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
- (ii) none of the Directors or 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.

6. 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 Listing Rules.

7. EXPERTS

The following is the qualification of the experts who have given their opinions or advices which are contained in this circular:

Name	Qualification
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
Grandall Law Firm (Shanghai)	PRC legal advisers to the Company

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

As at the Latest Practicable Date, each of the above 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 above 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 2016 (being the date to which the latest published audited statements of the Group were made up).

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents (i) are available for inspection during normal business hours at the principal place of business of the Company in Hong Kong at 31/F, Tower 2, Kowloon Commerce Centre, 51 Kwai Cheong Road, Kwai Chung, New Territories, Hong Kong and (ii) the website of the Company at www.cscl.com.cn from the date of this circular up to and including the date of the EGM and the Class Meetings:

- (a) the COSCO Subscription Agreement;
- (b) the letter from the Board, the text of which is set out in the section headed “Letter from the Board” in this circular;

- (c) 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;
- (d) 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;
- (e) the written consents referred to in the paragraph headed “Experts” in this Appendix; and
- (f) this circular.

NOTICE OF EGM

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

This notice is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of 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)

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, 5 June 2017 at Doris Hall, Level 4, Ocean Hotel Shanghai, 1171 Dong Da Ming Road, Hong Kou District, Shanghai, the People’s Republic of China (the “**PRC**”) to consider and, if thought fit, pass the following resolutions. Unless otherwise defined, capitalised terms used in this notice shall have the same meanings as those defined in the announcement of the Company dated 20 April 2017 (the “**Announcement**”).

SPECIAL RESOLUTIONS

1. To consider and approve the resolution in relation to the adjustments under the Revised Proposed Non-public Issuance, details of which are set out in the Announcement:

“THAT:

- (a) each of the following adjustments under the Revised Proposed Non-public Issuance of A Shares be and is hereby approved, confirmed and ratified, and be implemented conditional upon approvals and/or authorisations having been obtained from the relevant authorities:
 - (i) adjustment to the method and time of issuance;
 - (ii) adjustment to the target subscribers;
 - (iii) adjustment to the Price Determination Date, issue price and pricing principles;

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- (iv) adjustment to the number of A Shares to be issued and method of subscription;
 - (v) adjustment to the lock-up period;
 - (vi) adjustment to the use of proceeds; and
 - (vii) adjustment to the validity period of resolution; and
- (b) any one Director be and is hereby authorised 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 adjustments under the Revised Proposed Non-public Issuance of A Shares.”
2. To consider and approve the resolution in relation to the “Proposal in respect of the Non-public Issuance of A Shares (Revised)”, details of which are set out in the overseas regulatory announcement of the Company dated 20 April 2017.
3. To consider and approve the resolution in relation to the “Feasibility Report on the Use of Proceeds from the Non-public Issuance of A Shares (Revised)”, details of which are set out in the overseas regulatory announcement of the Company dated 20 April 2017.
4. To consider and approve the resolution in relation to the COSCO Subscription Agreement dated 20 April 2017 entered into between the Company and COSCO SHIPPING, details of which are set out in the Announcement:

“THAT:

- (a) the COSCO Subscription Agreement dated 20 April 2017 entered into between the Company and COSCO SHIPPING, pursuant to which COSCO SHIPPING has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, 50% of the total number of A Shares to be issued under the Revised Proposed Non-public Issuance of A Shares, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and
- (b) any one Director be and is hereby authorised 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 COSCO Subscription Agreement and the transactions contemplated thereunder.”

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5. To consider and approve the resolution in relation to the COSCO Subscription constituting a connected transaction under the relevant PRC laws and regulations.
6. To consider and approve the resolution in relation to the Specific Mandate, details of which are set out in the Announcement:

“THAT:

- (a) the Board be and is hereby granted a specific mandate to issue not more than 2,336,625,000 A Shares (subject to adjustments) at an issue price of not less than the Benchmark Price (subject to adjustments) to not more than 10 specific target subscribers, including COSCO Shipping, by the Company under the Revised Proposed Non-public Issuance of A Shares (including the issue of such number of A Shares to COSCO SHIPPING pursuant to the COSCO Subscription Agreement); and
 - (b) any one Director be and is hereby authorised 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 Special Mandate.”
7. To consider and approve the resolution in relation to the authorisation to the Board and any person authorised by the Board to handle all matters in connection with the Revised Proposed Non-public Issuance of A Shares.
8. To consider and approve the resolution in relation to the waiver of COSCO SHIPPING’s obligation to make a general offer of the securities of the Company as a result of the COSCO Subscription under the relevant PRC laws and regulations.

ORDINARY RESOLUTIONS

9. To consider and approve the resolution in relation to the satisfaction of the criteria for non-public issuance of A Shares of the Company.
10. To consider and approve the resolution in relation to the “Remedial Measures regarding Dilution on Current Returns and the Impact on the Company’s Major Financial Indicators by the Non-public Issuance of A Shares (Revised)”, details of which are set out in the overseas regulatory announcement of the Company dated 20 April 2017.

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11. To consider and approve the resolution in relation to the application for loans from China Bohai Bank Co., Ltd. by COSCO SHIPPING Leasing Co., Ltd.

By order of the Board of
COSCO SHIPPING Development Co., Ltd.
Yu Zhen
Joint Company Secretary

Shanghai, the People's Republic of China

20 April 2017

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 5 May 2017 to 5 June 2017 (both days inclusive), during which period no transfer of H Shares of the Company will be registered. H Shareholders whose names appear on the Register of Members at the close of business on 4 May 2017 are entitled to attend and vote at the EGM.
2. In order to attend 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 4 May 2017.

The address of Computershare is as follows:

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

3. H Shareholders who intend to attend the EGM must complete the reply slips and return them to the Directorate Secretary Office of the Company not later than 20 days before the date of the EGM (i.e. not later than 15 May 2017).

The address of the Directorate Secretary Office of the Company is as follows:

22nd Floor, Maritime Research Building
628 Minsheng Road
Pudong New Area
Shanghai 200135
the People's Republic of China
Tel: (8621) 6596 7333
Fax: (8621) 6596 6813

4. 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 behalf at the EGM.
5. The instrument appointing a proxy must be in writing under the hand of the appointer or his attorney duly authorised in writing. If that instrument is signed by an attorney of the appointer, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be notarially certified.
6. 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.

NOTICE OF EGM

7. 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 or other authorities or other notarised copy of the licence issued by such legal person Shareholder. 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.
8. 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, each of 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 Stock Exchange at www.hkexnews.hk after the EGM.
9. 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.
10. 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 Ms. Sun Yueying, Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, being executive Directors, Mr. Feng Boming, Mr. Huang Jian and Mr. Chen Dong, being non-executive Directors, and Mr. Cai Hongping, Mr. Tsang Hing Lun, Ms. Hai Chi Yuet and Mr. Graeme Jack, 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."*

NOTICE OF H SHARES CLASS MEETING

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This notice is for information purposes only and does not constitute an invitation or offer to acquire, purchase or subscribe for securities of 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)

NOTICE OF H SHARES CLASS MEETING

NOTICE IS HEREBY GIVEN that a class meeting of H Shareholders (the “**H Shares Class Meeting**”) of COSCO SHIPPING Development Co., Ltd. (the “**Company**”) will be held at 1:30 p.m. on Monday, 5 June 2017 at Doris Hall, Level 4, 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, capitalised terms used in this notice shall have the same meanings as those defined in the announcement of the Company dated 20 April 2017 (the “**Announcement**”).

SPECIAL RESOLUTIONS

1. To consider and approve the resolution in relation to the adjustments under the Revised Proposed Non-public Issuance, details of which are set out in the Announcement:

“THAT:

- (a) each of the following adjustments under the Revised Proposed Non-public Issuance of A Shares be and is hereby approved, confirmed and ratified, and be implemented conditional upon approvals and/or authorisations having been obtained from the relevant authorities:
 - (i) adjustment to the method and time of issuance;

NOTICE OF H SHARES CLASS MEETING

- (ii) adjustment to the target subscribers;
 - (iii) adjustment to the Price Determination Date, issue price and pricing principles;
 - (iv) adjustment to the number of A Shares to be issued and method of subscription;
 - (v) adjustment to the lock-up period;
 - (vi) adjustment to the use of proceeds; and
 - (vii) adjustment to the validity period of the resolutions; and
- (b) any one Director be and is hereby authorised 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 adjustments under the Revised Proposed Non-public Issuance of A Shares.”
2. To consider and approve the resolution in relation to the “Proposal in respect of the Non-public Issuance of A Shares (Revised)”, details of which are set out in the overseas regulatory announcement of the Company dated 20 April 2017.
3. To consider and approve the resolution in relation to the COSCO Subscription Agreement dated 20 April 2017 entered into between the Company and COSCO SHIPPING, details of which are set out in the Announcement:

“THAT:

- (a) the COSCO Subscription Agreement dated 20 April 2017 entered into between the Company and COSCO SHIPPING, pursuant to which COSCO SHIPPING has conditionally agreed to subscribe for, and the Company has conditionally agreed to issue, 50% of the total number of A Shares to be issued under the Revised Proposed Non-public Issuance of A Shares, and the transactions contemplated thereunder be and are hereby approved, confirmed and ratified; and

NOTICE OF H SHARES CLASS MEETING

- (b) any one Director be and is hereby authorised 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 COSCO Subscription Agreement and the transactions contemplated thereunder.”
4. To consider and approve the resolution in relation to the Specific Mandate, details of which are set out in the Announcement:

“THAT:

- (a) the Board be and is hereby granted a specific mandate to issue not more than 2,336,625,000 A Shares (subject to adjustments) at an issue price of not less than the Benchmark Price (subject to adjustments) to not more than 10 specific target subscribers, including COSCO SHIPPING, by the Company under the Revised Proposed Non-public Issuance of A Shares (including the issue of such number of A Shares to COSCO SHIPPING pursuant to the COSCO Subscription Agreement); and
- (b) any one Director be and is hereby authorised 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 Special Mandate.”
5. To consider and approve the resolution in relation to the authorisation to the Board and any person authorised by the Board to handle all matters in connection with the Revised Proposed Non-public Issuance of A Shares.

By order of the Board of
COSCO SHIPPING Development Co., Ltd,
Yu Zhen
Joint Company Secretary

Shanghai, the People’s Republic of China

20 April 2017

NOTICE OF H SHARES CLASS MEETING

Notes:

1. For the purpose of holding the H Shares Class Meeting, the register of H Shares members of the Company (the “**Register of Members**”) will be closed from 5 May 2017 to 5 June 2017 (both days inclusive), during which period no transfer of H Shares of the Company will be registered. H Shareholders whose names appear on the Register of Members at the close of business on 4 May 2017 are entitled to attend and vote at the H Shares Class Meeting.
2. In order to attend the H Shares Class Meeting, 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 4 May 2017.

The address of Computershare is as follows:

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

3. H Shareholders, who intend to attend the H Shares Class Meeting, must complete the reply slips and return them to the Directorate Secretary Office of the Company not later than 20 days before the date of the H Shares Class Meeting (i.e. not later than 15 May 2017).

The address of the Directorate Secretary Office of the Company is as follows:

22nd Floor, Maritime Research Building
628 Minsheng Road
Pudong New Area
Shanghai 200135
the People’s Republic of China
Tel: (8621) 6596 7333
Fax: (8621) 6596 6813

4. Each H Shareholder who has the right to attend and vote at the H Shares Class Meeting is entitled to appoint in writing one or more proxies, whether a Shareholder or not, to attend and vote on his behalf at the H Shares Class Meeting.
5. The instrument appointing a proxy must be in writing under the hand of the appointer or his attorney duly authorised in writing. If that instrument is signed by an attorney of the appointer, the power of attorney authorising that attorney to sign, or other documents of authorisation, must be notarially certified.
6. 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 H Shares Class Meeting or any adjournment thereof in order for such documents to be valid.
7. If a proxy attends the H Shares Class Meeting 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 H Shares Class Meeting, such representative should produce his/her identity card and the notarised copy of the resolution passed by the Board or other authorities or other notarised copy of the licence issued by such legal person Shareholder. 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.

NOTICE OF H SHARES CLASS MEETING

8. 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, each of the resolutions set out in the notice of the H Shares Class Meeting will be voted on by poll. Results of the poll voting will be published on the website of the Stock Exchange at www.hkexnews.hk after the H Shares Class Meeting.
9. 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 H Share Class Meeting, either personally or by proxy, in respect of such share as if he/she were solely entitled thereto.
10. The H Shares Class Meeting is estimated to last for half a day. Shareholders who attend the H Shares Class Meeting in person or by proxy shall bear their own transportation and accommodation expenses.

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