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# THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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**If you are in any doubt** as to any aspect of this circular or as to the action to be taken, you should consult a licensed securities dealer and other registered institution in securities, 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 reply slip to the purchaser or the transferee or to licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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

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

**(Stock Code: 02866)**

**(1) CONTINUING CONNECTED TRANSACTIONS  
REVISION OF ANNUAL CAP FOR  
MASTER CONTAINERS SERVICES AGREEMENT  
(2) PROPOSED RE-ELECTION OF DIRECTORS AND SUPERVISORS  
AND  
(3) NOTICE OF EGM**

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

**MESSIS**  **大有融資**

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

A letter from the Board is set out on pages 8 to 25 of this circular and the letter from the Independent Board Committee is set out on pages 26 to 27 of this circular. A letter from Messis Capital, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 28 to 44 of this circular.

The Notice of EGM convening the EGM to be held at 1:30 p.m. on Tuesday, 20 August 2019 at Level 3, Ocean Hotel Shanghai, 1171 Dong Da Ming Road, Hong Kou District, Shanghai, the PRC was despatched to the Shareholders on 5 July 2019, which is reproduced on pages EGM-1 to EGM-4 of this circular.

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

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## DEFINITIONS

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

|                          |                                                                                                                                                                                                                                                                                               |
|--------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “2018 Annual Report”     | the annual report of the Company for the year ended 31 December 2018                                                                                                                                                                                                                          |
| “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                                                                                                                                          |
| “Annual General Meeting” | the annual general meeting of the Company held on 3 June 2019                                                                                                                                                                                                                                 |
| “Asset Management Plan”  | an asset management plan which certain executive Directors, senior management and employees have voluntarily invested in, further details of which are set out in the announcement of the Company dated 24 November 2016                                                                      |
| “associate”              | has the meaning ascribed to it under the Listing Rules                                                                                                                                                                                                                                        |
| “Baker Tilly”            | Baker Tilly China Certified Tax Agents Co., Ltd. Shanghai Branch <sup>#</sup> (北京天職稅務師事務所有限公司上海分所)                                                                                                                                                                                            |
| “Board”                  | the board of directors of the Company                                                                                                                                                                                                                                                         |
| “China Shipping”         | China Shipping Group Company Limited <sup>#</sup> (中國海運集團有限公司) (formerly known as China Shipping (Group) Company Limited (中國海運(集團)總公司)), a PRC state-owned enterprise and the controlling shareholder of the Company and a wholly-owned subsidiary of COSCO SHIPPING                          |
| “Company”                | COSCO SHIPPING Development Co., Ltd.* (中遠海運發展股份有限公司), a joint stock limited company established in the PRC, the H shares and A shares of which are listed on Main Board of the Hong Kong Stock Exchange (Stock Code: 2866) and the Shanghai Stock Exchange (Stock Code: 601866), respectively |
| “Computershare”          | Computershare Hong Kong Investor Services Limited, the Company’s H Share registrar                                                                                                                                                                                                            |

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## DEFINITIONS

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|---------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “connected person”        | has the meaning ascribed to it under the Listing Rules                                                                                                                                                                                                                                                                      |
| “controlling shareholder” | has the meaning ascribed to it under the Listing Rules                                                                                                                                                                                                                                                                      |
| “COSCO SHIPPING”          | China COSCO Shipping Corporation Limited <sup>#</sup> (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 Group”    | COSCO SHIPPING, its subsidiaries and/or its associates (excluding the Group)                                                                                                                                                                                                                                                |
| “COSCO SHIPPING Holdings” | COSCO SHIPPING Holdings Co., Ltd. <sup>#</sup> (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 the Shanghai Stock Exchange (Stock Code: 601919), respectively  |
| “CS Financial”            | COSCO SHIPPING Financial Holdings Co., Ltd. (中遠海運金融控股有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of COSCO SHIPPING                                                                                                                                                      |
| “Director(s)”             | the director(s) of the Company                                                                                                                                                                                                                                                                                              |
| “DFIC HK”                 | Dong Fang International Container (Hong Kong) Limited (東方國際集裝箱(香港)有限公司), a company incorporated in Hong Kong with limited liability and an indirect wholly-owned subsidiary of the Company                                                                                                                                  |
| “EGM”                     | the extraordinary general meeting of the Company to be convened at 1:30 p.m. on Tuesday, 20 August 2019 at Level 3, Ocean Hotel Shanghai, 1171 Dong Da Ming Road, Hong Kou District, Shanghai, the PRC (or any adjournment thereof) to consider and, if thought fit, approve the resolutions contained in the Notice of EGM |
| “Entrustment Agreement”   | the entrustment agreement dated 6 May 2019 entered into between CS Financial and Shanghai Universal in respect of the entrustment of the equity interests in the Target Companies by CS Financial to Shanghai Universal                                                                                                     |

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## DEFINITIONS

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|--------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Entrustment Agreement Announcement” | the announcement of the Company dated 6 May 2019 in relation to, among other things, the Entrustment Agreement                                                                                                                                                                                                                                                                                                       |
| “Existing Annual Cap”                | the existing annual cap in the amount of RMB1,900,000,000 in respect of the products and services to be provided by the COSCO SHIPPING Group to the Group under the Master Containers Services Agreement for the year ending 31 December 2019 as revised on 19 September 2018 pursuant to the approval by the Independent Shareholders at the extraordinary general meeting of the Company held on 19 September 2018 |
| “Form of Proxy”                      | the form of proxy of the Company in respect of the resolutions set out in the Notice of EGM, which was despatched to the Shareholders on 5 July 2019                                                                                                                                                                                                                                                                 |
| “Group”                              | the Company and its subsidiaries                                                                                                                                                                                                                                                                                                                                                                                     |
| “H Share(s)”                         | the overseas listed foreign shares in the ordinary share capital of the Company with a par value of RMB1.00 each, which are listed on Main Board of the Hong Kong Stock Exchange                                                                                                                                                                                                                                     |
| “HK\$”                               | Hong Kong dollar(s), 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                                                                                                                                                                                                                                                                                                                                                                              |
| “Independent Board Committee”        | the independent board committee of the Company comprising Mr. Cai Hongping, Ms. Hai Chi Yuet, Mr. Graeme Jack, Mr. Lu Jianzhong, Mr. Gu Xu and Ms. Zhang Weihua, being all the independent non-executive Directors, which is formed to advise the Independent Shareholders on the Proposed Revised Annual Cap in accordance with the Listing Rules                                                                   |

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## DEFINITIONS

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|--------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Independent Financial Adviser”<br>or “Messis Capital” | Messis Capital 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 on the Proposed Revised Annual Cap |
| “Independent Shareholders”                             | the Shareholders other than (i) COSCO SHIPPING and its associates and (ii) any other Shareholders who have a material interest in the Master Containers Services Agreement and the Proposed Revised Annual Cap                                                                                                                                      |
| “Latest Practicable Date”                              | 2 August 2019, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein                                                                                                                                                                                        |
| “Listing Rules”                                        | the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited                                                                                                                                                                                                                                                            |
| “Master Containers Services Agreement”                 | the master containers services agreement dated 5 December 2016 entered into between the Company and COSCO SHIPPING                                                                                                                                                                                                                                  |
| “Nomination Committee”                                 | the nomination committee of the Company, comprising Ms. Hai Chi Yuet, Mr. Wang Daxiong, Mr. Cai Hongping and Mr. Gu Xu as at the Latest Practicable Date                                                                                                                                                                                            |
| “Notice of EGM”                                        | the notice of the extraordinary general meeting of the Company dated 5 July 2019, which was despatched to the Shareholders on 5 July 2019                                                                                                                                                                                                           |
| “percentage ratios”                                    | has the meaning ascribed to it under the Listing Rules                                                                                                                                                                                                                                                                                              |
| “PRC”                                                  | the People’s Republic of China which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan                                                                                                                                                                                          |
| “Proposed Re-elections”                                | the proposed re-elections of the Directors and the Supervisors to constitute the sixth session of the Board and the Supervisory Committee, respectively                                                                                                                                                                                             |

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## DEFINITIONS

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|---------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| “Proposed Re-elections Announcement”  | the announcement of the Company dated 5 July 2019 in relation to, among other things, the Proposed Re-elections                                                                                                                                        |
| “Proposed Revised Annual Cap”         | the proposed revised annual cap in the amount of RMB7,000,000,000 in respect of the products and services to be provided by the COSCO SHIPPING Group to the Group, under the Master Containers Services Agreement for the year ending 31 December 2019 |
| “Revision of Annual Cap Announcement” | the announcement of the Company dated 5 July 2019 in relation to, among other things, the Proposed Revised Annual Cap                                                                                                                                  |
| “RMB”                                 | Renminbi, the lawful currency of the PRC                                                                                                                                                                                                               |
| “SFO”                                 | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)                                                                                                                                                                            |
| “Shanghai Universal”                  | Shanghai Universal Logistics Equipment Co., Ltd. <sup>#</sup> (上海寰宇物流裝備有限公司), a company established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company                                                           |
| “Share(s)”                            | A Share(s) and H Share(s)                                                                                                                                                                                                                              |
| “Shareholder(s)”                      | holder(s) of the Share(s)                                                                                                                                                                                                                              |
| “Singamas Container”                  | Singamas Container Holdings Limited, a company incorporated in Hong Kong with limited liability, the shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 716)                                                    |
| “Supervisor(s)”                       | the supervisor(s) of the Company                                                                                                                                                                                                                       |
| “Supervisory Committee”               | the supervisory committee of the Company                                                                                                                                                                                                               |

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## DEFINITIONS

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“Target Companies”

collectively,

- (i) Dong Fang International Container (Qidong) Co., Ltd.<sup>#</sup> (寰宇東方國際集裝箱(啟東)有限公司) (formerly known as Qidong Singamas Energy Equipment Co., Ltd.<sup>#</sup> (啟東勝獅能源裝備有限公司)), a company established in the PRC with limited liability and a wholly-owned subsidiary of CS Financial as at the Latest Practicable Date;
- (ii) Dong Fang International Container (Ningbo) Co., Ltd.<sup>#</sup> (寰宇東方國際集裝箱(寧波)有限公司) (formerly known as Ningbo Pacific Container Co., Ltd.<sup>#</sup> (寧波太平貨櫃有限公司)), a company established in the PRC with limited liability and a wholly-owned subsidiary of CS Financial as at the Latest Practicable Date;
- (iii) Shanghai Universal Logistics Technology Co., Ltd.<sup>#</sup> (上海寰宇物流科技有限公司) (formerly known as Singamas Container Holdings (Shanghai) Limited<sup>#</sup> (勝獅貨櫃管理(上海)有限公司)), a company established in the PRC with limited liability and a wholly-owned subsidiary of CS Financial as at the Latest Practicable Date;
- (iv) Dong Fang International Container (Qingdao) Co., Ltd.<sup>#</sup> (寰宇東方國際集裝箱(青島)有限公司) (formerly known as Qingdao Pacific Container Co., Ltd.<sup>#</sup> (青島太平貨櫃有限公司)), a company established in the PRC with limited liability and a wholly-owned subsidiary of CS Financial as at the Latest Practicable Date; and
- (v) Dong Fang International Port (Qidong) Co., Ltd.<sup>#</sup> (寰宇東方國際港務(啟東)有限公司) (formerly known as Qidong Pacific Port Co., Ltd.<sup>#</sup> (啟東太平港務有限公司)), a company established in the PRC with limited liability and a wholly-owned subsidiary of Dong Fang International Container (Qingdao) Co., Ltd.<sup>#</sup> (寰宇東方國際集裝箱(青島)有限公司) as at the Latest Practicable Date

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## DEFINITIONS

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“TEU(s)” twenty-foot equivalent unit(s), a standard unit of measurement of the volume of a container with a length of 20 feet, height of eight feet and six inches and width of eight feet

“US\$” United States dollar(s), the lawful currency of the United States

“%” per cent

\* *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.*

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## LETTER FROM THE BOARD

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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)**

*Executive Directors:*

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

*Non-executive Directors:*

Mr. Feng Boming  
Mr. Huang Jian  
Mr. Liang Yanfeng

*Independent non-executive Directors:*

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

*Legal address in the PRC:*

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

*Principal place of business in the PRC:*

5299 Binjiang Dadao  
Pudong New District  
Shanghai  
The PRC

*Principal place of business in Hong Kong:*

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

5 August 2019

*To the Shareholders*

Dear Sir or Madam,

**(1) CONTINUING CONNECTED TRANSACTIONS  
REVISION OF ANNUAL CAP FOR  
MASTER CONTAINERS SERVICES AGREEMENT  
(2) PROPOSED RE-ELECTION OF DIRECTORS AND SUPERVISORS  
AND  
(3) NOTICE OF EGM**

**I. INTRODUCTION**

Reference is made to (i) the Revision of Annual Cap Announcement; (ii) the Proposed Re-elections Announcement; and (iii) the Notice of EGM.

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## LETTER FROM THE BOARD

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

- (i) information reasonably necessary to enable you to make an informed decision on whether to vote for or against the ordinary resolutions to be proposed at the EGM;
- (ii) further details of the Proposed Revised Annual Cap and the Proposed Re-elections;
- (iii) a letter from the Independent Board Committee to the Independent Shareholders containing its recommendation in respect of the Proposed Revised Annual Cap; and
- (iv) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders containing its recommendation in respect of the Proposed Revised Annual Cap.

At the EGM, ordinary resolutions will be proposed to approve:

- (i) the Proposed Revised Annual Cap; and
- (ii) the Proposed Re-elections.

## **II. REVISION OF ANNUAL CAP FOR MASTER CONTAINERS SERVICES AGREEMENT**

Reference is made to the Revision of Annual Cap Announcement. On 5 July 2019, the Board proposed to revise the Existing Annual Cap to the Proposed Revised Annual Cap in respect of the transactions for the provision of products and services by the COSCO SHIPPING Group to the Group contemplated under the Master Containers Services Agreement for the year ending 31 December 2019.

### **1. Master Containers Services Agreement**

The principal terms of the Master Containers Services Agreement are set out below.

#### ***Products and services to be provided by the Group to the COSCO SHIPPING Group***

Pursuant to the Master Containers Services Agreement, the Group agreed to provide container and other ancillary services to the COSCO SHIPPING Group, which include sale and purchase of containers and containers commissioned manufacturing services.

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## LETTER FROM THE BOARD

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### *Products and services to be provided by the COSCO SHIPPING Group to the Group*

Pursuant to the Master Containers Services Agreement, the COSCO SHIPPING Group agreed to provide container and other ancillary services to the Group, which include sale and purchase of containers, merchandising of materials ancillary to containers, provision of containers depot, containers logistics, containers management, containers maintenance and other ancillary services.

### **2. Existing Annual Cap and Proposed Revised Annual Cap**

As disclosed in the Entrustment Agreement Announcement, CS Financial and Shanghai Universal entered into the Entrustment Agreement in respect of the entrustment of the equity interests in the Target Companies (which have become part of the COSCO SHIPPING Group following completion of the proposed acquisition by CS Financial). With a view to expanding the container manufacturing business of the Group, it is proposed that there will be unified management of the container manufacturing business of the Target Companies and the Group, which will include, among other things, integration of the sales channels of the containers manufactured by the Target Companies and the Group.

### *Integration of sales channels strategy*

As at the Latest Practicable Date, the manufacturing function of the container manufacturing business of the Group is primarily assumed by Dong Fang International Container (Lianyungang) Co., Ltd.<sup>#</sup> (東方國際集裝箱(連雲港)有限公司), Dong Fang International Container (Jinzhou) Co., Ltd.<sup>#</sup> (東方國際集裝箱(錦州)有限公司) and Dong Fang International Container (Guangzhou) Co., Ltd.<sup>#</sup> (東方國際集裝箱(廣州)有限公司), each an indirect wholly-owned subsidiary of the Company, and the sales and distribution of the containers manufactured by the Group is primarily handled by DFIC HK, an indirect wholly-owned subsidiary of the Company and the primary distributor of containers of the Group.

Leveraging on the entrustment arrangement pursuant to the Entrustment Agreement and the existing model of the container manufacturing business of the Group, the abovementioned integration of the sales channels strategy will be implemented as follows:

- (i) DFIC HK and the Target Companies will assume different primary roles along the supply chain, where DFIC HK will focus on the front-end sourcing of customers as well as the sales and distribution of containers, while the Target Companies will focus on the back-end manufacturing of containers;
- (ii) upon receiving orders for manufacturing of containers from customers, (a) DFIC HK will, with reference to, among other things, the types of containers ordered as well as the geographical area to which the containers are to be delivered, and taking into account the technological capability of the Target Companies in the manufacturing of refrigerated containers as well as their geographical presence (being in the

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## LETTER FROM THE BOARD

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Northern and Eastern China region), engage the Target Companies to manufacture the containers for suitable orders, and (b) DFIC HK will enter into an agreement with each of the customer and the relevant Target Company on a back-to-back basis (save for price) with respect to the manufacture and sales of the containers;

- (iii) the price for the sale of the containers manufactured by the Target Companies to the Group will be determined with reference to the prevailing market price for the relevant types of containers based on the price available from other independent third party container manufacturers, and taking into account the assumption of the front-end functions of sales and distribution of containers by DFIC HK; and
- (iv) the price for the onward sale of the containers by DFIC HK to the customers will be determined based on the costs of purchase of such containers from the Target Companies plus certain processing fee of DFIC HK in relation to its assumption of the front-end functions of sales and distribution of containers and a reasonable profit margin.

### *Transfer pricing*

The implementation of the abovementioned integration of the sales channels strategy will result in transactions between the Target Companies and the Group, which will be regarded as related party transactions and therefore may potentially be subject to the applicable transfer pricing laws and regulations, under which enterprises entering into related party transactions are required to observe the arm's length principle.

The abovementioned pricing arrangement for the sales of the containers manufactured by the Target Companies to the Group is in line with the existing pricing arrangement for the intra-Group sales of the containers manufactured by the Group to DFIC HK for its onward sales to third party customers.

Baker Tilly, a China certified tax agent, was engaged to conduct an analysis of the profitability of the relevant container manufacturers of the Group for the year ended 31 December 2018 against that of comparable independent entities using the transactional net margin method and concluded that the existing pricing arrangement was made on an arm's length basis and is fair and reasonable and in compliance with the applicable transfer pricing laws and regulations. Taking into account the similarity in terms of scale of businesses, container manufacturing functions undertaken and risks assumed by the Target Companies and the other container manufacturers of the Group, the preliminary assessment of Baker Tilly is that the adoption of a consistent pricing arrangement for the sales of the containers manufactured by the Target Companies to the Group is reasonable from a transfer pricing compliance perspective. In addition, as at the Latest Practicable Date, the Directors were not aware of any inquiry, audit or investigation by any relevant tax authority with respect to the existing pricing arrangement for intra-Group sales of the containers manufactured by the Group.

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## LETTER FROM THE BOARD

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In light of the foregoing, the Board is of the view that the proposed pricing arrangement of the transfer of containers manufactured by the Target Companies to the Group is (i) made on an arm's length basis; (ii) fair and reasonable; and (iii) in compliance with the applicable transfer pricing laws and regulations.

### *Basis for the Proposed Revised Annual Cap*

As a result of the adoption of the abovementioned integration of the sales channels strategy, the Board anticipates that the transaction amounts in respect of the provision of products and services by the COSCO SHIPPING Group to the Group under the Master Containers Services Agreement for the year ending 31 December 2019 will increase by approximately RMB5.1 billion, which was determined based on: (i) the expected sales volume of containers manufactured by the Target Companies for the remaining period ending 31 December 2019; and (ii) the estimated selling prices of approximately US\$2,200 per container and US\$8,000 per container for dry freight containers and refrigerated containers, respectively, to be provided by the Target Companies to the Group.

The expected sales volume of containers manufactured by the Target Companies for the remaining period ending 31 December 2019 was determined with reference to:

- (i) the historical sales volumes of approximately 439,000 TEUs dry freight containers and approximately 10,500 TEUs refrigerated containers for the year ended 31 December 2017 and approximately 556,000 TEUs dry freight containers and approximately 19,000 TEUs refrigerated containers for the year ended 31 December 2018 of the Target Companies;
- (ii) the historical growth of the container manufacturing market as evidenced by the growing revenue and sales volume of the Group and the Target Companies for the two years ended 31 December 2017 and 2018; and
- (iii) the additional sales channels for the containers of the Target Companies following the integration of the sales channels of the Group and the Target Companies.

The estimated selling prices of the containers manufactured by the Target Companies to be provided by the Target Companies to the Group were determined with reference to (i) the historical prices of containers sold by the Target Companies to independent third parties and containers purchased by the Group from independent third parties during the period from January 2018 to June 2019, being in the ranges of US\$1,965 per container to US\$2,250 per container and US\$7,700 per container to US\$9,000 per container for dry freight containers and refrigerated containers, respectively; and (ii) the prevailing market price of a typical dry freight container and a typical refrigerated container.

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## LETTER FROM THE BOARD

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In light of the foregoing, the Board anticipates that the Existing Annual Cap would not be sufficient to meet the expected transaction amounts in respect of the provision of products and services by the COSCO SHIPPING Group to the Group under the Master Containers Services Agreement for the year ending 31 December 2019.

The following table sets out the historical transaction amounts and the relevant annual caps for the transactions in respect of the provision of products and services by the COSCO SHIPPING Group to the Group contemplated under the Master Containers Services Agreement for the two years ending 31 December 2019:

| For the year ended 31 December 2018         |                         | For the six months ended 30 June 2019       | For the year ending 31 December 2019 |
|---------------------------------------------|-------------------------|---------------------------------------------|--------------------------------------|
| Historical transaction amounts<br>(RMB'000) | Annual cap<br>(RMB'000) | Historical transaction amounts<br>(RMB'000) | Annual cap<br>(RMB'000)              |
| 559,937                                     | 1,900,000               | 362,535                                     | 1,900,000                            |

The Board therefore proposes to revise the Existing Annual Cap to the Proposed Revised Annual Cap as set out in the table below:

|                              | For the year ending 31 December 2019<br>(RMB'000) |
|------------------------------|---------------------------------------------------|
| Existing Annual Cap:         | 1,900,000                                         |
| Proposed Revised Annual Cap: | 7,000,000                                         |

In arriving at the Proposed Revised Annual Cap for the provision of products and services by the COSCO SHIPPING Group to the Group under the Master Containers Services Agreement, in addition to the expected transaction amounts for the sales of containers by the Target Companies to the Group as a result of the future implementation by the Group of the abovementioned strategy of integration of the sales channels of containers manufactured by the Target Companies and the Group as further detailed above, the Directors have also considered;

- (i) the abovementioned historical transaction amounts for the provision of products and services by the COSCO SHIPPING Group to the Group under the Master Containers Services Agreement for the six months ended 30 June 2019;

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## LETTER FROM THE BOARD

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- (ii) the prevailing prices for containers, materials ancillary to containers, containers depot, containers logistics, containers management and containers maintenance; and
- (iii) the estimated market fluctuation in terms of container price, ancillary materials price, demands and exchange rates.

The Board confirms that, as at the Latest Practicable Date, the Existing Annual Cap for the year ending 31 December 2019 have not been exceeded.

### *No reliance on the COSCO SHIPPING Group*

As disclosed in the 2018 Annual Report, the revenue generated from the COSCO SHIPPING Group amounted to approximately RMB8.6 billion, representing approximately 53.23% of the total revenue of the Group for the year ended 31 December 2018. The revenue from the COSCO SHIPPING Group for the year ended 31 December 2018 was mainly generated from services provided by the Group under the Master Containers Services Agreement and other services including container leasing services and chartering of vessels. The expenses paid to the COSCO SHIPPING Group for the year ended 31 December 2018 amounted to approximately RMB1.8 billion, representing only approximately 10.44% of the total expenses of the Group (inclusive of cost of sales and other expenses) for the year ended 31 December 2018.

Notwithstanding the foregoing, the Board is of the view that there is no and will not be any issue of reliance of the Group on the COSCO SHIPPING Group and the apparent reliance in terms of generation of revenue is the result of a commercial decision taking into account of, among other things, the peculiar circumstances of the Group and the COSCO SHIPPING Group and the terms of the transactions, which is in the interests of the Company and the Shareholders as a whole. Further, following implementation of the abovementioned integration of the sales channels strategy for the containers manufactured by the Group and the Target Companies, it is expected that there will be an increase in revenue generated from third parties independent of the Company and its connected persons.

### *Interaction between the Group and the COSCO SHIPPING Group*

Following completion of the restructuring of the Group in 2016, the Group is now principally engaged in shipping and industry-related leasing businesses, manufacturing of containers and provision of investment and financial services. Through integration and consolidation of the various business segments of the Group and the COSCO SHIPPING Group, the restructuring provides synergy among the business segments of the Group and the COSCO SHIPPING Group. As the Group and other members of the COSCO SHIPPING Group are engaged in different business segments of the shipping industry, the transformed business of the Group can better interact with the business of other members of the COSCO SHIPPING Group with enhanced efficiency.

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## LETTER FROM THE BOARD

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The abovementioned complementary interaction of the businesses of the Group and other members of the COSCO SHIPPING Group, which includes other prominent players in the shipping industry such as COSCO SHIPPING Holdings, COSCO SHIPPING Ports Limited (the shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 1199)) and COSCO SHIPPING Energy Transportation Co., Ltd. (the H shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 1138) and the A shares of which are listed on the Shanghai Stock Exchange (Stock Code: 600026)), resulted in the increased amount of continuing connected transactions between the Group and the COSCO SHIPPING Group.

### *Expansion of the container manufacturing business of the Group*

As disclosed in the 2018 Annual Report, the container manufacturing business of the Group realised an operating revenue of approximately RMB7.8 billion for the year ended 31 December 2018, which accounted for approximately 48.22% of the total revenue of the Group and represents an increase of approximately 31.86% as compared with approximately RMB5.9 billion in 2017. The Group's container sales amounted to approximately 613,700 TEUs during the year, representing an increase of 27.85% as compared with approximately 480,000 TEUs of last year.

The Group had the foresight to improve container painting technology, which significantly enhanced market competitiveness and also stepped up marketing efforts and increased productivity through scientific production scheduling.

The general improvement in the container manufacturing market in 2018, coupled with the expansion and improvement of the container manufacturing business of the Group, attributed to the increase in volume and transaction amounts for sales of containers by the Group to container shipping companies including independent third parties of the Group as well as COSCO SHIPPING Holdings and its subsidiaries, which, as disclosed in the annual report of COSCO SHIPPING Holdings for the year ended 31 December 2018 and as at the end of 2018, ranked third in container shipping industry in terms of shipping capacity following the acquisition of Orient Overseas (International) Limited (the shares of which are listed on the Hong Kong Stock Exchange (Stock Code: 316)) by COSCO SHIPPING Holdings.

As a result, there was an increase in the amount of continuing connected transactions for the provision of containers and other ancillary services by the Group to the COSCO SHIPPING Group under the Master Containers Services Agreement for the year ended 31 December 2018.

### *Terms of the transactions*

Pursuant to the terms of the Master Containers Services Agreement as well as other continuing connected transaction agreements between the Group and the COSCO SHIPPING Group, the price of the relevant products and/or services provided thereunder shall be fair and reasonable and are no less favorable than the terms to or from independent third parties (as the case may be). The Group is not restricted under the terms of such agreements to sell and/or

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## LETTER FROM THE BOARD

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provide its products and/or services to independent third party customers. In formulating the sales policy of the Group, in addition to the terms of sales, the Group also takes into account the creditworthiness and settlement risk of the customers. While the Group may selectively diversify its sales to independent third party customers so as to expand its customer base, such diversification of sales may also result in increased settlement risk of the sales of the Group as well as increased administrative expenses in assessing the creditworthiness of such independent third party customers. As COSCO SHIPPING is the indirect controlling shareholder of the Company, in light of the secured and steady relationship between the Group and the COSCO SHIPPING Group, the level of settlement risk associated with the transactions with the COSCO SHIPPING Group is generally lower than those with independent third party customers.

The Group is able to generate a stable revenue stream from the continuing connected transactions between the Group and the COSCO SHIPPING Group in respect of the provision of products and services by the Group to the COSCO SHIPPING Group and at the same time, leverage on the network of the COSCO SHIPPING Group to penetrate into the global market with a view to expanding its customer base.

*Expected increase in revenue generated from independent third parties*

Pursuant to the Entrustment Agreement, Shanghai Universal is entrusted to exercise, among other things, the daily management rights in respect of the Target Companies, including but not limited to, daily production related matters such as procurement, sales and production, through which, the Group may achieve increased economies of scale and unified management of the container manufacturing businesses of the Target Companies and the Group. In line with this objective, the Group seeks to implement the integration of sales channels for the containers manufactured by the Group and the Target Companies by leveraging on the entrustment arrangement of the Target Companies pursuant to the Entrustment Agreement. In doing so, it is anticipated that the Group will be able to expand its customer base as well as increase its share of the container manufacturing market with the additional production capacity of the Target Companies.

In particular, it is expected that through utilizing the technological capability of the Target Companies in the manufacturing of refrigerated containers, the Group will be able to diversify its portfolio of supply of containers, thereby enabling the Group to further penetrate into the container manufacturing market and serve new customers who are third parties independent of the Company and its connected persons.

Further, the geographical presence of the Target Companies in the Northern and Eastern China regions, which supplements to the existing geographical presence of the container manufacturers of the Group, will allow the Group to fulfil container manufacturing orders that require delivery of the containers to locations in the Northern and Eastern China regions in a more efficient and cost-effective manner.

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## LETTER FROM THE BOARD

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In implementing the aforementioned strategy, the Group will enter into agreements directly with the customers whose container manufacturing orders will be handled by the Target Companies and who are expected to be primarily third parties independent of the Company and its connected persons. Accordingly, it is expected that there will be an increase in revenue generated from independent third parties of the Group, therefore eliminating any apparent reliance of the Group on the COSCO SHIPPING Group in terms of generation of revenue.

In light of the foregoing, the Board is of the view that (i) there is no and will not be any issue of reliance of the Group on the COSCO SHIPPING Group; and (ii) the continuing connected transactions between the Group and the COSCO SHIPPING Group are in the interests of the Company and the Shareholders as a whole.

### **3. Reasons for and benefits of the revision of annual cap**

The Directors have been carefully monitoring the historical transaction amounts of and the estimated demand for the continuing connected transactions of the Group.

In implementing the strategy of unified management of the container business of the Target Companies and the Group, which will include, among other things, integration of the sales channels of containers manufactured by the Target Companies and the Group, there will be an increase in the transaction amounts in respect of the provision of products and services by the COSCO SHIPPING Group to the Group under the Master Containers Services Agreement. As such, the Board anticipates that the Existing Annual Cap would not be sufficient to meet the expected transaction amounts in respect of the provision of products and services by the COSCO SHIPPING Group to the Group under the Master Containers Services Agreement for the year ending 31 December 2019.

The Directors (including the independent non-executive Directors, after considering the advice from the Independent Financial Adviser) consider that the transactions under the Master Containers Services Agreement have been conducted and will continue to be conducted in the ordinary and usual course of business of the Group and are on normal commercial terms, and that the terms of the Master Containers Services Agreement and the Proposed Revised Annual Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

### **4. Information on parties to the Master Containers Services Agreement**

#### ***Information on the Group***

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

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## LETTER FROM THE BOARD

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

### *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 the State-owned Assets Supervision and Administration Commission of the State Council of the PRC.

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.

### **5. Internal control procedures for the Group**

Pursuant to the terms of the continuing connected transaction framework agreements of the Group, the Group may, from time to time and as necessary, enter into separate implementation agreements for each of the specific transactions contemplated under the continuing connected transaction framework agreements of the Group.

Each implementation agreement shall set out the specific terms and other relevant conditions for the particular transaction, including but not limited to the rights and benefits of the parties, coordination of the parties, fees and expenses, payments, use of information, breach of agreement and exclusion of liabilities. Any execution and amendments of such implementation agreements shall not contravene the relevant continuing connected transaction framework agreements.

In addition to the annual review by the auditors and independent non-executive Directors pursuant to the requirements of Chapter 14A of the Listing Rules, the Company has implemented the following internal control procedures to ensure that the terms offered by the relevant connected parties are no less favorable than those available to or from independent third parties (as the case may be) and the continuing connected transactions of the Group are conducted in accordance with the pricing policy under the respective continuing connected transaction framework agreements:

- (i) the Company has prepared and implemented the Methods for Management of Connected Transactions (關連交易管理辦法) which sets out, among other things, the relevant requirements for and identification of connected transactions, the responsibilities of relevant departments in the conduct and management of connected transactions, reporting procedures and ongoing monitoring, with a view to ensuring compliance of the Group with applicable laws and regulations (including the Listing Rules) in relation to connected transactions;

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## LETTER FROM THE BOARD

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- (ii) before entering into any implementation agreements pursuant to the continuing connected transaction framework agreements, the relevant executives of the relevant departments of the Company will review contemporaneous prices and other relevant terms offered by at least two independent third parties operating at the same or nearby area before the commencement of the relevant transaction, and ensure that the terms offered by the relevant connected persons are fair and reasonable and comparable to those offered by independent third parties. In case where the offers made by independent third parties are more favorable to the Company, the Company would take up those offers of the independent third parties;
- (iii) following the entering into of the implementation agreements pursuant to the continuing connected transaction framework agreements, the Company will regularly examine the pricing of the transactions under the continuing connected transaction framework agreements to ensure that they are conducted in accordance with the pricing terms thereof, including reviewing the transaction records of the Company for the purchase or provision of similar goods or services to or from independent third parties (as the case may be);
- (iv) the Company will regularly convene meetings to discuss any issues in the transactions under the continuing connected transaction framework agreements and recommendations for improvement;
- (v) the Company will regularly summarise the transaction amounts incurred under the respective continuing connected transaction framework agreements and submit periodic reports which sets out, among other things, the historical transaction amounts, the estimated future transaction amounts and the applicable annual caps, to the management of the Company. If the aforementioned transaction amount incurred reach 80% of the respective applicable annual cap, immediate reporting will be made to the management of the Company. In doing so, the management and the relevant departments of the Company can be informed of the status of the continuing connected transactions in a timely manner such that the transactions can be conducted within the applicable annual caps;
- (vi) if it is anticipated that the existing annual caps may be exceeded in the event that the Company continues to conduct the continuing connected transactions, the relevant business departments shall report to the management of the Company at least two months in advance, the Company will then take all appropriate steps in advance to revise the relevant annual caps in accordance with the relevant requirements of the Listing Rules and if necessary, the Company will refrain from further conducting the relevant continuing connected transactions until the revised annual caps are approved; and
- (vii) the supervision department of the Company will periodically review and inspect the process of the relevant continuing connected transactions.

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## LETTER FROM THE BOARD

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By implementing the above procedures, the Directors consider that the Company has established sufficient internal control measures to ensure that the pricing basis of each of the continuing connected transaction agreements of the Group will be on normal commercial terms (or better to the Group), fair and reasonable, in accordance with the pricing policy of the Company and in the interests of the Company and the Shareholders as a whole.

The relevant departments of the Company will also collect statistics of each of the continuing connected transaction agreements of the Group on a quarterly basis to ensure that the annual caps approved by the Independent Shareholders or as announced are not exceeded.

### **6. Implications under the Listing Rules**

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

Pursuant to Rule 14A.54 of the Listing Rules, the Company is required to re-comply with the applicable requirements under Chapter 14A of the Listing Rules due to the revision of the annual cap.

As one or more applicable percentage ratios in respect of the Proposed Revised Annual Cap exceed 5%, the revision of the annual cap in respect of the transactions for the provision of products and services by the COSCO SHIPPING Group to the Group contemplated under the Master Containers Services Agreement is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, all being executive Directors, and Mr. Feng Boming, Mr. Huang Jian and Mr. Liang Yanfeng, all being non-executive Directors, hold directorship(s) or act as senior management in COSCO SHIPPING and/or its associates, and were nominated by COSCO SHIPPING to the Board. Accordingly, Mr. Wang Daxiong, Mr. Liu Chong, Mr. Xu Hui, Mr. Feng Boming, Mr. Huang Jian and Mr. Liang Yanfeng have therefore abstained from voting on the relevant Board resolution approving the Proposed Revised Annual Cap. Save as aforementioned, none of the other Directors has a material interest in the transactions contemplated under the Master Containers Services Agreement and therefore no other Director has abstained from voting on such Board resolution.

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## LETTER FROM THE BOARD

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### **7. 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 Proposed Revised Annual Cap.

Messis Capital has been appointed by the Company as the Independent Financial Adviser with the approval of the Independent Board Committee to advise the Independent Board Committee and the Independent Shareholders in respect of the Proposed Revised Annual Cap.

### **III. PROPOSED RE-ELECTION OF DIRECTORS AND SUPERVISORS**

Reference is made to the Proposed Re-elections Announcement. On 5 July 2019, the Board and the Supervisory Committee have proposed to re-elect the Directors and the Supervisors to constitute the sixth session of the Board and the Supervisory Committee, respectively.

The term of office of the sixth session of the Board and the sixth session of the Supervisory Committee will commence from the date of approval of the Proposed Re-elections by the Shareholders until the conclusion of the annual general meeting of the Company for the year ending 31 December 2021 to be convened in the year 2022.

According to the articles of association of the Company, the Proposed Re-elections are subject to the approval by the Shareholders at a general meeting of the Company. The ordinary resolutions in relation to the Proposed Re-elections will be proposed at the EGM.

#### **1. Proposed re-election of Directors**

The Board has proposed the re-election of the following persons as Directors of the sixth session of the Board:

- (i) each of Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui as an executive Director of the sixth session of the Board;
- (ii) each of Mr. Feng Boming, Mr. Huang Jian and Mr. Liang Yanfeng as a non-executive Director of the sixth session of the Board; and
- (iii) each of Mr. Cai Hongping, Ms. Hai Chi Yuet, Mr. Graeme Jack, Mr. Lu Jianzhong and Ms. Zhang Weihua as an independent non-executive Director of the sixth session of the Board.

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## LETTER FROM THE BOARD

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Mr. Gu Xu, an independent non-executive Director, will retire upon the expiration of the term of office of the current session of the Board and will not offer himself for re-election to the sixth session of the Board due to adjustment of work arrangements. Mr. Gu Xu will also cease to be a member of the Nomination Committee upon his retirement.

Mr. Gu Xu has confirmed that he has no disagreement with the Board and there are no other matters in relation to his retirement that need to be brought to the attention of the Shareholders. The Board would like to take this opportunity to express its sincere gratitude to Mr. Gu Xu for his contributions to the Company during his tenure of service.

In identifying suitable candidates for independent non-executive Director, the Nomination Committee shall consider candidates on merit against objective criteria and with due regard to the benefits of the diversity of the Board. The factors considered by the Nomination Committee in assessing the suitability of a proposed candidate include: (i) reputation for integrity; (ii) accomplishments, professional knowledge and industry experience which may be relevant to the Group; (iii) commitment to the business of the Group in respect of time, interest and attention; (iv) perspectives, skills and experience that the individual can contribute to the Board; (v) diversity in a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service; (vi) Board succession planning considerations and long-term objectives of the Group; and (vii) the independence of such candidate with reference to, among other things, the requirements as set out in Rule 3.13 of the Listing Rules.

The Nomination Committee had assessed and reviewed the written confirmation of independence of each of Mr. Cai Hongping, Ms. Hai Chi Yuet, Mr. Graeme Jack, Mr. Lu Jianzhong and Ms. Zhang Weihua based on the independence criteria as set out in Rule 3.13 of the Listing Rules and is satisfied that each of Mr. Cai Hongping, Ms. Hai Chi Yuet, Mr. Graeme Jack, Mr. Lu Jianzhong and Ms. Zhang Weihua remains independent in accordance with Rule 3.13 of the Listing Rules. In addition, having evaluated the performance of each of Mr. Cai Hongping, Ms. Hai Chi Yuet, Mr. Graeme Jack, Mr. Lu Jianzhong and Ms. Zhang Weihua, the Nomination Committee is of the view that each of Mr. Cai Hongping, Ms. Hai Chi Yuet, Mr. Graeme Jack, Mr. Lu Jianzhong and Ms. Zhang Weihua has provided valuable contributions to the Company and has demonstrated his or her abilities to provide independent, balanced and objective view to the Company's affairs.

The Nomination Committee also considers that each of Mr. Cai Hongping, Ms. Hai Chi Yuet, Mr. Graeme Jack, Mr. Lu Jianzhong and Ms. Zhang Weihua can contribute to the diversity of the Board, in particular, with their diversified educational background and professional experience in public accounting and auditing, tertiary education, transportation, investment banking, corporate finance, initial public offerings, shipping logistics and connections in various industries.

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## LETTER FROM THE BOARD

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Each of Ms. Hai Chi Yuet and Mr. Cai Hongping, being the chairman and a member of the Nomination Committee, respectively, has abstained from voting on the resolution in relation to his or her own nomination for re-election as an independent non-executive Director.

Please refer to Appendix II to this circular for the biographical details of the Directors proposed to be re-elected.

Save as disclosed in this circular, there are no other matters that need to be brought to the attention of the Shareholders in connection with the Proposed Re-elections of the Directors and there is no other information that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

### **2. Proposed re-election of Supervisors**

The Supervisory Committee has proposed to re-elect Mr. Ye Hongjun and Mr. Hao Wenyi as shareholder representative Supervisors of the sixth session of the Supervisory Committee.

The election of the employee representative Supervisor of the sixth session of the Supervisory Committee will be considered and approved by the meeting of the employee representatives of the Company to be convened in due course and is not subject to Shareholders' approval.

Please refer to Appendix III to this circular for the biographical details of the Supervisors proposed to be re-elected.

Save as disclosed in this circular, there are no other matters that need to be brought to the attention of the Shareholders in connection with the Proposed Re-elections of the Supervisors and there is no other information that is required to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

## **IV. THE EGM**

The EGM will be held at 1:30 p.m. on Tuesday, 20 August 2019 at Level 3, Ocean Hotel Shanghai, 1171 Dong Da Ming Road, Hong Kou District, Shanghai, the PRC, for the Shareholders to consider and, if thought fit, approve the abovementioned resolutions. The voting in relation to such resolutions will be conducted by way of poll.

The Notice of EGM, which was despatched to the Shareholders on 5 July 2019, is reproduced on pages EGM-1 to EGM-4 of this circular.

As at the Latest Practicable Date, 4,458,195,175 A Shares, representing approximately 38.41% of the total issued share capital of the Company, is held by China Shipping, a wholly-owned subsidiary of COSCO SHIPPING, and 100,944,000 H Shares, representing approximately 0.87% of the total issued share capital of the Company, is held by Ocean Fortune Investment Limited, an indirectly wholly-owned subsidiary of COSCO SHIPPING. Therefore,

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## LETTER FROM THE BOARD

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COSCO SHIPPING and its associates control or are entitled to exercise control over the voting rights in respect of 4,458,195,175 A Shares and 100,944,000 H Shares, representing approximately 39.28% of the total issued share capital of the Company. Accordingly, COSCO SHIPPING is an indirect controlling shareholder of the Company and therefore a connected person of the Company. COSCO SHIPPING and its associates and those who are interested in the Master Containers Services Agreement and the transactions contemplated thereunder will be required to abstain from voting on the resolution in relation to the Proposed Revised Annual Cap. 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 Master Containers Services Agreement and the transactions contemplated thereunder and therefore no other Shareholder is required to abstain from voting at the EGM for the ordinary resolution in relation to the Proposed Revised Annual Cap.

To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the ordinary resolutions in relation to the Proposed Re-elections to be proposed at the EGM and therefore no Shareholder is required to abstain from voting at the EGM for the ordinary resolutions in relation to the Proposed Re-elections.

Completion and return of the Form of Proxy will not preclude a Shareholder from attending and voting in person at the EGM or at any adjourned meeting 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 in person or by proxy, you are required to complete and return the reply slip to the Securities and Public Relations Department of the Company not later than 31 July 2019.

### **V. RECOMMENDATION**

The Independent Board Committee, after considering the advice from the Independent Financial Adviser, is of the view that the transactions contemplated under the Master Containers Services Agreement have been conducted and will continue to be conducted in the ordinary and usual course of business of the Group and are on normal commercial terms, and the terms of the Master Containers Services Agreement and the Proposed Revised Annual Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Proposed Revised Annual Cap to be proposed at the EGM.

The Board (including the independent non-executive Directors) considers that the ordinary resolutions in relation to the Proposed Re-elections are in the interests of the Company and the Shareholders as a whole. Accordingly, the Board recommends all the Shareholders to vote in favour of the ordinary resolutions in relation to the Proposed Re-elections to be proposed at the EGM.

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## LETTER FROM THE BOARD

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### VI. FURTHER INFORMATION

Your attention is drawn to (i) the letter from the Independent Board Committee set out on pages 26 to 27 of this circular, containing its recommendation in respect of the Proposed Revised Annual Cap; (ii) the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 28 to 44 of this circular, containing its recommendation in respect of the Proposed Revised Annual Cap; and (iii) the additional information set out in the appendices to this circular.

The Independent Shareholders are advised to read the aforesaid letters and Appendix I to this circular before deciding as to how to vote on the ordinary resolution in relation to the Proposed Revised Annual Cap.

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.”.*

# *For identification purpose only.*



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)**

5 August 2019

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS  
REVISION OF ANNUAL CAP FOR  
MASTER CONTAINERS SERVICES AGREEMENT**

We refer to the circular of the Company dated 5 August 2019 (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 Proposed Revised Annual Cap, details of which are set out in the “Letter from the Board” in the Circular. Messis Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the “Letter from the Board” set out on pages 8 to 25 of the Circular, the “Letter from Independent Financial Adviser” set out on pages 28 to 44 of the Circular and the additional information set out in Appendix I to the Circular.

Having taken into account, among other things, the principal factors and reasons considered by, and the advice of, the Independent Financial Adviser as set out in the “Letter from the Independent Financial Adviser” in the Circular, we concur with the view of the Independent Financial Adviser and consider that the transactions contemplated under the Master Containers Services Agreement have been conducted and will continue to be conducted in the ordinary and usual course of business of the Group and are on normal commercial terms. The terms of the Master Containers Services Agreement and the Proposed Revised Annual Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution in relation to the Proposed Revised Annual Cap to be proposed at the EGM.

Yours faithfully,

**Independent Board Committee**

**Mr. Cai Hongping**

**Ms. Hai Chi Yuet**

**Mr. Graeme Jack**

**Mr. Lu Jianzhong**

**Mr. Gu Xu**

**Ms. Zhang Weihua**

*Independent non-executive Directors*

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from Messis Capital Limited to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Revised Annual Cap for the purpose of inclusion in this circular.*



5 August 2019

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

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTIONS REVISION OF ANNUAL CAP FOR MASTER CONTAINERS SERVICES AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Proposed Revised Annual Cap, 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 5 August 2019 (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.

Reference is made to the Revision of Annual Cap Announcement. On 5 July 2019, the Board proposed to revise the Existing Annual Cap to the Proposed Revised Annual Cap in respect of the transactions for the provision of products and services by the COSCO SHIPPING Group to the Group contemplated under the Master Containers Services Agreement for the year ending 31 December 2019.

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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therefore a connected person of the Company. Pursuant to Rule 14A.54 of the Listing Rules, the Company is required to re-comply with the applicable requirements under Chapter 14A of the Listing Rules in relation to the Proposed Revised Annual Cap.

As one or more applicable percentage ratios in respect of the Proposed Revised Annual Cap exceed 5%, the revision of the annual cap in respect of the transactions for the provision of products and services by the COSCO SHIPPING Group to the Group contemplated under the Master Containers Services Agreement is subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

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

The Independent Board Committee (comprising all independent non-executive Directors namely, Mr. Cai Hongping, Ms. Hai Chi Yuet, Mr. Graeme Jack, Mr. Lu Jianzhong, Mr. Gu Xu and Ms. Zhang Weihua) has been formed in accordance with Chapter 14A of the Listing Rules to advise the Independent Shareholders on the Proposed Revised Annual Cap. 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.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company and any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser, no arrangement exists whereby we will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. During the past two years, we were appointed as an independent financial adviser for the Company on three occasions, details of which are set out in the Company's circulars dated (i) 10 May 2018 in relation to the extension of validity period of resolutions regarding the revised proposed non-public issuance of A Shares; and (ii) 4 September 2018 in relation to the continuing connected transactions for the revision of annual caps for Master Containers Services Agreement; and (iii) 10 May 2019 in relation to further extension of validity period of resolutions regarding the revised proposed non-public issuance of A Shares. During the past two years, we were also appointed as an independent financial adviser for COSCO SHIPPING Energy Transportation Co., Ltd. (stock code: 1138), a connected person of the Company, for four occasions, details of which are set out in its circulars dated (i) 4 December 2017 in relation to the proposed non-public issuance of A

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shares; (ii) 30 November 2018 in relation to the extension resolutions; (iii) 30 November 2018 in relation to major and continuing connected transactions; and (iv) 5 July 2019 in relation to the amendment to the terms of the proposed non-public issuance of A shares. Notwithstanding the above, the previous engagements with the Company and its connected person 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 Group, and (iii) any core connected person of the Company within 2 years prior to 18 July 2019, 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.

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 Proposed Revised Annual Cap.

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This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Proposed Revised Annual Cap. 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 Information on the Group

##### *1.1 Background information on the Group*

The Company is a joint stock company established under the laws of the PRC with limited liability the H Shares of which are listed on the Main Board of the Hong Kong Stock Exchange and the A Shares of which are listed on the Shanghai Stock Exchange. The Group is principally engaged in shipping and industry-related leasing businesses, manufacturing of containers and provision of investment and financial services.

##### *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 2016, 2017 and 2018, which are extracted from the 2018 Annual Report and the Company's annual report for the year ended 31 December 2017 (the "2017 Annual Report").

|                                   | Year ended 31 December |              |              |
|-----------------------------------|------------------------|--------------|--------------|
|                                   | 2018                   | 2017         | 2016         |
|                                   | RMB'000                | RMB'000      | RMB'000      |
|                                   | (audited)              | (audited)    | (audited)    |
|                                   |                        | (restated)   |              |
| <i>Continuing operations</i>      |                        |              |              |
| Revenue                           | 16,242,002             | 15,901,155   | 15,527,887   |
| Costs of sales                    | (12,342,761)           | (12,745,552) | (13,849,363) |
| Gross profit                      | 3,899,241              | 3,155,603    | 1,678,524    |
| Profit from continuing operations | 1,359,397              | 1,361,350    | 315,749      |

For the year ended 31 December 2017

Revenue of the Group increased from approximately RMB15.5 billion for the year ended 31 December 2016 to approximately RMB15.9 billion for the year ended 31 December 2017, representing an increase of approximately RMB0.4 billion or

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2.4%. According to the 2017 Annual Report, the increase in revenue was mainly attributable to (i) the increase in revenue from the shipping and industry-related leasing business of approximately 3% to approximately RMB10.4 billion, which was mainly due to the further expansion of other industry-related finance leasing business and partially offset by the decrease in revenue from vessel leasing business of approximately 5% to approximately RMB5.7 billion as a result of the term expiry of chartered vessels during the year and the decrease in number of sub-chartering vessels; and (ii) the increase in the revenue from the container manufacturing business of approximately 94% to approximately RMB5.9 billion, which was mainly due to the recovery of the container manufacturing market alongside the global economic and shipping market recovery, and the rise in both volumes and prices in the container manufacturing market due to the industry-wide application of waterproof coats in April 2017 which pushed up the price for containers.

The Group recorded a profit from continuing operations for the year ended 31 December 2017 of approximately RMB1.4 billion as compared to a profit of approximately RMB315.7 million for the year ended 31 December 2016. Such significant increase in profit was mainly attributable to (i) the increase in gross profit of approximately 100.0%; (ii) the decrease in selling, administrative and general expenses of approximately 27% and (iii) other gains of approximately RMB10.3 million for the year ended 31 December 2017 as compared to other losses of approximately RMB117.2 million for the year ended 31 December 2016, mainly attributable to exchange losses.

For the year ended 31 December 2018

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

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

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### 1.3 Financial position on the Group

|                                                    | As at 31 December |              |              |
|----------------------------------------------------|-------------------|--------------|--------------|
|                                                    | 2018              | 2017         | 2016         |
|                                                    | RMB'000           | RMB'000      | RMB'000      |
|                                                    | (audited)         | (audited)    | (audited)    |
| <b>Non-Current Assets</b>                          | 107,595,913       | 99,004,264   | 98,584,089   |
| <b>Current Assets</b>                              | 30,241,509        | 40,033,396   | 26,876,216   |
| <b>Total Assets</b>                                | 137,837,422       | 139,037,660  | 125,460,305  |
| <b>Current Liabilities</b>                         | 54,905,600        | 52,657,566   | 44,634,474   |
| <b>Non-Current Liabilities</b>                     | 64,891,687        | 69,506,307   | 67,262,717   |
| <b>Net current liabilities</b>                     | (24,664,091)      | (12,624,170) | (17,758,258) |
| <b>Total assets less current liabilities</b>       | 82,931,822        | 86,380,094   | 80,825,831   |
| <b>Net Assets</b>                                  | 18,040,135        | 16,873,787   | 13,563,114   |
| <b>Equity attributable to owners of the parent</b> | 18,040,135        | 16,276,162   | 13,250,047   |

As at 31 December 2016, 2017 and 2018, 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 85.4%, 84.4% and 93.8% of the total assets of the Group as at 31 December 2016, 2017 and 2018, respectively. The property, plant and equipment of approximately RMB56.5 billion as at 31 December 2018 mainly comprised of containers and vessels.

As at 31 December 2016, 2017 and 2018, 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 88.8%, 84.0% and 93.8% of the total liabilities of the Group as at 31 December 2016, 2017 and 2018, respectively.

As a result of the foregoing, the total equity of the Group as at 31 December 2016, 2017 and 2018 amounted to RMB13,563 million, RMB16,874 million and RMB18,040 million, respectively. The net gearing ratio was 533% as at 31 December 2018, which remained flat as compared to that of 535% as at 31 December 2017.

### 2. The Master Containers Services Agreement

#### 2.1 *Background information of COSCO SHIPPING Group*

COSCO SHIPPING is a company incorporated under the laws of the PRC, and is a state-owned enterprise wholly-owned and controlled by State-owned Assets Supervision and Administration Commission of the State Council of the PRC. 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.

As advised by the management of the Company, the COSCO SHIPPING Group originally did not engage in containers manufacturing, after the completion of the acquisition of the Target Companies under the Entrustment Agreement, the COSCO SHIPPING Group is now able to share the manufacturing services provided by the Target Companies with extra geographical presence in Qingdao, Qidong and Ningbo which locate in the Northern and Eastern China regions and extra types of containers with the Group.

#### 2.2 *Details of the Master Containers Services Agreement*

The principal terms of the Master Containers Services Agreement are set out below.

##### *Products and services to be provided by the Group to the COSCO SHIPPING Group*

Pursuant to the Master Containers Services Agreement, the Group agreed to provide container and other ancillary services to the COSCO SHIPPING Group, which includes sale and purchase of containers and commissioned container manufacturing services.

##### *Products and services to be provided by the COSCO SHIPPING Group to the Group*

Pursuant to the Master Containers Services Agreement, the COSCO SHIPPING Group agreed to provide container and other ancillary services to the Group, which includes merchandising of material ancillary to containers, provision of containers depot, containers logistics, containers management, containers maintenance and other ancillary services.

As advised by the management of the Company, the products and services to be provided by the Group are the sale and purchase of containers and its related manufacturing services while the products and services to be provided by the COSCO SHIPPING Group are mainly (i) the materials ancillary to the manufacturing of container such as paints and (ii) services such as container logistics, management and maintenance.

### ***2.3 Reasons for and benefits of the Proposed Revised Annual Cap***

The Group has long established business relationships with COSCO SHIPPING Group for the provision or acceptance of products and services under the Master Containers Services Agreement. As advised by the management of the Company, with the entering of the Entrustment Agreement, the Board anticipates that the Existing Annual Cap would not be sufficient to meet the expected transaction amounts in respect of the provision of products and services by the COSCO SHIPPING Group to the Group under the Master Containers Services Agreement for the year ending 31 December 2019. The Board therefore proposes to revise the Existing Annual Cap to the Proposed Revised Annual Cap.

We have reviewed the Entrustment Agreement Announcement and the Entrustment Agreement and we noted that in May 2019, CS Financial proposed to acquire 100% equity interests in the Target Companies from Singamas Container. The Target Companies principally engage in design, research and development, manufacture, sales and delivery of containers and the related businesses. In order to address any potential competition between the Group and the COSCO SHIPPING Group as a result of the aforementioned acquisition, CS Financial and Shanghai Universal entered into the Entrustment Agreement. We are given to understand from the management of the Company that the Company intends to, through the Entrustment Agreement, entrust Shanghai Universal to exercise, among other things, the daily management rights in respect of the Target Companies, including but not limited to, daily production related matters such as procurement, sales and production. The Group may therefore achieve increased economies of scale and unified management of the container manufacturing businesses of the Target Companies and the Group which would enhance the efficiency and lowering the costs incurred.

As at the Latest Practicable Date, the manufacturing function of the container manufacturing business of the Group is primarily assumed by Dong Fang International Container (Lianyungang) Co., Ltd.<sup>#</sup> (東方國際集裝箱(連雲港)有限公司), Dong Fang International Container (Jinzhou) Co., Ltd.<sup>#</sup> (東方國際集裝箱(錦州)有限公司) and Dong Fang International Container (Guangzhou) Co., Ltd.<sup>#</sup> (東方國際集裝箱(廣州)有限公司), each an indirect wholly-owned subsidiary of the Company, and the sales and distribution of the containers manufactured by the Group is primarily handled by DFIC HK, an indirect wholly-owned subsidiary of the Company and the primary distributor of containers of the Group. DFIC HK and the Target Companies will assume different primary roles along the supply chain, where DFIC HK will focus on the front-end sourcing of customers as well as the sales and distribution of containers, while the Target Companies will focus on the back-end manufacturing of containers. By implementing the abovementioned sales channel strategy, upon receiving orders for manufacturing of containers from customers (who are expected to be primarily third parties independent of the Company and its connected persons), DFIC HK will engage the Target Companies to manufacture the containers for suitable orders and enter into an agreement with each of the customer and the relevant Target Company on a back-to-back basis (save for price)

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with respect to the manufacture and sales of the containers. As such, it is expected that the transaction amounts in respect of the provision of products and services by the COSCO SHIPPING Group to the Group under the Master Containers Services Agreement will be increased and the Existing Annual Cap would not be sufficient to meet the expected transaction amounts.

Having considered that (i) there is long established business relationship between the COSCO SHIPPING Group and the Group; (ii) the Master Containers Services Agreement offers services which are in line with the principal business of the Group; (iii) the Entrustment Agreement would lead to an increase in the transaction amounts for the provision of containers and other ancillary services by the COSCO SHIPPING Group to the Group under the Master Containers Services Agreement, we concur with the view of the Directors that the Existing Annual Cap would not be sufficient to meet the expected transaction amounts under the Master Containers Services Agreement for the year ending 31 December 2019 and hence the Proposed Revised Annual Cap is in the interests of the Company and the Shareholders as a whole.

### ***2.4 No reliance on the COSCO SHIPPING Group***

As disclosed in the 2018 Annual Report, the revenue generated from the COSCO SHIPPING Group amounted to approximately RMB8.6 billion, representing approximately 53.2% of the total revenue of the Group for the year ended 31 December 2018. The revenue from the COSCO SHIPPING Group for the year ended 31 December 2018 was mainly generated from services provided by the Group under the Master Containers Services Agreement and other services including container leasing services and chartering of vessels. The expenses paid to the COSCO SHIPPING Group for the year ended 31 December 2018 amounted to approximately RMB1.8 billion, representing only approximately 10.4% of the total expenses of the Group (inclusive of cost of sales and other expenses) for the year ended 31 December 2018.

Pursuant to the terms of the Master Containers Services Agreement as well as other continuing connected transaction agreements between the Group and the COSCO SHIPPING Group, the price of the relevant products and/or services provided thereunder shall be fair and reasonable and are no less favourable than the terms to or from independent third parties (as the case may be). The Group is not restricted under the terms of such agreements to sell and/or provide its products and/or services to independent third-party customers. In formulating the sales policy of the Group, in addition to the terms of sales, the Group also takes into account the creditworthiness and settlement risk of the customers. While the Group may selectively diversify its sales to independent third-party customers so as to expand its customer base, such diversification of sales may also result in increased settlement risk of the sales of the Group as well as increased administrative expenses in assessing the creditworthiness of such independent third-party customers. As COSCO SHIPPING is the indirect controlling shareholder of the Company,

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in light of the secured and steady relationship between the Group and the COSCO SHIPPING Group, the level of settlement risk associated with the transactions with the COSCO SHIPPING Group is generally lower than those with independent third-party customers.

As discussed in the section “1.2 Financial performance on the Group”, the container manufacturing business of the Group realised an operating revenue of approximately RMB7.8 billion for the year ended 31 December 2018, which accounted for approximately 48.2% of the total revenue of the Group and represents an increase of approximately 31.9% as compared with approximately RMB5.9 billion in 2017. The Group’s container sales amounted to approximately 613,700 TEUs during the year, representing an increase of 27.9% as compared with approximately 480,000 TEUs of last year. It is the Group’s intention to strengthen its container manufacturing service by improving container painting technology, which significantly enhanced market competitiveness and also stepped up marketing efforts and increased productivity through scientific production scheduling.

As discussed in the section “2.3 Reasons for and benefits of the Proposed Revised Annual Cap”, the Group will be able to integrate the sales channels for the containers manufactured by the Group and the Target Companies with a view to expanding its customer base as well as increasing its share of the container manufacturing market by leveraging on the Entrustment Agreement. In particular, it is expected that through utilising the technological capability of the Target Companies in the manufacturing of refrigerated containers, the Group will be able to diversify its portfolio of supply of containers, thereby enabling the Group to further penetrate into the container manufacturing market and serve new customers who are third parties independent of the Company and its connected persons. Further, the geographical presence of the Target Companies in the Northern and Eastern China regions, which supplements to the Group’s existing geographical presence, will allow the Group to fulfil container manufacturing orders that require delivery of the containers to locations in the Northern and Eastern China regions in a more efficient and cost-effective manner. As a result, it is expected that there will be an increase in revenue generated from independent third parties of the Group, therefore eliminating any apparent reliance of the Group on the COSCO SHIPPING Group in terms of generation of revenue.

Having considered that (i) the Group is able to generate a stable revenue stream from the continuing connected transactions between the Group and the COSCO SHIPPING Group; (ii) the general improvement in the container manufacturing market in 2018 as discussed in the section “1.2 Financial performance on the Group”; (iii) the secure and steady relationship between the Group and the COSCO SHIPPING Group; (iv) the continuing connected transactions between the Group and the COSCO SHIPPING Group provide synergies among the business segments and enhanced efficiency in the overall operation of the Group; and (v) the Group will also be able to generate extra revenue from other independent third party customers by providing new type of containers and larger geographic presence, hence, expanding its customer base and market share, we concur

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with the Directors that (i) there will not be any issue of reliance of the Group on the COSCO SHIPPING Group in terms of generation of revenue; and (ii) the continuing connected transactions between the Group and the COSCO SHIPPING Group in relation to the Master Containers Services Agreement are in the interests of the Company and the Shareholders as a whole.

### ***2.5 The Proposed Revised Annual Cap***

The following table sets out the historical transaction amounts and the relevant annual caps for the transactions in respect of the provision of products and services by the COSCO SHIPPING Group to the Group contemplated under the Master Containers Services Agreement for the two years ending 31 December 2019:

| <b>For the year ended<br/>31 December 2018</b>              |                                 | <b>For the six<br/>months ended<br/>30 June 2019</b>        | <b>For the year<br/>ending<br/>31 December<br/>2019</b> |
|-------------------------------------------------------------|---------------------------------|-------------------------------------------------------------|---------------------------------------------------------|
| <b>Historical<br/>transaction<br/>amounts<br/>(RMB'000)</b> | <b>Annual cap<br/>(RMB'000)</b> | <b>Historical<br/>transaction<br/>amounts<br/>(RMB'000)</b> | <b>Annual cap<br/>(RMB'000)</b>                         |
| 559,937                                                     | 1,900,000                       | 362,535                                                     | 1,900,000                                               |

The Board proposed to revise the Existing Annual Cap to the Proposed Revised Annual Cap as set out in the table below:

|                                                                                      | <b>For the year<br/>ending<br/>31 December<br/>2019<br/>(RMB'000)</b> |
|--------------------------------------------------------------------------------------|-----------------------------------------------------------------------|
| <i>Products and services to be provided by the COSCO SHIPPING Group to the Group</i> |                                                                       |
| Existing Annual Cap:                                                                 | 1,900,000                                                             |
| Proposed Revised Annual Cap:                                                         | 7,000,000                                                             |

*Products and services to be provided by the COSCO SHIPPING Group to the Group*

The Proposed Revised Annual Cap for the containers and other ancillary services to be provided by COSCO SHIPPING Group to the Group under the Master Containers Services Agreement for the year ending 31 December 2019 is RMB7.0 billion.

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As disclosed in the Letter from the Board, in arriving at the Proposed Revised Annual Cap for the provision of products and services by the COSCO SHIPPING Group to the Group under the Master Containers Services Agreement, the Directors have considered:

- (i) the historical transaction amounts for the provision of products and services by the COSCO SHIPPING Group to the Group under the Master Containers Services Agreement for the six months ended 30 June 2019;
- (ii) the prevailing prices for containers, materials ancillary to containers, containers depot, containers logistics, containers management and containers maintenance; and
- (iii) the estimated market fluctuation in terms of container price, ancillary materials price, demands and exchange rates.

We noted that there is a significant increase in the Proposed Revised Annual Cap by approximately RMB5.1 billion. In assessing the fairness and reasonableness of the Proposed Revised Annual Cap for the containers and other ancillary services to be provided by the COSCO SHIPPING Group to the Group under the Master Containers Services Agreement, we have obtained and reviewed the calculation and discussed with the management of the Company regarding the bases and assumptions in arriving the Proposed Revised Annual Cap. The increase in the Proposed Revised Annual Cap is mainly due to the expected transaction amounts for the purchase of containers manufactured by the Target Companies of approximately RMB5.1 billion, which is calculated based on (a) the expected containers sales volume of the Target Companies for the 6 months ending 31 December 2019 according to the historical sales volume; and (b) the estimated selling price of approximately US\$2,200 per container and US\$8,000 per container for dry freight containers and refrigerated containers, respectively, to be provided by the Target Companies to the Group. Based on the calculations provided by the Company, the Group expects the purchase of dry freight containers and refrigerated containers would be amounted to approximately RMB1.2 billion and RMB3.9 billion, respectively.

The expected sales volume of containers manufactured by the Target Companies for the remaining period ending 31 December 2019 is determined with reference to:

- (i) the historical sales volumes of approximately 439,000 TEUs dry freight containers and approximately 10,500 TEUs refrigerated containers for the year ended 31 December 2017 and approximately 556,000 TEUs dry freight containers and approximately 19,000 TEUs refrigerated containers for the year ended 31 December 2018 of the Target Companies;

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- (ii) the historical growth of the container manufacturing market as evidenced by the growing revenue and sales volume of the Group and the Target Companies for the two years ended 31 December 2017 and 2018; and
- (iii) the additional sales channels for the containers of the Target Companies following the integration of the sales channels of the Group and the Target Companies.

Regarding the fairness and reasonableness on the expected sales volume of the containers, we have obtained and reviewed the historical sales volume of containers manufactured by the Target Companies provided by the management of the Company and noted that the Target Companies had sold over 430,000 TEUs and 550,000 TEUs containers in 2017 and 2018, respectively. We are advised by the management of the Company that the containers sales volume of the Target Companies for the year ending 31 December 2019 is expected to reach at least similar level as that in 2018 given the increasing trend of the historical sales volume of the Target Companies. Based on our review on the calculations of the Proposed Revised Annual Cap, we noted that the expected container sales volume of the Target Companies for the year ending 31 December 2019 is made with reference to the historical annual sales volume in 2018. Having taking into account that (i) the growth of the container manufacturing market as evidenced by the growing revenue and sales volume by the Group and the Target Companies in 2017 and 2018; and (ii) the additional sales channels following the integration of the sales channels of the Group and the Target Companies under the Entrustment Agreement, we consider that it is fair and reasonable to anticipate that the container sales volume of the Group (including those of the Target Companies) would increase significantly as a results of the unified management under the Entrustment Agreement and hence the basis and assumption on the expected sales volume of the Target Companies is justifiable.

In assessing the fairness and reasonableness of the selling price of the containers provided by the Target Companies to the Group, we have obtained and reviewed (i) the purchase contracts entered between the Group and other independent third parties for procuring containers and (ii) the sales contracts entered between the Target Companies and other independent third parties for the sales of containers. We noted that the transacted price of a dry freight container ranges from approximately US\$1,965 to US\$2,250; and the transacted price of a refrigerated container ranges from approximately US\$7,700 to US\$9,000. Based on our review on the calculation, the estimated selling price of a dry freight container and a refrigerated container under the calculation of the Proposed Revised Annual Cap is US\$2,200 and US\$8,000, respectively, which is within the range and comparable to those transacted with other independent third parties by the Target Companies and the Group respectively. Having taken into account of the above factors, we concur with the Directors' view that the basis and assumptions in determining the estimated selling price of the containers provided by the Target Companies to the Group in arriving the Proposed Revised Annual Cap are fair and reasonable.

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After considering the principal factors as discussed above, together with our review of the calculation of the Proposed Revised Annual Cap, we are of the view that the basis and assumptions adopted by the Group in arriving the Proposed Revised Annual Cap in respect of products and services to be provided to the Group by the COSCO SHIPPING Group under the Master Containers Services Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

### ***2.6 Transfer Pricing***

The implementation of the integration of the sales channels strategy under the Entrustment Agreement will result in transactions between the Target Companies and the Group, which will be regarded as related party transactions and therefore may potentially be subject to the applicable transfer pricing laws and regulations, under which enterprises entering into related party transactions are required to observe the arm's length principle.

As discussed in the Letter from the Board, the pricing arrangement for the sales of the containers manufactured by the Target Companies to the Group is in line with the existing pricing arrangement for the intra-Group sales of the containers manufactured by the Group to DFIC HK for its onward sales to third party customers. We have obtained and reviewed the pricing arrangement of related party transactions report prepared by Baker Tilly, a China certified tax agent, on an analysis of the profitability of the relevant container manufacturers of the Group for the year ended 31 December 2018 against that of comparable independent entities using the transactional net margin method and noted it was concluded that the existing pricing arrangement was made on an arm's length basis and is fair and reasonable and in compliance with the applicable transfer pricing laws and regulations. Further, taking into account the similarity in terms of scale of businesses, container manufacturing functions undertake and risks assume of the Target Companies and the other container manufacturers of the Group, the preliminary assessment of Baker Tilly is that the adoption of a consistent pricing arrangement for the sales of the containers manufactured by the Target Companies to the Group is reasonable from a transfer pricing compliance perspective.

In addition, we have also reviewed the 2018 Annual Report and noted that the independent non-executive Directors of the Company confirmed that the continuing connected transactions contemplated under the Master Containers Services Agreement were conducted on normal commercial terms or on terms no less favourable to the Company than those available to or from (as the case may be) independent third parties.

Based on the above and taking into consideration that (i) the basis and assumptions adopted by the Group in determining the estimated selling price of the containers by the Target Companies to the Group in arriving the Proposed Revised Annual Cap are fair and reasonable as discussed in the section "2.5 The Proposed Revised Annual Cap"; and (ii) as at the Latest Practicable Date, the Directors were not aware of any inquiry, audit or investigation by any relevant tax authority with respect to the existing pricing

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arrangement for intra-Group sales of the containers manufactured by the Group, we concur with the view of the Directors that the pricing arrangement for the sales and purchases of containers between the Target Companies and the Group under the Master Containers Services Agreement is in line with the applicable regulations and guidance on transfer pricing and is on normal commercial terms and in the interests of the Company and the Shareholders as a whole.

### *2.7 Internal Control procedures of the Group*

In assessing the effectiveness or adequacy of the monitoring mechanism and measure adopted by the Company to ensure that the Proposed Revised Annual Cap will not be exceeded, we have obtained and reviewed the internal control manual on the Methods for Management of Connected Transactions<sup>#</sup> (關連交易管理辦法) which was considered and approved by the Board, and noted that the Company has implemented the following internal control procedures to ensure that the terms offered by the relevant connected parties are no less favourable than those available to or from independent third parties (as the case may be) and the continuing connected transactions of the Group are conducted in accordance with the pricing policy under the respective continuing connected transaction framework agreements:

- (i) the Company has set out in the Methods for Management of Connected Transactions<sup>#</sup> (關連交易管理辦法) the relevant requirements for and identification of connected transactions, the responsibilities of relevant departments in the conduct and management of connected transactions, reporting procedures and ongoing monitoring, with a view to ensuring compliance of the Group with applicable laws and regulations (including the Listing Rules) in relation to connected transactions;
- (ii) before entering into any implementation agreements pursuant to the continuing connected transaction framework agreements, the relevant executives of the relevant departments of the Company will review contemporaneous prices and other relevant terms offered by at least two independent third parties operating at the same or nearby area before the commencement of the relevant transaction, and ensure that the terms offered by the relevant connected persons are fair and reasonable and comparable to those offered by independent third parties. In case where the offers made by independent third parties are more favourable to the Company, the Company would take up those offers of the independent third parties;
- (iii) following the entering into of the implementation agreements pursuant to the continuing connected transaction framework agreements, the Company will regularly examine the pricing of the transactions under the continuing connected transaction framework agreements to ensure that they are conducted

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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in accordance with the pricing terms thereof, including reviewing the transaction records of the Company for the purchase or provision of similar goods or services to or from independent third parties (as the case may be);

- (iv) the Company will regularly convene meetings to discuss any issues in the transactions under the continuing connected transaction framework agreements and recommendations for improvement;
- (v) the Company will regularly summarise the transaction amounts incurred under the respective continuing connected transaction framework agreements and submit periodic reports which sets out, among other things, the historical transaction amounts, the estimated future transaction amounts and the applicable annual caps, to the management of the Company. If the aforementioned transaction amount incurred reach 80% of the respective applicable annual cap, immediate reporting will be made to the management of the Company. In doing so, the management and the relevant departments of the Company can be informed of the status of the continuing connected transactions in a timely manner such that the transactions can be conducted within the applicable annual caps.
- (vi) if it is anticipated that the existing annual caps may be exceeded in the event that the Company continues to conduct the continuing connected transactions, the relevant business departments shall report to the management of the Company at least two months in advance, the Company will then take all appropriate steps in advance to revise the relevant annual caps in accordance with the relevant requirements of the Listing Rules and if necessary, the Company will refrain from further conducting the relevant continuing connected transactions until the revised annual caps are approved; and
- (vii) the supervision department of the Company will periodically review and inspect the process of the relevant continuing connected transactions. The relevant departments of the Company will also collect statistics of each of the continuing connected transaction agreements of the Group on a quarterly basis to ensure that the annual caps approved by the Independent Shareholders or as announced are not exceeded.

We have also reviewed the 2018 Annual Report and noted that pursuant to the Chapter 14A of the Listing Rules, the independent non-executive Directors conducted annual review and confirmed the continuing connected transactions entered by the Company were (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms or no less favourable than those available to or from independent third parties; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole. The auditor of the Company also conducted annual review and confirmed that the continuing connected transactions entered by the Company (i) have been approved by the

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Board; (ii) were in accordance with the relevant agreements governing such transactions; (iii) were in accordance with the pricing policies of the Company; and (iv) have not exceed the relevant maximum aggregate annual cap amount in respect of each transactions.

Based on the above and having considered that the Company had adopted the aforementioned internal controls procedures, we concur with the view of the Directors that the procedures the Company adopted are considered to be efficient and adequate to govern the future execution of such continuing connected transactions of the Group will continue to be conducted on terms that are fair and reasonable, on normal commercial terms and will be in the interests of the Company and the Shareholders as a whole.

### RECOMMENDATION

Having taken into account the abovementioned principal factors and reasons, we are of the view that (i) the transactions contemplated under the Master Containers Services Agreement have been conducted and will continue to be conducted in the ordinary and usual course of business of the Group and are on normal commercial terms; and (ii) the terms of the Master Containers Services Agreement and the Proposed Revised Annual Cap are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders, as well as the Independent Board Committee to recommend the Independent Shareholders, to vote in favour of the ordinary resolutions in relation to the Proposed Revised Annual Cap to be proposed at the EGM.

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 MESSIS 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 10 years of experience in corporate finance industry.*

\* 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.

## 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 of 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<br>(Note 1) | Approximate percentage of the relevant class of Shares of the Company<br>(%) | Approximate percentage of the total issued share capital of the Company<br>(%) |
|--------------|----------|-----------------|----------|-----------------------------------------|------------------------------------------------------------------------------|--------------------------------------------------------------------------------|
| Wang Daxiong | Director | H Shares        | Other    | 834,677 (L)<br>(Notes 2 and 3)          | 0.02                                                                         | 0.01                                                                           |
| Liu Chong    | Director | H Shares        | Other    | 1,112,903 (L)<br>(Notes 2 and 4)        | 0.03                                                                         | 0.01                                                                           |
| Xu Hui       | Director | H Shares        | Other    | 945,968 (L)<br>(Notes 2 and 5)          | 0.03                                                                         | 0.01                                                                           |

*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, 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, senior management and employees of the Company had subscribed to the units of the Asset Management Plan and entrusted the manager of the Asset Management Plan to manage the Asset Management Plan, which would invest in the H Shares. The manager of the Asset Management Plan shall be responsible for, among other things, the investment and re-investment of the assets under the Asset Management Plan and shall be entitled to exercise the voting rights and other relevant rights in respect of the H Shares held under the Asset Management Plan. The Company did not participate in the Asset Management Plan, and the Asset Management Plan does not constitute a share option scheme or any type of employee benefit scheme of the Company. As at 31 December 2017, 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 was one of the participants of the Asset Management Plan through which he held approximately 12.10% of the total number of units of the Asset Management Plan as at the Latest Practicable Date. Accordingly, the 834,677 H Shares represent the interests derived from the units subscribed by Mr. Wang Daxiong in the Asset Management Plan as at the Latest Practicable Date. As at the Latest Practicable Date, Mr. Wang Daxiong did not hold any Shares.
4. Mr. Liu Chong was one of the participants of the Asset Management Plan through which he held approximately 16.13% of the total number of units of the Asset Management Plan as at the Latest Practicable Date. Accordingly, the 1,112,903 H Shares represent the interests derived from the units subscribed by Mr. Liu Chong in the Asset Management Plan as at the Latest Practicable Date. As at the Latest Practicable Date, Mr. Liu Chong did not hold any Shares.
5. Mr. Xu Hui was one of the participants of the Asset Management Plan through which he held approximately 13.71% of the total number of units of the Asset Management Plan as at the Latest Practicable Date. Accordingly, the 945,968 H Shares represent the interests derived from the units subscribed by Mr. Xu Hui in the Asset Management Plan as at the Latest Practicable Date. As at the Latest Practicable Date, Mr. Xu Hui did not hold any Shares.

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

As at the Latest Practicable Date:

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

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

### Interests of substantial Shareholders

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

| Name of Shareholder              | Class of Shares | Capacity                           | Number of Shares interested<br>(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)<br>(Note 2)           | 56.20                                                                                         | 38.41                                                                 |
|                                  | H Shares        | Interest of controlled corporation | 100,944,000 (L)<br>(Note 3)             | 2.75                                                                                          | 0.87                                                                  |
| COSCO SHIPPING                   | A Shares        | Interest of controlled corporation | 4,458,195,175 (L)<br>(Note 2)           | 56.20                                                                                         | 38.41                                                                 |
|                                  | H Shares        | Interest of controlled corporation | 100,944,000 (L)<br>(Note 3)             | 2.75                                                                                          | 0.87                                                                  |
| The Northern Trust Company (ALA) | H Shares        | Approved lending agent             | 249,945,900 (P)                         | 6.80                                                                                          | 2.15                                                                  |

*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 2018, being the date to which the latest audited consolidated financial statements of the Group were made up, up to and including the Latest Practicable Date.

**4. SERVICE CONTRACTS**

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

**5. LITIGATION**

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

**6. MATERIAL INTERESTS**

As at the Latest Practicable Date:

- (a) none of the Directors or the Supervisors had any direct or indirect interest in any assets which had been, since 31 December 2018 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and

- (b) none of the Directors or the Supervisors was materially interested in any contract or arrangement subsisting as at the Latest Practicable Date and which was significant in relation to the business of the Group.

## **7. COMPETING INTERESTS**

As at the Latest Practicable Date, none of the Directors nor any of their respective close associates had any interests 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.

## **8. EXPERTS' QUALIFICATIONS AND CONSENT**

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

| <b>Name</b>    | <b>Qualification</b>                                                                                                                           |
|----------------|------------------------------------------------------------------------------------------------------------------------------------------------|
| Messis Capital | A corporation licensed to conduct Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO |
| Baker Tilly    | China certified tax agent (中國註冊稅務師)                                                                                                            |

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

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

As at the Latest Practicable Date, each of the abovementioned experts did not have any direct or indirect interest in any assets which had been acquired or disposed of by or leased to any member of the Group, or was proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2018 (being the date to which the latest published audited statements of the Group were made up).

**9. DOCUMENTS AVAILABLE FOR INSPECTION**

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

- (a) the Master Containers Services 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 consent referred to in the paragraph headed "Experts' Qualifications and Consent" in this Appendix; and
- (f) this circular.

The following sets out the biographical details of the Directors proposed to be re-elected.

**EXECUTIVE DIRECTORS****Mr. Wang Daxiong**

Mr. Wang Daxiong, aged 59, is the chairman of the Board, an executive Director and the chief executive officer of the Company. He is also the chairman of the board of directors of CS Financial (formerly known as China Shipping (Hong Kong) Holdings Co., Ltd.). Mr. Wang Daxiong served as a non-executive Director from June 2004 to June 2014. He has served as the chairman of the board of directors of COSCO SHIPPING Captive Insurance Co., Ltd. since October 2017, a non-executive director of China Merchants Securities Co., Ltd. (listed on the Hong Kong Stock Exchange under the stock code of 6099 and listed on the Shanghai Stock Exchange under the stock code of 600999) since September 2016 and a non-executive director of China Merchants Bank Co., Ltd. (listed on the Hong Kong Stock Exchange under the stock code of 3968 and listed on the Shanghai Stock Exchange under the stock code of 600036) since November 2016. He served as the deputy general manager and a member of the Party leadership group of China Shipping from May 2010 to March 2014, the vice president, a member of the Party leadership group and the chief accountant of China Shipping from April 2005 to May 2010, the vice president and the chief accountant of China Shipping from December 2004 to April 2005, the vice president of China Shipping from February 2001 to December 2004, the chief accountant of China Shipping from August 2000 to February 2001, and the chief accountant and a member of the Party leadership group of China Shipping from January 1998 to August 2000. He worked as the head of the finance department, the chief accountant and the head of the finance department of Guangzhou Maritime Transport (Group) Co., Ltd. from January 1996 to January 1998. Mr. Wang Daxiong began his career in the shipping industry in 1983 after he graduated from Shanghai Maritime University majoring in shipping finance. Mr. Wang Daxiong holds an executive master of business administration (EMBA) degree from Shanghai University of Finance and Economics and is a senior accountant.

Subject to the approval by the Shareholders of the Proposed Re-election of Mr. Wang Daxiong at the EGM, Mr. Wang Daxiong will enter into a service contract with the Company for a term of service commencing from the date of his re-election until the end of the term of the sixth session of the Board. Mr. Wang Daxiong will not receive any remuneration as an executive Director from the Company.

As at the Latest Practicable Date, Mr. Wang Daxiong was one of the participants of the Asset Management Plan and held approximately 12.10% of the total number of units of the Asset Management Plan, representing an interest in 834,677 H Shares derived from the units subscribed by Mr. Wang Daxiong therein. Please refer to the section headed “2. Disclosure of Interests – Interests and short positions of Directors, Supervisors and chief executives” in Appendix I to this circular for further details of the aforementioned interest.

Save as disclosed above, as at the Latest Practicable Date, Mr. Wang Daxiong (i) does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company; (ii) does not have any interests in the shares of the Company within the meaning of Part XV of the SFO; (iii) does not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; and (iv) does not hold any other positions with other members of the Group.

**Mr. Liu Chong**

Mr. Liu Chong, aged 49, is an executive Director and the general manager of the Company. He is also the vice chairman of the board of directors of China International Marine Containers (Group) Co., Ltd. (listed on the Hong Kong Stock Exchange under the stock code of 2039 and listed on the Shenzhen Stock Exchange under the stock code of 000039), and a non-executive director of China Cinda Asset Management Co., Ltd. (listed on the Hong Kong Stock Exchange under the stock code of 1359). Mr. Liu Chong served as the deputy general manager of China Shipping Investment Co., Ltd., the deputy general manager of China Shipping Logistics Co., Ltd., the chief accountant of China Shipping (Hainan) Haisheng Shipping & Enterprises Co., Ltd., the head of the capital management division of China Shipping, the chief accountant of China Shipping Container Lines Co., Ltd., and the general manager of China Shipping Investment Co., Ltd. Mr. Liu Chong graduated from Sun Yat-sen University majoring in economics, and is a senior accountant.

Subject to the approval by the Shareholders of the Proposed Re-election of Mr. Liu Chong at the EGM, Mr. Liu Chong will enter into a service contract with the Company for a term of service commencing from the date of his re-election until the end of the term of the sixth session of the Board. Mr. Liu Chong will not receive any remuneration as an executive Director from the Company.

As at the Latest Practicable Date, Mr. Liu Chong was one of the participants of the Asset Management Plan and held approximately 16.13% of the total number of units of the Asset Management Plan, representing an interest in 1,112,903 H Shares derived from the units subscribed by Mr. Liu Chong therein. Please refer to the section headed “2. Disclosure of Interests – Interests and short positions of Directors, Supervisors and chief executives” in Appendix I to this circular for further details of the aforementioned interest.

Save as disclosed above, as at the Latest Practicable Date, Mr. Liu Chong (i) does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company; (ii) does not have any interests in the shares of the Company within the meaning of Part XV of the SFO; (iii) does not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; and (iv) does not hold any other positions with other members of the Group.

**Mr. Xu Hui**

Mr. Xu Hui, aged 57, is an executive Director, the deputy general manager and Party secretary of the Company. Mr. Xu Hui started his shipping career in 1982, and was appointed as a non-executive Director from October 2005 to June 2013. Mr. Xu Hui held the posts of the chief engineer of Shanghai Shipping (Group) Company Oil Tanker Company, the assistant to general manager and the guidance chief director of Shanghai Haixing Shipping Company Limited Oil Tanker Company<sup>#</sup>, the deputy director of the technical department of Shanghai Haixing Shipping Company Limited, the director of the technical department of Shanghai Shipping (Group) Company, the deputy general manager and a member of the Party leadership group of China Shipping Development Co., Ltd. Oil Tanker Company, the deputy general manager, a member of the Party leadership group, the general manager and Party secretary of Shanghai Shipping (Group) Company, and the general manager and Party secretary of China Shipping & Sinopec Suppliers Co., Ltd. He served as the deputy general manager and Party secretary of China Shipping Tanker Company Limited from August 2015 to March 2016. Mr. Xu Hui graduated from Jimei Navigation College majoring in ship management, and is a senior policy advisor and chief engineer.

Subject to the approval by the Shareholders of the Proposed Re-election of Mr. Xu Hui at the EGM, Mr. Xu Hui will enter into a service contract with the Company for a term of service commencing from the date of his re-election until the end of the term of the sixth session of the Board. Mr. Xu Hui will not receive any remuneration as an executive Director from the Company.

As at the Latest Practicable Date, Mr. Xu Hui was one of the participants of the Asset Management Plan and held approximately 13.71% of the total number of units of the Asset Management Plan, representing an interest in 945,968 H Shares derived from the units subscribed by Mr. Xu Hui therein. Please refer to the section headed “2. Disclosure of Interests – Interests and short positions of Directors, Supervisors and chief executives” in Appendix I to this circular for further details of the aforementioned interest.

Save as disclosed above, as at the Latest Practicable Date, Mr. Xu Hui (i) does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company; (ii) does not have any interests in the shares of the Company within the meaning of Part XV of the SFO; (iii) does not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; and (iv) does not hold any other positions with other members of the Group.

**NON-EXECUTIVE DIRECTORS****Mr. Feng Boming**

Mr. Feng Boming, aged 50, is a non-executive Director. He is also the general manager of the strategic and corporate management department of COSCO SHIPPING, a non-executive director of COSCO SHIPPING Energy Transportation Co., Ltd. (listed on the Hong Kong Stock Exchange under the stock code of 1138 and listed on the Shanghai Stock Exchange under the stock code of 600026), a non-executive director of COSCO SHIPPING Ports Limited (listed on the Hong Kong Stock Exchange under the stock code of 1199), a non-executive director of COSCO SHIPPING International (Hong Kong) Co., Ltd. (listed on the Hong Kong Stock Exchange under the stock code of 0517) and a non-executive director of Piraeus Port Authority S.A. Mr. Feng Boming held various positions including the deputy chief of the commerce section of the liner department and insurance settlement manager of COSCO Container Lines Co., Ltd., and the manager of the commerce section of the trade protection department of COSCO Container Lines Co., Ltd. He has served as the general manager of COSCO Container Hong Kong Mercury Co., Ltd., the general manager of the operations management (Hong Kong) department of COSCO SHIPPING Holdings Co., Ltd., the general manager of the corporate management department of COSCO Container Lines (Hong Kong) Co., Limited since October 2005, the general manager of the Wuhan branch/COSCO Freight Wuhan (武漢中貨)/COSCO Logistics Wuhan (武漢中遠物流) of COSCO Container China since January 2012, and the director of the strategic management implementation office of China Ocean Shipping (Group) Company/China COSCO since August 2015. Mr. Feng Boming graduated successively from Wuhan Institute of Water Transportation Engineering with a bachelor's degree in transportation administrative engineering, and from the University of Hong Kong with a master's degree in business administration.

Subject to the approval by the Shareholders of the Proposed Re-election of Mr. Feng Boming at the EGM, Mr. Feng Boming will enter into a service contract with the Company for a term of service commencing from the date of his re-election until the end of the term of the sixth session of the Board. Mr. Feng Boming will not receive any remuneration from the Company.

Save as disclosed above, as at the Latest Practicable Date, Mr. Feng Boming (i) does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company; (ii) does not have any interests in the shares of the Company within the meaning of Part XV of the SFO; (iii) does not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; and (iv) does not hold any other positions with other members of the Group.

**Mr. Huang Jian**

Mr. Huang Jian, aged 50, is a non-executive Director. He has also served as the general manager of the capital operation department of COSCO SHIPPING since September 2016. Mr. Huang Jian worked at the financial departments and took up administrative roles at various companies and has thus gained finance related management experience. He has served as a director of Shanghai Rural Commercial Bank Co., Ltd. since June 2018, a director of COSCO SHIPPING Captive Insurance Co., Ltd. since August 2017, a director of Lanhai Medical Investment Co., Ltd. (listed on the Shanghai Stock Exchange under the stock code of 600896) since May 2017 and a non-executive director of China Merchants Securities Co., Ltd. (listed on the Hong Kong Stock Exchange under the stock code of 6099 and listed on the Shanghai Stock Exchange under the stock code of 600999) since August 2012. Mr. Huang Jian served as the deputy general manager (person-in-charge) of the capital operation department of COSCO SHIPPING from February to August 2016, the deputy general manager of the finance department of China Ocean Shipping (Group) Company from February 2012 to February 2016, the chief financial officer and the general manager of the finance department of COSCO Americas Inc. from November 2006 to February 2012, and the vice president and the general manager of the finance department of COSCO Logistics (Americas), Inc. (中遠物流(美洲)有限公司) (formerly known as Intermodal Bridge Services Inc. (中遠美國內陸運輸公司)) from September 2004 to November 2006. Mr. Huang Jian worked at China Ocean Shipping (Group) Company from July 1996 to September 2004, and the last position he held there was head of capital division at the finance department. Mr. Huang Jian worked at the finance department of Shenzhen Ocean Shipping Co., Ltd. from July 1993 to July 1996. Mr. Huang Jian obtained a bachelor's degree in economics majoring in auditing from the Capital University of Economics and Business (formerly known as the Beijing Institute of Finance and Trade) and a master's degree in business administration from the Beijing Institute of Technology in July 1992 and March 2002, respectively. Mr. Huang Jian obtained the qualifications of accountant and senior accountant from the Ministry of Finance in May 1997 and December 2015, respectively.

Subject to the approval by the Shareholders of the Proposed Re-election of Mr. Huang Jian at the EGM, Mr. Huang Jian will enter into a service contract with the Company for a term of service commencing from the date of his re-election until the end of the term of the sixth session of the Board. Mr. Huang Jian will not receive any remuneration from the Company.

Save as disclosed above, as at the Latest Practicable Date, Mr. Huang Jian (i) does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company; (ii) does not have any interests in the shares of the Company within the meaning of Part XV of the SFO; (iii) does not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; and (iv) does not hold any other positions with other members of the Group.

**Mr. Liang Yanfeng**

Mr. Liang Yanfeng, aged 54, is a non-executive Director, the general manager and the vice secretary of Party Committee of COSCO SHIPPING Heavy Industry Co., Ltd. He graduated from Tsinghua University with a master's degree in law and an executive master of business administration (EMBA) degree. He is a senior economist and a member of the Economist Assessment Committee of the Ministry of Transport (交通運輸部經濟師評委會). Mr. Liang Yanfeng has previously served as the deputy general manager of the human resources department and the director of staff management department of China Ocean Shipping (Group) Company, the general manager, a member of Party Committee and the director of the COSCO Talent Service Centre (中遠人才服務中心) of COSCO Human Resources Development Company (中遠人力資源開發公司). He also served as the general manager of the capital operations division of China Ocean Shipping (Group) Company. He was the standing committee member of the Luzhou Municipal Committee of the Communist Party of China and the deputy mayor (temporary) of the Luzhou Municipal Government of Sichuan Province, the deputy general manager and general manager of COSCO SHIPPING International Holdings Limited, the vice president and a member of Party Committee of COSCO (Hong Kong) Group Limited (中遠(香港)集團有限公司), the secretary of Party Committee and the deputy general manager of Dalian Ocean Shipping Company, and the general manager and vice secretary of Party Committee of COSCO Shipyard Group Co., Ltd.

Subject to the approval by the Shareholders of the Proposed Re-election of Mr. Liang Yanfeng at the EGM, Mr. Liang Yanfeng will enter into a service contract with the Company for a term of service commencing from the date of his re-election until the end of the term of the sixth session of the Board. Mr. Liang Yanfeng will not receive any remuneration from the Company.

Save as disclosed above, as at the Latest Practicable Date, Mr. Liang Yanfeng (i) does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company; (ii) does not have any interests in the shares of the Company within the meaning of Part XV of the SFO; (iii) does not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; and (iv) does not hold any other positions with other members of the Group.

**INDEPENDENT NON-EXECUTIVE DIRECTORS****Mr. Cai Hongping**

Mr. Cai Hongping, aged 65, is an independent non-executive Director. He is also an independent non-executive director of China Eastern Airlines Corporation Limited (listed on the Hong Kong Stock Exchange under the stock code of 0670 and listed on Shanghai Stock Exchange under the stock code of 600115) and the chairman of AGIC Capital. He worked for the Industrial and Transportation Management Committee of the Shanghai Government and Sinopec Shanghai Petrochemical Company Limited, which is listed on the Hong Kong Stock Exchange under the stock code of 338, listed on the Shanghai Stock Exchange under the stock code of 600688 and listed on the New York Stock Exchange under the stock code of SHI, from 1987 to 1991, and participated in the entire process of the listing of the first batch of H shares of Sinopec Shanghai Petrochemical Company Limited in Hong Kong and the United States. From 1992 to 1996, he served as a member of the Overseas Listing Guidance Team for Chinese Enterprises under the Economic Restructuring Committee of the State Council (國務院國家體改委中國企業海外上市指導小組) and the chairman of the Joint Meeting of Board Secretaries for H Share Companies in China (中國 H 股公司董事會秘書聯席會議). From 1996 to 1997, he was the general manager of the investment banking division of Peregrine Asia. He served as a joint director of the investment banking division of BNP Paribas Peregrine Asia from 1997 to 2006, the chairman of the investment banking division of UBS AG in Asia from 2006 to 2010, and the executive chairman of Deutsche Bank in the Asia Pacific region from 2010 to 2015. From April 2015 to December 2015, Mr. Cai Hongping served as an independent director of Minmetals Development Co., Ltd. (listed on the Shanghai Stock Exchange under the stock code of 600058). Mr. Cai Hongping, a Hong Kong citizen, is a holder of a bachelor's degree and graduated from Fudan University in Shanghai majoring in journalism.

Subject to the approval by the Shareholders of the Proposed Re-election of Mr. Cai Hongping at the EGM, Mr. Cai Hongping will enter into a service contract with the Company for a term of service commencing from the date of his re-election until the end of the term of the sixth session of the Board. The remuneration of Mr. Cai Hongping will be RMB300,000 per year (before tax), representing the remuneration standard for the offshore independent non-executive Directors which was determined with reference to the relevant duties and responsibilities and the prevailing market rates and was approved by the Shareholders at the Annual General Meeting.

Save as disclosed above, as at the Latest Practicable Date, Mr. Cai Hongping (i) does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company; (ii) does not have any interests in the shares of the Company within the meaning of Part XV of the SFO; (iii) does not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; and (iv) does not hold any other positions with other members of the Group.

**Ms. Hai Chi Yuet**

Ms. Hai Chi Yuet, aged 65, is an independent non-executive Director and has more than 30 years of working experience in the shipping logistics industry. She has served as the advisor to Hutchison Port Holdings Limited since 2016. Ms. Hai Chi Yuet served as the managing director of COSCO-HIT Terminals (Hong Kong) Limited, the managing director of Yantian International Container Terminals Limited, the chief executive officer of Hutchison Port Holdings Trust and the advisor to Hutchison Port Holdings Trust. Ms. Hai Chi Yuet also participates in public service organizations, including being a member of the Election Committee for the Chief Executive of Hong Kong Special Administrative Region, Transport Subsector. She also served as a member of Hong Kong Port Development Advisory Group and the president of Shenzhen Ports Association. In 2011, Ms. Hai Chi Yuet was awarded as Shenzhen Honourable Citizen. Ms. Hai Chi Yuet graduated from York University, Toronto, Canada and the University of Hong Kong, obtaining a bachelor's degree in business administration and a master's degree in Buddhism studies, respectively.

Subject to the approval by the Shareholders of the Proposed Re-election of Ms. Hai Chi Yuet at the EGM, Ms. Hai Chi Yuet will enter into a service contract with the Company for a term of service commencing from the date of her re-election until the end of the term of the sixth session of the Board. The remuneration of Ms. Hai Chi Yuet will be RMB300,000 per year (before tax), representing the remuneration standard for the offshore independent non-executive Directors, which was determined with reference to the relevant duties and responsibilities and the prevailing market rates and was approved by the Shareholders at the Annual General Meeting.

Save as disclosed above, as at the Latest Practicable Date, Ms. Hai Chi Yuet (i) does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company; (ii) does not have any interests in the shares of the Company within the meaning of Part XV of the SFO; (iii) does not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; and (iv) does not hold any other positions with other members of the Group.

**Mr. Graeme Jack**

Mr. Graeme Jack, aged 69, is an independent non-executive Director. He has over 40 years of experience in finance and auditing. He spent 33 years in PricewaterhouseCoopers during his career and retired as a partner. He is currently an independent non-executive director of The Greenbrier Companies Inc., an independent non-executive director of Hutchison Port Holdings Trust, and an independent non-executive director of Hutchison China MediTech Limited. Mr. Graeme Jack holds a bachelor's degree in commerce, and is a fellow member of the Hong Kong Society of Accountants and an associate member of The Institute of Chartered Accountants in Australia and New Zealand.

Subject to the approval by the Shareholders of the Proposed Re-election of Mr. Graeme Jack at the EGM, Mr. Graeme Jack will enter into a service contract with the Company for a term of service commencing from the date of his re-election until the end of the term of the sixth session of the Board. The remuneration of Mr. Graeme Jack will be RMB300,000 per year before tax), representing the remuneration standard for the offshore independent non-executive Directors, which was determined with reference to the relevant duties and responsibilities and the prevailing market rates and was approved by the Shareholders at the Annual General Meeting.

Save as disclosed above, as at the Latest Practicable Date, Mr. Graeme Jack (i) does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company; (ii) does not have any interests in the shares of the Company within the meaning of Part XV of the SFO; (iii) does not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; and (iv) does not hold any other positions with other members of the Group.

**Mr. Lu Jianzhong**

Mr. Lu Jianzhong, aged 65, is an independent non-executive Director. Mr. Lu Jianzhong graduated from the department of accounting of Shanghai University of Finance and Economics with a bachelor's degree in economics in January 1983, and started his career in the field of finance in the same year. Mr. Lu Jianzhong was a lecturer and an associate professor of Finance and Accounting at the Shanghai Maritime University from September 1986 to August 1997. He served as a certified accountant and a partner of the audit department of PricewaterhouseCoopers Zhong Tian LLP from September 1997 to June 2012. From July 2012 to September 2016, Mr. Lu Jianzhong served as a partner of Shanghai De'An Certified Public Accountants LLP, the marketing director of WUYIGE Certified Public Accountants LLP and a partner of Zhongxinghua Certified Public Accountants LLP. Mr. Lu Jianzhong has served as a certified accountant at Da Hua Certified Public Accountants LLP since October 2016. Mr. Lu Jianzhong is also an independent director of Hangzhou Hikvision Digital Technology Co., Ltd. (listed on the Shenzhen Stock Exchange under the stock code of 002415), an independent director of Changshu Fengfan Power Equipment Co., Ltd. (listed on the Shanghai Stock Exchange under the stock code of 601700), an independent director of Ningbo Lehui International Engineering Equipment Co., Ltd. (listed on the Shanghai Stock Exchange under the stock code of 603076), an independent director of Shanghai Xinnanyang Only Education & Technology Co., Ltd. (listed on the Shanghai Stock Exchange under the stock code of 600661), an enterprise mentor for the Master of Professional Accounting (MPAcc)/the Master of Auditing programs (Maud) of Antai College of Economics and Management of Shanghai Jiao Tong University and an external expert of the Asset Securitization Task Group under the Economic Research Center of the State Council. He is a member of the Jiu San Society in the PRC.

Subject to the approval by the Shareholders of the Proposed Re-election of Mr. Lu Jianzhong at the EGM, Mr. Lu Jianzhong will enter into a service contract with the Company for a term of service commencing from the date of his re-election until the end of the term of the sixth session of the Board. The remuneration of Mr. Lu Jianzhong will be RMB150,000 per year (before tax) representing the remuneration standard for the onshore independent non-executive Directors, which was determined with reference to the relevant duties and responsibilities and the prevailing market rates and was approved by the Shareholders at the Annual General Meeting.

Save as disclosed above, as at the Latest Practicable Date, Mr. Lu Jianzhong (i) does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company; (ii) does not have any interests in the shares of the Company within the meaning of Part XV of the SFO; (iii) does not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; and (iv) does not hold any other positions with other members of the Group.

**Ms. Zhang Weihua**

Ms. Zhang Weihua, aged 58, is an independent non-executive Director. Ms. Zhang Weihua graduated from the Faculty of Business of University of Southern Queensland with a master's degree in business administration. Ms. Zhang Weihua once served as the compliance director of China Merchants Securities Co., Ltd. (listed on the Hong Kong Stock Exchange under the stock code of 6099 and listed on the Shanghai Stock Exchange under the stock code of 600999) and the chairman of the supervisory committee of China Merchants Fund Management Co., Ltd. Ms. Zhang Weihua also served as the chief auditor, the assistant to the president, the general manager of the audit department of China Merchants Securities Co., Ltd. and the assistant to the general manager of the securities business department of the head office of China Merchants Bank successively.

Subject to the approval by the Shareholders of the Proposed Re-election of Ms. Zhang Weihua at the EGM, Ms. Zhang Weihua will enter into a service contract with the Company for a term of service commencing from the date of her re-election until the end of the term of the sixth session of the Board. The remuneration of Ms. Zhang Weihua will be RMB150,000 per year (before tax), representing the remuneration standard for the onshore independent non-executive Directors, which was determined with reference to the relevant duties and responsibilities and the prevailing market rates and was approved by the Shareholders at the Annual General Meeting.

Save as disclosed above, as at the Latest Practicable Date, Ms. Zhang Weihua (i) does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company; (ii) does not have any interests in the shares of the Company within the meaning of Part XV of the SFO; (iii) does not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; and (iv) does not hold any other positions with other members of the Group.

The following sets out the biographical details of the Supervisors proposed to be re-elected.

**Mr. Ye Hongjun**

Mr. Ye Hongjun, aged 57, is a Supervisor and the chief legal consultant of COSCO SHIPPING. Mr. Ye Hongjun worked in Beijing Communications Management Institute for Executives and served in the Ministry of Transport, holding the posts of the deputy department head and the department head of the Policy and Regulation Department, the deputy section chief of the Legal Section, the deputy section chief and the section chief of the Price Regulatory Section of the Water Transport Department, and the section chief of the Regulation Section of the Water Transport Department. He served as the assistant to the head of the Maritime Safety Administration of the Ministry of Transport and the director of the Domestic Shipping Management Division of the Waterway Transportation Bureau of the Ministry of Transport. Mr. Ye Hongjun received a master's degree in law from Fudan University.

Subject to the approval by the Shareholders of the Proposed Re-election of Mr. Ye Hongjun at the EGM, Mr. Ye Hongjun will enter into a service contract with the Company for a term of service commencing from the date of his re-election until the end of the term of the sixth session of the Board. Mr. Ye Hongjun will not receive any remuneration from the Company.

Save as disclosed above, as at the Latest Practicable Date, Mr. Ye Hongjun (i) does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company; (ii) does not have any interests in the shares of the Company within the meaning of Part XV of the SFO; (iii) does not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; and (iv) does not hold any other positions with other members of the Group.

**Mr. Hao Wenyi**

Mr. Hao Wenyi, aged 57, is a Supervisor and the head of the discipline inspection and supervision department of COSCO SHIPPING. Mr. Hao Wenyi previously served as the director of the general supervision office of the supervision department under the CPC Central Commission for Discipline Inspection and served as the head of the supervision and audit department of China Shipping from January 2013 to January 2016. He served as the deputy chief of the discipline inspection team of the Party leadership group, and the director of the supervision and audit division of COSCO SHIPPING from February 2016 to May 2019. He has served as the deputy chief of the discipline inspection and supervision team of COSCO SHIPPING since May 2019. Mr. Hao Wenyi graduated from Beijing Administrative College (北京市委黨校) with a master's degree, majoring in economics. He is a senior policy advisor.

Subject to the approval by the Shareholders of the Proposed Re-election of Mr. Hao Wenyi at the EGM, Mr. Hao Wenyi will enter into a service contract with the Company for a term of service commencing from the date of his re-election until the end of the term of the sixth session of the Board. Mr. Hao Wenyi will not receive any remuneration from the Company.

Save as disclosed above, as at the Latest Practicable Date, Mr. Hao Wenyi (i) does not have any relationship with any Directors, senior management or substantial or controlling shareholders of the Company; (ii) does not have any interests in the shares of the Company within the meaning of Part XV of the SFO; (iii) does not hold any other directorships in public companies the securities of which are listed on any securities market in Hong Kong or overseas in the last three years; and (iv) does not hold any other positions with other members of the Group.

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## NOTICE OF EGM

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

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

**(Stock Code: 02866)**

### NOTICE OF EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of COSCO SHIPPING Development Co., Ltd. (the “**Company**”) will be held at 1:30 p.m. on Tuesday, 20 August 2019 (or at any adjournment thereof) at Level 3, Ocean Hotel Shanghai, 1171 Dong Da Ming Road, Hong Kou District, Shanghai, the People's Republic of China to consider and, if thought fit, pass the following resolutions. Unless otherwise defined, capitalised terms used in this notice shall have the same meanings as those defined in the announcements of the Company dated 5 July 2019 (the “**Announcements**”).

### ORDINARY RESOLUTIONS

1. To consider and approve the resolution in relation to the Proposed Revised Annual Cap:

“**THAT:**

- (a) the Proposed Revised Annual Cap for the transactions contemplated under the Master Containers Services Agreement for the year ending 31 December 2019 be and is hereby approved, confirmed and ratified in all respects; 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 Proposed Revised Annual Cap.”

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## NOTICE OF EGM

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2. To consider and approve the resolutions in relation to the re-election of the following persons as executive Directors and non-executive Directors of the sixth session of the Board:
  - (a) Mr. Wang Daxiong as an executive Director of the sixth session of the Board;
  - (b) Mr. Liu Chong as an executive Director of the sixth session of the Board;
  - (c) Mr. Xu Hui as an executive Director of the sixth session of the Board;
  - (d) Mr. Feng Boming as a non-executive Director of the sixth session of the Board;
  - (e) Mr. Huang Jian as a non-executive Director of the sixth session of the Board;  
and
  - (f) Mr. Liang Yanfeng as a non-executive Director of the sixth session of the Board.
3. To consider and approve the resolutions in relation to the re-election of the following persons as independent non-executive Directors of the sixth session of the Board:
  - (a) Mr. Cai Hongping as an independent non-executive Director of the sixth session of the Board;
  - (b) Ms. Hai Chi Yuet as an independent non-executive Director of the sixth session of the Board;
  - (c) Mr. Graeme Jack as an independent non-executive Director of the sixth session of the Board;
  - (d) Mr. Lu Jianzhong as an independent non-executive Director of the sixth session of the Board; and
  - (e) Ms. Zhang Weihua as an independent non-executive Director of the sixth session of the Board.

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## NOTICE OF EGM

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4. To consider and approve the resolutions in relation to the re-election of the following persons as Supervisors of the sixth session of the Supervisory Committee:

- (a) Mr. Ye Hongjun as a Supervisor of the sixth session of the Supervisory Committee; and
- (b) Mr. Hao Wenyi as a Supervisor of the sixth session of the Supervisory Committee.

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

Shanghai, the People's Republic of China

5 July 2019

*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 20 July 2019 to 20 August 2019 (both days inclusive), during which period no transfer of H Shares of the Company will be registered. Holders of the Company's H Shares (the “**H Shareholders**”) whose names appear on the Register of Members at the close of business on 19 July 2019 are entitled to attend and vote at the EGM.
- 2. In order to attend and vote at the EGM, the H Shareholders shall lodge all transfer documents together with the relevant share certificates to Computershare Hong Kong Investor Services Limited (“**Computershare**”), the Company's H Share registrar, not later than 4:30 p.m. on 19 July 2019.

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 Securities and Public Relations Department of the Company not later than 20 days before the date of the EGM (i.e. not later than 31 July 2019).

The address of the Securities and Public Relations Department of the Company is as follows:  
5th Floor, COSCO SHIPPING Plaza  
5299 Binjiang Dadao  
Pudong New District  
Shanghai  
the People's Republic of China  
Tel: (8621) 6596 7333  
Fax: (8621) 6596 6498

- 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/her behalf at the EGM.

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## NOTICE OF EGM

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5. The form of proxy must be signed by the Shareholder or his/her attorney duly authorised in writing or, in the case of a legal person, must either be executed under its common seal or under the hand of a legal representative or other attorney duly authorised to sign the same. If the form of proxy is signed by an attorney of the appointer, the power of attorney authorising that attorney to sign, or other document of authorisation, must be notarially certified.
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.
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 of directors or other authorities, or other notarised copy of the licence issued by such legal person Shareholder. Form(s) of proxy duly signed and submitted by HKSCC Nominees Limited are deemed to be valid, and it is not necessary for the proxy(ies) appointed by HKSCC Nominees Limited to produce the signed form of proxy when the proxy(ies) attend(s) the EGM. Completion and return of the form of proxy will not preclude a Shareholder from attending in person and voting at the EGM or any adjournment thereof should he/she so wish.
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, the resolutions set out in the notice of the EGM will be voted on by poll. Results of the poll voting will be published on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://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 Mr. Wang Daxiong, Mr. Liu Chong and Mr. Xu Hui, being executive Directors, Mr. Feng Boming, Mr. Huang Jian and Mr. Liang Yanfeng, being non-executive Directors, and Mr. Cai Hongping, Ms. Hai Chi Yuet, Mr. Graeme Jack, Mr. Lu Jianzhong, Mr. Gu Xu and Ms. Zhang Weihua, being independent non-executive Directors.*

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