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中遠海運發展股份有限公司

COSCO SHIPPING Development Co., Ltd.*

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

(Stock Code: 02866)

MAJOR AND CONNECTED TRANSACTION

MERGER OF CS FINANCE AND COSCO FINANCE

THE MERGER

The Board is pleased to announce that, on 13 November 2017, it has approved the Merger between CS Finance (a non-wholly owned subsidiary of the Company) and COSCO Finance, pursuant to which CS Finance will absorb and merge with COSCO Finance.

Upon Completion, (i) CS Finance will continue as the surviving company and be renamed as COSCO SHIPPING Finance and (ii) COSCO Finance will cease to exist as a legal entity and become a branch of COSCO SHIPPING Finance, and the assets, liabilities, businesses and employees of which shall be succeeded by COSCO SHIPPING Finance.

THE SHAREHOLDERS AGREEMENT

In addition, on 13 November 2017, the Post-Merger Shareholders (including the Company) entered into the Shareholders Agreement to govern their respective rights and obligations in COSCO SHIPPING Finance.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios calculated in respect of the Merger, the Shareholders Agreement and the transactions contemplated thereunder in accordance with the Listing Rules exceed 25% but are less than 75%, the Merger, the Shareholders Agreement and the transactions contemplated thereunder constitute a major transaction of the Company which is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, 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 an indirect controlling shareholder of the Company and therefore a connected person of the Company.

As COSCO Finance is an indirect non-wholly owned subsidiary of COSCO SHIPPING, it is an associate of COSCO SHIPPING and therefore a connected person of the Company. In addition, each of the Post-Merger Shareholders (excluding COSCO SHIPPING and the Company) is an associate of COSCO SHIPPING and therefore a connected person of the Company.

Accordingly, the Merger, the Shareholders Agreement and the transactions contemplated thereunder also constitute a connected transaction of the Company which is subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

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

In this connection, the Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Merger, the Shareholders Agreement and the transactions contemplated thereunder.

EGM

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve, among other things, the Merger, the Shareholders Agreement and the transactions contemplated thereunder.

COSCO SHIPPING and its associates and those who are interested in the Merger, the Shareholders Agreement and the transactions contemplated thereunder will be required to abstain from voting on the resolutions in relation to the Merger, the Shareholders Agreement and the transactions contemplated thereunder. 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 Merger, the Shareholders Agreement and the transactions contemplated thereunder and therefore no other Shareholder is required to abstain from voting at the EGM for the relevant resolutions.

A circular containing, among other things, (i) further details of the Merger, the Shareholders Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Merger, the Shareholders Agreement and the transactions contemplated thereunder; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its recommendation in respect of the Merger, the Shareholders Agreement and the transactions contemplated thereunder; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 12 December 2017, which is more than 15 business days after the publication of this announcement, as more time is needed for the preparation of certain information to be included in the circular.

As Completion is subject to, among other things, the fulfillment of a number of conditions, the Merger and the Simultaneous Transfer may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

INTRODUCTION

The Board is pleased to announce that, on 13 November 2017, it has approved the Merger between CS Finance (a non-wholly owned subsidiary of the Company) and COSCO Finance, pursuant to which CS Finance will absorb and merge with COSCO Finance.

Upon Completion, (i) CS Finance will continue as the surviving company and be renamed as COSCO SHIPPING Finance and (ii) COSCO Finance will cease to exist as a legal entity and become a branch of COSCO SHIPPING Finance, and the assets, liabilities, businesses and employees of which shall be succeeded by COSCO SHIPPING Finance.

In addition, on 13 November 2017, the Post-Merger Shareholders (including the Company) entered into the Shareholders Agreement to govern their respective rights and obligations in COSCO SHIPPING Finance.

THE MERGER

The principal terms of the Merger are as follows:

Parties: (1) CS Finance; and
(2) COSCO Finance.

Merger: CS Finance will absorb and merge with COSCO Finance according to the method of business combination under common control.

Upon Completion:

- (1) CS Finance will continue as the surviving company with its company type, business term and business scope remaining unchanged, and will be renamed as COSCO SHIPPING Finance (subject to the confirmation of the relevant industry and commerce authority); and
- (2) COSCO Finance will cease to exist as a legal entity and become a branch of COSCO SHIPPING Finance, and the assets, liabilities, businesses and employees of which shall be succeeded by COSCO SHIPPING Finance.

Simultaneous Transfer As part of the Merger, China Shipping and COSCO Company will simultaneously transfer their respective equity interests in COSCO SHIPPING Finance, directly owned by them, to COSCO SHIPPING at nil consideration.

Upon Completion, (i) COSCO SHIPPING, (ii) the existing shareholders of CS Finance (excluding China Shipping) and (iii) the existing shareholders of COSCO Finance (excluding COSCO Company) will become the Post-Merger Shareholders of COSCO SHIPPING Finance, and COSCO SHIPPING will become the holding company, controlling shareholder and actual controller of COSCO SHIPPING Finance.

Shareholding structure upon Completion Upon Completion, the registered capital of COSCO SHIPPING Finance will be the aggregate of the registered capital of CS Finance and COSCO Finance prior to the Merger, being RMB2.8 billion.

The amount of contributed registered capital of each of the Post-Merger Shareholders and their respective shareholding in COSCO SHIPPING Finance will be determined in accordance with their respective shareholding in CS Finance and/or COSCO Finance prior to the Merger with reference to the assessed value of the equity interest of CS Finance and COSCO Finance based on the assessed net asset value of CS Finance and COSCO Finance stated in the Valuation Reports and the valuation results to be confirmed by the filing procedures (as disclosed in the section headed “The Shareholders Agreement – Adjustment to valuation results” below).

Based on the Valuation Reports, the shareholding structure of COSCO SHIPPING Finance upon Completion will be as follows:

Name of shareholders	Amount of contributed registered capital (RMB'000)	Assessed value of equity interest (RMB'000)	Approximate percentage of equity interest (%)
(1) COSCO SHIPPING	873,828.171	1,470,020.7	31.21
(2) The Company	654,752.268	1,101,474.4	23.38
(3) Other COSCO SHIPPING Subsidiaries			
COSCO Bulk Carrier	179,268.882	301,579.8	6.40
China Agency	125,488.217	211,105.9	4.48
Qingdao Ocean	71,707.553	120,631.9	2.56
Subtotal	376,464.652	633,317.7	13.45
(4) COSCO SHIPPING Energy Group			
COSCO SHIPPING			
Energy	251,827.795	423,644.0	8.99
Dalian Tanker	53,780.665	90,474.0	1.92
Subtotal	305,608.460	514,118.0	10.91
(5) COSCO SHIPPING Holdings Group			
COSCO SHIPPING			
Lines	219,604.380	369,435.3	7.84
COSCO International			
Freight	89,634.441	150,789.9	3.20
Subtotal	309,238.821	520,225.2	11.04

Name of shareholders	Amount of contributed registered capital (RMB'000)	Assessed value of equity interest (RMB'000)	Approximate percentage of equity interest (%)
(6) COSCO SHIPPING			
Specialized Group			
COSCO SHIPPING			
Specialized	89,634.441	150,789.9	3.20
Guangzhou Ocean	98,597.885	165,868.9	3.52
Subtotal	188,232.326	316,658.8	6.72
(7) Other COSCO Company			
Subsidiaries			
COSCO Shipbuilding	33,612.915	56,546.2	1.20
COSCO Shipyard	22,408.610	37,697.5	0.80
China Bunker	17,926.888	30,158.0	0.64
COSCO Xiamen	8,963.444	15,079.0	0.32
China Tally	8,963.444	15,079.0	0.32
Subtotal	91,875.301	154,559.7	3.28
Total	2,800,000.000	4,710,374.4	100.00

Note:

The amount of contributed registered capital, the assessed value of equity interest and the approximate percentage of equity interest are rounded to the nearest three, one and two decimal places, respectively, and may not add up to the sub-total and total due to rounding.

Conditions Precedent to the Merger	The Merger will take place upon the satisfaction of, or the waiver by CS Finance and COSCO Finance in writing of, all of the following conditions: (1) the Merger Agreement having become effective; (2) the shareholdings' meeting of each of CS Finance and COSCO Finance having approved the Merger; (3) the approvals for any matters in relation to the Merger requiring banking regulatory administrative approvals having been obtained from the relevant governmental authorities regulating banking industry; and (4) the Simultaneous Transfer having been approved by the relevant governmental authorities regulating state-owned assets.
Completion	The Merger will be completely implemented upon all of the following events having been completed: (1) CS Finance having completed the registrations with the relevant industry and commerce authority necessary for the Merger, including corporate merger, change of registered capital, change of shareholding structure and amendments to the articles of association; (2) COSCO Finance having transferred all its assets, liabilities and businesses to COSCO SHIPPING Finance, and having completed the registrations for changes necessary for the assets changes or the re-execution of the necessary agreements; (3) COSCO SHIPPING Finance having accepted all the employees who have maintained an employment relationship with COSCO Finance prior to the Merger and having possessed with and undertaken the rights and obligations under the employment relationships; and (4) COSCO Finance having ceased to exist as a legal entity and having become a branch of COSCO SHIPPING Finance.

THE SHAREHOLDERS AGREEMENT

On 13 November 2017, the Post-Merger Shareholders (including the Company) entered into the Shareholders Agreement to govern their respective rights and obligations in COSCO SHIPPING Finance.

The principal terms of the Shareholders Agreement are as follows:

Date: 13 November 2017

Parties:

- (1) COSCO SHIPPING;
- (2) the Company;
- (3) COSCO SHIPPING Energy;
- (4) Dalian Tanker;
- (5) COSCO SHIPPING Lines;
- (6) COSCO International Freight;
- (7) COSCO SHIPPING Specialized;
- (8) Guangzhou Ocean;
- (9) each of the Other COSCO SHIPPING Subsidiaries; and
- (10) each of the Other COSCO Company Subsidiaries.

Merger, Simultaneous Transfer and shareholding structure upon Completion

The Shareholders Agreement sets out the terms of the Merger substantially similar to the terms set out in the paragraphs headed “Merger”, “Simultaneous Transfer” and “Shareholding structure upon Completion” in the section headed “The Merger” above.

Adjustment to valuation results

As the Valuation Reports are subject to the filing procedures in respect of state-owned assets in accordance with the relevant PRC laws and regulations, the Post-Merger Shareholders have agreed and confirmed that in the event of any adjustments to the valuation results during the filing procedures, the respective shareholding and contributed registered capital in COSCO SHIPPING Finance (as disclosed in the section headed “The Merger – Shareholding structure upon Completion” above) will be adjusted according to the valuation as confirmed upon completion of the filing procedures.

Effectiveness of the Shareholders Agreement	The Shareholders Agreement shall be effective upon the satisfaction of all of the following conditions: (1) the Shareholders Agreement having been duly executed by the Post-Merger Shareholders; (2) the internal authorities of each of the Post-Merger Shareholders having approved the Merger; (3) the approvals for any matters in relation to the Merger requiring banking regulatory administrative approvals having been obtained from the relevant governmental authorities regulating banking industry; and (4) the Simultaneous Transfer having been approved by the relevant governmental authorities regulating state-owned assets.
Rights and obligations of the Post-Merger Shareholders	The Post-Merger Shareholders shall be entitled to, among other things, the following shareholders' rights: (i) receiving dividends and other forms of distributions proportional to their respective capital contribution, (ii) convening, participating and voting in shareholders' meetings, (iii) assigning, transferring or pledging their equity interests, (iv) accessing to corporate documents, including but not limited to the articles of association, minutes, resolutions, accountant's reports and accounting records, (v) distributions of assets according to capital contribution in the event of the winding-up of COSCO SHIPPING Finance and (vi) requesting for share redemption pursuant to the relevant requirements. The shareholders' obligations include, among other things, (i) observing the relevant laws, regulations and the articles of association, (ii) making capital contribution proportional to their respective shareholding, (iii) not withdrawing their capital contribution unless otherwise provided by the relevant laws, regulations and the articles of association and (iv) refraining from harming the interests of COSCO SHIPPING Finance and other Post-Merger Shareholders.

Termination In the event of any of the following circumstances, each of the Post-Merger Shareholders will be entitled to unilaterally terminate the Shareholders Agreement by notice in writing to all the other Post-Merger Shareholders:

- (1) an objection from any governmental department or judiciary authorities to the content and performance of the Shareholders Agreement, resulting in the Shareholders Agreement being terminated, revoked, deemed invalid, or the purpose of the execution of the Shareholders Agreement being materially affected as the material principal terms of which are made impossible to perform;
- (2) an explicit objection to the Merger from the banking regulatory authorities; or
- (3) a change to any law, regulation or normative document relied upon by the Shareholders Agreement rendering the main content of the Shareholders Agreement illegal, or an introduction of any state policy or order rendering any of the Post-mergers Shareholders unable to perform its main obligations under the Shareholders Agreement.

INFORMATION ON THE PARTIES TO THE MERGER

Information on CS Finance

CS Finance is a company established under the laws of the PRC with limited liability and a connected subsidiary of the Company. It is principally engaged in deposit services, credit services, financial and financing consultation, credit verification and related consultation and agency services, settlement, and liquidation.

As at the date of this announcement, the shareholding structure of CS Finance is as follows:

Name of shareholders	Approximate percentage of equity interest (%)
(1) The Company	65.00
(2) COSCO SHIPPING Energy	25.00
(3) China Shipping	10.00
Total	100.00

Based on the financial statements of CS Finance prepared in accordance with the PRC GAAP, the financial information of CS Finance for the two years ended 31 December 2015 and 2016 and the six months ended 30 June 2017 was approximately as follows:

	For the year ended		For the six
	31 December		months ended
	2015	2016	30 June 2017
	(audited)	(audited)	(audited)
	(RMB'000)	(RMB'000)	(RMB'000)
Profit before taxation	263,259	139,941	124,623
Profit after taxation	208,081	107,105	93,760

The audited net asset value of CS Finance as at 30 June 2017 was approximately RMB1,598,657,000.

According to the Valuation Reports, the total value of shareholders' equity of CS Finance as at 30 June 2017 was approximately RMB1,694,576,000, which was determined based on the market approach.

Information on COSCO Finance

COSCO Finance is a company established under the laws of the PRC with limited liability. It is principally engaged in the provision of financial services, credit verification and related consultation and agency services.

As at the date of this announcement, the shareholding structure of COSCO Finance is as follows:

Name of shareholders	Approximate percentage of equity interest (%)
(1) COSCO Company	43.13
(2) Other COSCO SHIPPING Subsidiaries	
COSCO Bulk Carrier	10.00
China Agency	7.00
Qingdao Ocean	4.00
Subtotal	21.00
(3) COSCO SHIPPING Holdings Group	
COSCO SHIPPING Lines	12.25
COSCO International Freight	5.00
Subtotal	17.25
(4) COSCO SHIPPING Specialized Group	
COSCO SHIPPING Specialized	5.00
Guangzhou Ocean	5.50
Subtotal	10.50

Name of shareholders	Approximate percentage of equity interest (%)
(5) Other COSCO Company Subsidiaries	
COSCO Shipbuilding	1.88
COSCO Shipyard	1.25
China Bunker	1.00
COSCO Xiamen	0.50
China Tally	0.50
Subtotal	5.13
(6) COSCO SHIPPING Energy Group	
Dalian Tanker	3.00
Subtotal	3.00
Total	100.00

Note:

The approximate percentage of shareholding is rounded to the nearest two decimal places and the total percentage of the shareholding may not add up to 100% due to rounding.

Based on the financial statements of COSCO Finance prepared in accordance with the PRC GAAP, the financial information of COSCO Finance for the two years ended 31 December 2015 and 2016 and the six months ended 30 June 2017 was approximately as follows:

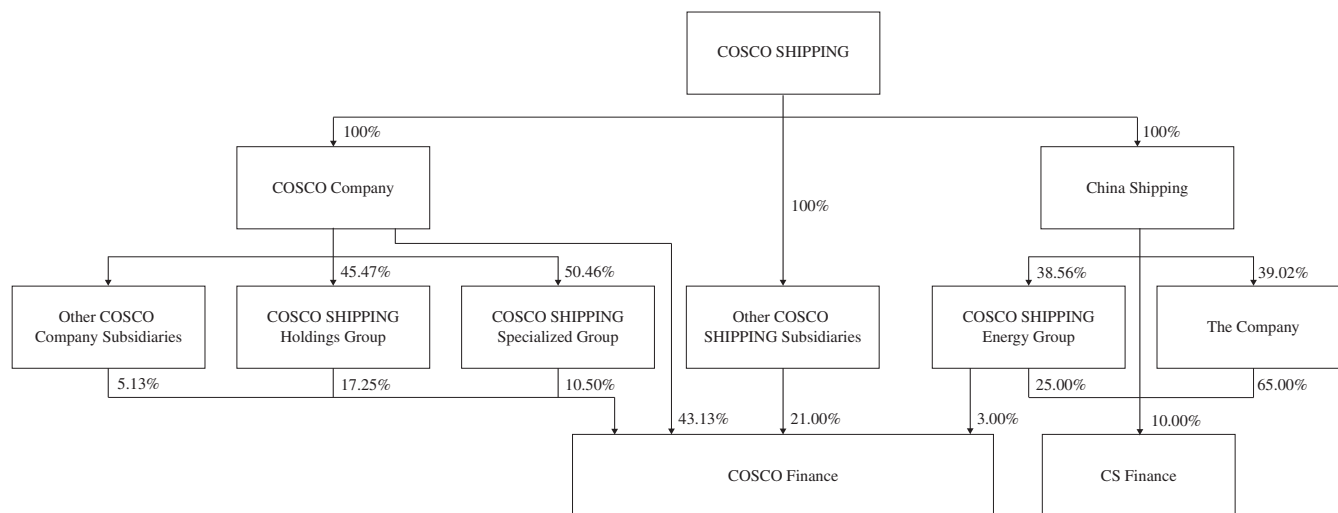
	For the year ended 31 December		For the six months ended
	2015	2016	30 June 2017
	(audited)	(audited)	(audited)
	(RMB'000)	(RMB'000)	(RMB'000)
Profit before taxation	596,604	303,814	275,729
Profit after taxation	446,776	233,229	210,681

The audited net asset value of COSCO Finance as at 30 June 2017 was approximately RMB2,792,406,000.

According to the Valuation Reports, the total value of shareholders' equity of COSCO Finance as at 30 June 2017 was approximately RMB3,015,798,400, which was determined based on the market approach.

Shareholding structure chart of CS Finance and COSCO Finance immediately prior to the Merger

The following chart illustrates the simplified shareholding structures of CS Finance and COSCO Finance as at the date of this announcement:

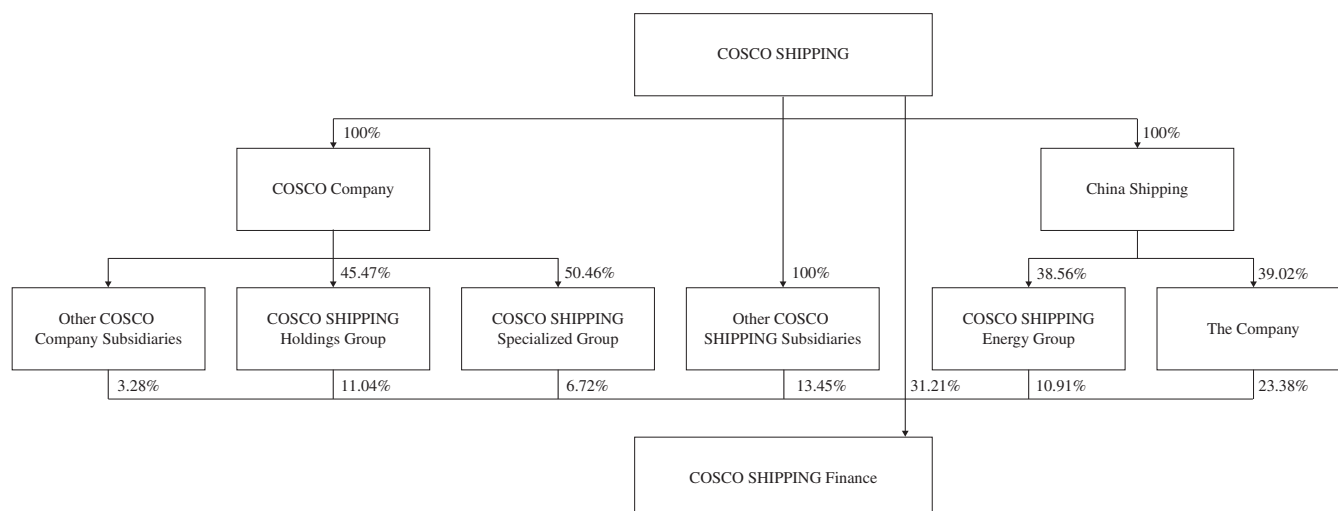


Note:

The approximate percentage of shareholding is rounded to the nearest two decimal places and the total percentage of the shareholding may not add up to 100% due to rounding.

Shareholding structure chart of COSCO SHIPPING Finance immediately upon Completion

The following chart illustrates the simplified shareholding structure of COSCO SHIPPING Finance immediately upon Completion:



Note:

The approximate percentage of shareholding is rounded to the nearest two decimal places and the total percentage of the shareholding may not add up to 100% due to rounding.

INFORMATION ON THE PARTIES TO THE SHAREHOLDERS AGREEMENT

Information on the Company and the Group

The Company is a joint stock limited company incorporated in the PRC with limited liability, the H Shares of which are listed on the Main Board of the 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.

Information on COSCO SHIPPING

COSCO SHIPPING is a company established under the laws of the PRC, and is a state-owned enterprise wholly-owned and controlled by SASAC. It is the controlling shareholder of COSCO Company and China Shipping.

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.

Information on COSCO SHIPPING Energy Group

COSCO SHIPPING Energy is a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Hong Kong Stock Exchange and the A shares of which are listed on the Shanghai Stock Exchange.

COSCO SHIPPING Energy Group is principally engaged in the business of shipment of oil and cargoes along the coast of the PRC, international shipment and vessel chartering.

Dalian Tanker is a company established under the laws of the PRC with limited liability and is a wholly-owned subsidiary of COSCO SHIPPING Energy. It is principally engaged in oil transportation and vessel chartering.

Information on COSCO SHIPPING Holdings Group

COSCO SHIPPING Holdings is a joint stock company incorporated in 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.

COSCO SHIPPING Holdings Group provides a wide range of container shipping and terminal services covering the whole shipping value chain for both international and domestic customers.

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

COSCO International Freight is a company established under the laws of the PRC with limited liability and is a wholly-owned subsidiary of COSCO SHIPPING Holdings. It is principally engaged in freight forwarding and transportation.

Information on COSCO SHIPPING Specialized Group

COSCO SHIPPING Specialized is a joint stock company established under the laws of the PRC with limited liability and the A shares of which are listed on the Shanghai Stock Exchange. COSCO SHIPPING Specialized Group is principally engaged in the operations and management of vessels and carriers and cargo transportation.

Guangzhou Ocean is a company established under the laws of the PRC with limited liability and is a wholly-owned subsidiary of COSCO SHIPPING Specialized. It is principally engaged in cargo transportation.

Information on Other COSCO SHIPPING Subsidiaries

COSCO Bulk Carrier is a company established under the laws of the PRC with limited liability and is a wholly-owned subsidiary of COSCO SHIPPING. It is principally engaged in international bulk transportation service.

Qingdao Ocean is a company established under the laws of the PRC with limited liability and is a wholly-owned subsidiary of COSCO SHIPPING. It is principally engaged in international dry and bulk cargo shipping.

China Agency is a company established under the laws of the PRC with limited liability and is a wholly-owned subsidiary of COSCO SHIPPING. It is principally engaged in shipping agency and freight forwarding.

Information on Other COSCO Company Subsidiaries

COSCO Xiamen is a company established under the laws of the PRC with limited liability and is a wholly-owned subsidiary of COSCO Company. It is principally engaged in international transportation of dry bulk cargos and general cargos.

China Tally is a company established under the laws of the PRC with limited liability and is a wholly-owned subsidiary of COSCO Company. It is principally engaged in ocean shipping tally.

COSCO Shipbuilding is a collectively-owned enterprise established under the laws of the PRC and is a wholly-owned subsidiary of COSCO Company. It is principally engaged in ship building, ship equipment and steel structure building.

COSCO Shipyard is a company established under the laws of the PRC with limited liability and is a non-wholly owned subsidiary of COSCO Company. It is principally engaged in large vessels buildings, marine engineering's construction and conversion.

China Bunker is a company established under the laws of the PRC with limited liability and is a non-wholly owned subsidiary of COSCO Company. It is principally engaged in global supply of bunker oil, marine lubricants and fresh water to vessels, as well as the transportation and storage of oil products.

FINANCIAL EFFECTS OF THE MERGER

Upon Completion, the Company, which is originally interested in 65% of the equity interest in CS Finance, will be interested in approximately 23.38% in COSCO SHIPPING Finance. Therefore, CS Finance will cease to be a non-wholly owned subsidiary of the Company and the assets and liabilities and financial results of CS Finance (which will be renamed as COSCO SHIPPING Finance) will no longer be consolidated into the consolidated financial statements of the Group.

It is estimated that the Group will recognise a gain before taxation attributable to the Shareholders of approximately RMB10,841,400 from the Merger, which is calculated based on the sum of (i) the difference between (a) the fair value of the investment in COSCO SHIPPING Finance based on the Valuation Reports and the shareholding of the Company in COSCO SHIPPING Finance upon Completion of approximately RMB1,101,474,400 and (b) the carrying amount of the net asset value of CS Finance attributable to the shareholders of the Company of approximately RMB1,096,647,000, which was included in the consolidated financial statements of the Group as at 30 June 2017, and (ii) the accumulated gain on fair value of available-for-sale investments of CS Finance attributable to the Company of approximately RMB6,014,000, which was previously recorded in the statement of other comprehensive income and will be reclassified to the statement of profit or loss after Completion.

REASONS FOR AND BENEFITS OF THE MERGER AND THE SHAREHOLDERS AGREEMENT

CS Finance has been maintaining a stable growth in terms of its size of assets since its establishment, and has continued to optimise its quality and structure of assets and achieve steady profitability. Accordingly, the Company has also benefited from the investment returns of CS Finance since its investment in CS Finance in 2009.

Pursuant to the policy of “one financial company only per enterprise group” implemented by the CBRC, and as principally agreed by the CBRC, the Group proposes to restructure and consolidate CS Finance and COSCO Finance by way of the Merger.

Prior to the Merger, pursuant to the relevant regulatory requirements of the CBRC and the SASAC, each of CS Finance and COSCO Finance could only provide services to the qualified subsidiaries of China Shipping and COSCO Company, respectively. Upon Completion, the scope of services of COSCO SHIPPING Finance, being the surviving entity after the Merger, will be expanded to cover all qualified subsidiaries of COSCO SHIPPING. The size of assets of COSCO SHIPPING Finance and the scale of operation is expected to achieve further growth, which is expected to enhance its capability in investment, financing and guarantee businesses in the future. The quality of service to be rendered by COSCO SHIPPING Finance, as well as the quality of assets and profitability of COSCO SHIPPING Finance, are also expected to be enhanced as a result of the Merger.

As the second-largest shareholder of COSCO SHIPPING Finance, the Company will continue to maintain considerable degree of influence over the operations of COSCO SHIPPING Finance by participating in the formulation of its policies and decision-making processes. Meanwhile, the Company will also be entitled to the economic benefits resulting from the enhanced quality of service rendered by COSCO SHIPPING Finance, and to maintain its steady investment returns from COSCO SHIPPING Finance.

The terms of the Merger, the Shareholders Agreement and the transactions contemplated thereunder were agreed after arm's length negotiations between the parties thereto. The Board considers that the terms of the Merger, the Shareholders Agreement and the transactions contemplated thereunder are on normal commercial terms which are fair and reasonable, and are in the interests of the Company and the Shareholders as a whole.

IMPLICATIONS UNDER THE LISTING RULES

As one or more of the applicable percentage ratios calculated in respect of the Merger, the Shareholders Agreement and the transactions contemplated thereunder in accordance with the Listing Rules exceed 25% but are less than 75%, the Merger, the Shareholders Agreement and the transactions contemplated thereunder constitute a major transaction of the Company which is subject to the reporting, announcement and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

As at the date of this announcement, 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 an indirect controlling shareholder of the Company and therefore a connected person of the Company.

As COSCO Finance is an indirect non-wholly owned subsidiary of COSCO SHIPPING, it is an associate of COSCO SHIPPING and therefore a connected person of the Company. In addition, each of the Post-Merger Shareholders (excluding COSCO SHIPPING and the Company) is an associate of COSCO SHIPPING and therefore a connected person of the Company.

Accordingly, the Merger, the Shareholders Agreement and the transactions contemplated thereunder also constitute a connected transaction of the Company which is 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. Huang Jian and Mr. Chen Dong, 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. Huang Jian and Mr. Chen Dong have therefore abstained from voting on the relevant Board resolutions approving the Merger, the Shareholders Agreement and the transactions contemplated thereunder. Save as aforementioned, none of the other Directors has a material interest in the Merger, the Shareholders Agreement and the transactions contemplated thereunder and hence no other Director has abstained from voting on such Board resolutions.

INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

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

In this connection, the Company has appointed the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Merger, the Shareholders Agreement and the transactions contemplated thereunder.

EGM

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, approve, among other things, the Merger, the Shareholders Agreement and the transactions contemplated thereunder.

COSCO SHIPPING and its associates and those who are interested in the Merger, the Shareholders Agreement and the transactions contemplated thereunder will be required to abstain from voting on the resolutions in relation to the Merger, the Shareholders Agreement and the transactions contemplated thereunder. 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 Merger, the Shareholders Agreement and the transactions contemplated thereunder and therefore no other Shareholder is required to abstain from voting at the EGM for the relevant resolutions.

A circular containing, among other things, (i) further details of the Merger, the Shareholders Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Merger, the Shareholders Agreement and the transactions contemplated thereunder; (iii) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its recommendation in respect of the Merger, the Shareholders Agreement and the transactions contemplated thereunder; and (iv) a notice convening the EGM, is expected to be despatched to the Shareholders on or before 12 December 2017, which is more than 15 business days after the publication of this announcement, as more time is needed for the preparation of certain information to be included in the circular.

As Completion is subject to, among other things, the fulfillment of a number of conditions, the Merger and the Simultaneous Transfer may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the securities of the Company.

DEFINITIONS

Unless the context requires otherwise, capitalised terms used in this announcement shall have the meanings as follow:

“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
“associate”	has the meaning ascribed to it under the Listing Rules

“Board”	the board of directors of the Company
“CBRC”	the China Banking Regulatory Commission (中國銀行業監督管理委員會)
“China Agency”	China Ocean Shipping Agency Co., Ltd.# (中國外輪代理有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of COSCO SHIPPING
“China Bunker”	China Marine Bunker (Petro China) Co., Ltd.# (中國船舶燃料有限責任公司), a company established under the laws of the PRC with limited liability and a non-wholly owned subsidiary of COSCO Company
“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 COSCO SHIPPING Energy and a wholly-owned subsidiary of COSCO SHIPPING
“China Tally”	China Ocean Shipping Tally Co., Ltd.# (中國外輪理貨有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of COSCO Company
“Company”	COSCO SHIPPING Development Co., Ltd.* (中遠海運發展股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H Shares and A Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 2866) and the Shanghai Stock Exchange (Stock Code: 601866), respectively
“Completion”	completion of the Merger and the Simultaneous Transfer
“connected person”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“COSCO Bulk Carrier”	COSCO Bulk Carrier Co., Ltd.# (中遠散貨運輸有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of COSCO SHIPPING
“COSCO Company”	China Ocean Shipping (Group) Company (中國遠洋運輸(集團)總公司), a PRC state-owned enterprise, the controlling shareholder of COSCO SHIPPING Holdings, COSCO SHIPPING Specialized and Other COSCO Company Subsidiaries, and a wholly-owned subsidiary of COSCO SHIPPING
“COSCO Finance”	COSCO Finance Co., Ltd.# (中遠財務有限責任公司), a company established under the laws of the PRC with limited liability and an indirect non-wholly owned subsidiary of COSCO Company as at the date of this announcement
“COSCO International Freight”	COSCO International Freight Co., Ltd.# (中遠海運國際貨運有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of COSCO SHIPPING Holdings

“COSCO Shipbuilding”	COSCO Shipbuilding Industry Company [#] (中遠造船工業公司), a collectively-owned enterprise established under the laws of the PRC and a wholly-owned subsidiary of COSCO Company
“COSCO SHIPPING”	China COSCO Shipping Corporation Limited [#] (中國遠洋海運集團有限公司), a PRC state-owned enterprise and an indirect controlling shareholder of the Company
“COSCO SHIPPING Energy”	COSCO SHIPPING Energy Transportation Co., Ltd. [#] (中遠海運能源運輸股份有限公司), a joint stock limited company incorporated in the PRC with limited liability, the H shares and A shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1138) and the Shanghai Stock Exchange (Stock Code: 600026), respectively
“COSCO SHIPPING Energy Group”	COSCO SHIPPING Energy and its subsidiaries
“COSCO SHIPPING Finance”	COSCO SHIPPING Finance Company Limited [#] (中遠海運集團財務有限責任公司) (the name of which is subject to the confirmation of the relevant industry and commerce authority), being CS Finance as the surviving entity of the Merger after Completion
“COSCO SHIPPING Holdings”	COSCO SHIPPING Holdings Co., Ltd. [#] (中遠海運控股股份有限公司), a joint stock company incorporated in the PRC with limited liability, the H shares and A shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1919) and Shanghai Stock Exchange (Stock Code: 601919), respectively
“COSCO SHIPPING Holdings Group”	COSCO SHIPPING Holdings and its subsidiaries
“COSCO SHIPPING Lines”	COSCO SHIPPING Lines Co., Ltd. [#] (中遠海運集裝箱運輸有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of COSCO SHIPPING Holdings
“COSCO SHIPPING Specialized”	COSCO SHIPPING Specialized Carriers Co., Ltd. [#] (中遠海運特種運輸股份有限公司), a joint stock limited company incorporated in the PRC with limited liability and the A shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600428)
“COSCO SHIPPING Specialized Group”	COSCO SHIPPING Specialized and its subsidiaries
“COSCO Shipyard”	COSCO Shipyard Group Co., Ltd. [#] (中遠船務工程集團有限公司), a company established under the laws of the PRC with limited liability and a non-wholly owned subsidiary of COSCO Company
“COSCO Xiamen”	COSCO (Xiamen) Co., Ltd. [#] (中遠海運(廈門)有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of COSCO Company

“CS Finance”	China Shipping Finance Company Limited [#] (中海集團財務有限責任公司), a company established under the laws of the PRC with limited liability, which is owned as to 65% by the Company, 25% by COSCO SHIPPING Energy and 10% by China Shipping as at the date of this announcement, and a connected subsidiary of the Company
“Dalian Tanker”	COSCO Shipping Tanker (Dalian) Co., Ltd. [#] (大連中遠海運油品運輸有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of COSCO SHIPPING Energy
“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, the Merger, the Shareholders Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“Guangzhou Ocean”	Guangzhou Ocean Shipping Co., Ltd. [#] (廣州遠洋運輸有限公司), a company established under the laws of PRC with limited liability and a wholly-owned subsidiary of COSCO SHIPPING Specialized
“H Share(s)”	the overseas listed foreign shares in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on the Main Board of the Hong Kong Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Independent Board Committee”	the independent board committee of the Company comprising Mr. Cai Hongping, Ms. Hai Chi Yuet and Mr. Graeme Jack, being all the independent non-executive Directors, which is formed to advise the Independent Shareholders in respect of the Merger, the Shareholders Agreement and the transactions contemplated thereunder
“Independent Financial Adviser”	TC Capital International Limited, a corporation licensed to conduct 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 Merger, the Shareholders Agreement and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders other than (i) COSCO SHIPPING and its associates and (ii) any other Shareholders who have a material interest in the Merger, the Shareholders Agreement and the transactions contemplated thereunder

“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Merger”	the merger by absorption under which CS Finance will absorb and merge with COSCO Finance in accordance with the Merger Agreement
“Merger Agreement”	the merger agreement to be entered into between CS Finance and COSCO Finance in relation to the Merger
“Other COSCO Company Subsidiaries”	collectively, COSCO Shipbuilding, COSCO Shipyard, China Bunker, COSCO Xiamen and China Tally
“Other COSCO SHIPPING Subsidiaries”	collectively, COSCO Bulk Carrier, China Agency and Qingdao Ocean
“percentage ratios”	has the meaning ascribed to it under the Listing Rules
“Post-Merger Shareholders”	the shareholders of COSCO SHIPPING Finance after the Merger, being COSCO SHIPPING, the Company, COSCO SHIPPING Energy, COSCO SHIPPING Lines, COSCO Bulk Carrier, China Agency, Guangzhou Ocean, COSCO International Freight, COSCO SHIPPING Specialized, Qingdao Ocean, Dalian Tanker, COSCO Shipbuilding, COSCO Shipyard, China Bunker, COSCO Xiamen and China Tally
“PRC”	the People’s Republic of China, and for the purpose of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan
“PRC GAAP”	the general accepted accounting principles in the PRC
“Qingdao Ocean”	Qingdao Ocean Shipping Co., Ltd.# (青島遠洋運輸有限公司), a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of COSCO SHIPPING
“RMB”	Renminbi, the lawful currency of the PRC
“SASAC”	the 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)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	A Share(s) and H Share(s)
“Shareholder(s)”	holder(s) of the Share(s)
“Shareholders Agreement”	the shareholders agreement dated 13 November 2017 entered into among the Post-Merger Shareholders to govern their respective rights and obligations in COSCO SHIPPING Finance

“Simultaneous Transfer”	the simultaneous transfer of the respective direct equity interests in COSCO SHIPPING Finance from China Shipping and COSCO Company to COSCO SHIPPING at nil consideration pursuant to the Transfer Agreement
“Transfer Agreement”	the transfer agreement dated 13 November 2017 entered into among China Shipping, COSCO Company and COSCO SHIPPING in relation to the Simultaneous Transfer
“Valuation Reports”	the valuation reports dated 9 November 2017 prepared by China Tong Cheng Assets Appraisal Co., Ltd. [#] (中通誠資產評估有限公司), an independent valuer, in respect of each of CS Finance and COSCO Finance, with the valuation date being 30 June 2017
“%”	per cent

By order of the Board
COSCO SHIPPING Development Co., Ltd.
Yu Zhen
Company Secretary

Shanghai, the People’s Republic of China

13 November 2017

As at the date of this announcement, the Board 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, 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.”.*

For identification purposes only.