
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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COSCO SHIPPING Ports Limited

中遠海運港口有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

**DISCLOSEABLE TRANSACTION
AND CONTINUING CONNECTED TRANSACTIONS
IN RESPECT OF DEPOSIT TRANSACTIONS**

**Joint Independent Financial Advisers
to the Independent Board Committee and the Independent Shareholders**



信溢投資策劃有限公司
CHALLENGE CAPITAL MANAGEMENT LIMITED



Opus Capital Limited
創富融資有限公司

Unless the context requires otherwise, capitalized terms used in this circular (including this cover page) shall have the same meaning as those defined in the section headed "Definitions" of this circular.

A letter from the Board is set out on pages 6 to 17 of this circular and a letter from the Independent Board Committee is set out on page 18 of this circular. A letter from Challenge Capital and Opus Capital, the Joint Independent Financial Advisers to the Independent Board Committee and the Independent Shareholders is set out on pages 19 to 35 of this circular.

A notice convening the SGM to be held at 47/F, COSCO Tower, 183 Queen's Road Central, Hong Kong at 2:30 p.m. on Tuesday, 10 December 2019 is set out on pages 43 to 44 of this circular. Whether or not you are able to attend the SGM, please complete the enclosed form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong share registrar and transfer office, Tricor Secretaries Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event, not less than 48 hours before the time appointed for the holding of the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the SGM or any adjourned meeting should you so wish.

Shareholders who are entitled to vote at the SGM are those whose names appear as Shareholders on the register of members of the Company as at the close of business on Monday, 9 December 2019. In order to be entitled to vote at the SGM, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong share registrar and transfer office, Tricor Secretaries Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 9 December 2019.

20 November 2019

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This circular in both English and Chinese is available in printed form and published on the respective websites of the Company at “<http://ports.coscoshipping.com>” and Hong Kong Exchanges and Clearing Limited at “<http://www.hkexnews.hk>”. To the extent that there are any inconsistencies between the English version and the Chinese version of this circular, the English version shall prevail.

DEFINITIONS

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

“Annual Caps”	the proposed transaction caps in respect of the Deposit Transactions under the New Financial Services Master Agreement for the three financial years ending 31 December 2022 as disclosed in the section headed “Proposed Annual Caps and basis” in (A) under the section headed “2. THE NEW FINANCIAL SERVICES MASTER AGREEMENT” in the letter from the Board as set out in this circular
“associate(s)”	has the meaning ascribed thereto in the Listing Rules
“Board”	the board of Directors
“CBIRC”	China Banking and Insurance Regulatory Commission 中國銀行保險監督管理委員會
“Challenge Capital”	Challenge Capital Management Limited, a corporation licensed to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO, one of the Joint Independent Financial Advisers to the Independent Board Committee and the Independent Shareholders in respect of the Deposit Transactions as contemplated under the New Financial Services Master Agreement and the Annual Caps
“Clearing Transactions”	the transactions to be conducted pursuant to the New Financial Services Master Agreement as disclosed in (C) under the section headed “2. NEW FINANCIAL SERVICES MASTER AGREEMENT” in the letter from the Board as set out in this circular
“Company”	COSCO SHIPPING Ports Limited, a company incorporated in Bermuda with limited liability, the shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1199)
“connected person(s)”	has the meaning ascribed to it under Chapter 14A of the Listing Rules

DEFINITIONS

“COSCO Finance”	COSCO Finance Co. Ltd.* (中遠財務有限責任公司), a limited liability company established in the PRC and a subsidiary of COSCO SHIPPING before 23 October 2018; which ceased to exist as a legal entity and became a branch of COSCO SHIPPING Finance on 23 October 2018
“COSCO SHIPPING”	China COSCO Shipping Corporation Limited* (中國遠海運集團有限公司), the ultimate controlling shareholder of the Company and a state-owned enterprise in the PRC
“COSCO SHIPPING Finance”	COSCO SHIPPING Finance Co., Ltd.* (中遠海運集團財務有限責任公司), a limited liability company established in the PRC and a non-wholly owned subsidiary of COSCO SHIPPING
“COSCO SHIPPING Group”	COSCO SHIPPING and subsidiaries held by COSCO SHIPPING as to more than 51%, companies held by COSCO SHIPPING and such subsidiaries (individually or jointly) as to more than 20% (or as to less than 20% but with COSCO SHIPPING and such subsidiaries (individually or jointly) being the largest shareholder), and enterprise legal entities (事業單位法人) and social organisation legal entities (社會團體法人) under COSCO SHIPPING or such subsidiaries
“COSCO SHIPPING Holdings”	COSCO SHIPPING Holdings Co., Ltd.* 中遠海運控股股份有限公司, a joint stock limited company incorporated in the PRC with limited liability, the H shares of which are listed on the Main Board of the Stock Exchange (Stock Code: 1919) and the A shares of which are listed on the Shanghai Stock Exchange in the PRC (Stock Code: 601919), and an intermediate controlling shareholder of the Company
“Deposit Transactions”	the transactions to be conducted pursuant to the New Financial Services Master Agreement as disclosed in (A) under the section headed “2. THE NEW FINANCIAL SERVICES MASTER AGREEMENT” in the letter from the Board as set out in this circular
“Director(s)”	the director(s) of the Company
“discloseable transaction”	has the meaning ascribed to it under Chapter 14 of the Listing Rules

DEFINITIONS

“Existing Financial Services Agreement”	the financial services agreement dated 25 August 2016 entered into between COSCO Finance and the Company for the provision of certain financial services by COSCO Finance to the Group for the period from 1 January 2017 to 31 December 2019
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board appointed to advise the Independent Shareholders comprising Dr. FAN HSU Lai Tai, Rita, Mr. Adrian David LI Man Kiu, Mr. FAN Ergang, Mr. LAM Yiu Kin and Prof. CHAN Ka Lok
“Independent Shareholders”	Shareholders who are not prohibited from voting under the Listing Rules to approve the relevant transactions at the SGM
“Joint Independent Financial Advisers”	Challenge Capital and Opus Capital
“Latest Practicable Date”	15 November 2019, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Transactions”	the transactions to be conducted pursuant to the New Financial Services Master Agreement as disclosed in (B) under the section headed “2. NEW FINANCIAL SERVICES MASTER AGREEMENT” in the letter from the Board as set out in this circular
“New Financial Services Master Agreement”	the financial services master agreement entered into between the Company and COSCO SHIPPING on 30 October 2019

DEFINITIONS

“Opus Capital”	Opus Capital Limited, a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO, one of the Joint Independent Financial Advisers to the Independent Board Committee and the Independent Shareholders in respect of the Deposit Transactions as contemplated under the New Financial Services Master Agreement and the Annual Caps
“Other Financial Transactions”	transactions to be conducted pursuant to the New Financial Services Master Agreement (other than the Deposit Transactions, the Loan Transactions and the Clearing Transactions) as disclosed in section (D) under the section headed “2. NEW FINANCIAL SERVICES MASTER AGREEMENT” in the letter from the Board as set out in this circular
“PBOC”	People’s Bank of China 中國人民銀行, the central bank of the PRC
“percentage ratios”	has the meaning ascribed to it under Rule 14.07 of the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this circular and unless the context suggests otherwise, shall exclude Hong Kong, the Macau Special Administrative Region and Taiwan
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“SGM”	the special general meeting of the Company to be held for considering and, if thought fit, approving the Deposit Transactions and the Annual Caps
“Shareholder(s)”	shareholder(s) of the Company
“Share(s)”	share(s) in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed thereto in the Listing Rules
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

DEFINITIONS

“Transactions”	the Deposit Transactions, the Loan Transactions, the Clearing Transactions and the Other Financial Transactions to be conducted pursuant to the New Financial Services Master Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“%”	percentage

Unless otherwise specified, for the purposes of this circular, the exchange rate of US\$1=RMB6.8747 has been used, where applicable, for purpose of illustration only and does not constitute a representation that any amount has been, could have been or may be exchanged at any particular rate on the date or dates in question or any other date.

For the purposes of this circular, the English name with an asterisk () is an unofficial English transliteration or translation and is for identification purposes only.*

LETTER FROM THE BOARD



COSCO SHIPPING Ports Limited

中遠海運港口有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

Directors:

Mr. FENG Boming¹ (Chairman)
Mr. ZHANG Dayu¹ (Managing Director)
Mr. DENG Huangjun¹
Mr. ZHANG Wei²
Mr. CHEN Dong²
Mr. WANG Haimin²
Dr. WONG Tin Yau, Kelvin¹
Dr. FAN HSU Lai Tai, Rita³
Mr. Adrian David LI Man Kiu³
Mr. FAN Ergang³
Mr. LAM Yiu Kin³
Prof. CHAN Ka Lok³

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business:

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

General Counsel & Company Secretary:

Ms. HUNG Man, Michelle

¹ Executive Director

² Non-executive Director

³ Independent Non-executive Director

20 November 2019

To Shareholders,

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF DEPOSIT TRANSACTIONS

1. INTRODUCTION

The Board refers to the announcement of the Company dated 30 October 2019 whereby it was announced that, the Company and COSCO SHIPPING entered into the New Financial Services Master Agreement on 30 October 2019, pursuant to which COSCO SHIPPING will procure COSCO SHIPPING Finance to provide certain financial services to the Group for a term of 3 years from 1 January 2020 to 31 December 2022. In particular, the Deposit Transactions under the New Financial Services Master Agreement constitute a discloseable transaction as well as continuing connected transactions of the Company which are subject to the announcement requirements under Chapter 14 and Chapter 14A

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of the Listing Rules and the reporting, annual review, and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

The purposes of this circular are:

- (i) to provide you with further details of the Transactions, and in particular the Deposit Transactions and the Annual Caps;
- (ii) to provide you with the letter of recommendation from the Independent Board Committee and the letter of advice from the Joint Independent Financial Advisers to the Independent Board Committee and the Independent Shareholders in relation to the Deposit Transactions and the Annual Caps; and
- (iii) to give the Shareholders the notice convening the SGM at which an ordinary resolution will be proposed to consider and approve, if appropriate, the Deposit Transactions and the Annual Caps.

2. NEW FINANCIAL SERVICES MASTER AGREEMENT

The principal terms of the New Financial Services Master Agreement are summarised as follows:

Parties:	the Company COSCO SHIPPING
Term:	1 January 2020 to 31 December 2022
Effectiveness:	The New Financial Services Master Agreement will take effect upon the obtaining of the independent shareholders' approval at the general meeting of the Company and the general meeting of COSCO SHIPPING Holdings (if required). Based on the Annual Caps as currently proposed, approvals of independent shareholders of the Company and COSCO SHIPPING Holdings are both required.
Subject matter:	COSCO SHIPPING will procure COSCO SHIPPING Finance to provide certain financial services to the Group, including the Deposit Transactions, the Loan Transactions, the Clearing Transactions and Other Financial Transactions which COSCO SHIPPING Finance is permitted by the CBIRC to provide.

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Transactions and pricing principle:

The transaction terms of the services to be provided under the New Financial Services Master Agreement shall be on normal commercial terms and fair and reasonable, and shall be no less favourable to the Group than (a) the terms offered by COSCO SHIPPING Finance to other members of the COSCO SHIPPING Group for the same type of services; and (b) the terms offered by other financial institutions to the Group for the same type of services, and in particular:

(A) *Deposit Transactions*

Transactions:

COSCO SHIPPING Finance will accept deposits from members of the Group.

Pricing terms:

The rate of interest which will accrue on any deposit will be determined with reference to:

- (a) market interest rates, being the interest rates determined by independent third party commercial banks providing the same type of deposit services on normal commercial terms in their ordinary course of business in the same or nearby service area, and in accordance with the principle of fairness and reasonableness; and
- (b) the interest rates offered by COSCO SHIPPING Finance to other parties (i.e. other members of the COSCO SHIPPING Group) for the same type of deposit services.

To ascertain what the market interest rates referred to in paragraph (a) above are, the Group will seek to obtain quotations from at least three such independent third party commercial banks in each case where practicable.

Proposed Annual Caps and basis:

The estimated daily maximum aggregate amount of deposits to be placed by the Group with COSCO SHIPPING Finance (including the amount of any interest accrued thereon) for each of the financial years

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during the term of the New Financial Services Master Agreement and the basis of determination thereof are as follows:

	For the financial year ending 31 December 2020 <i>RMB million</i>	For the financial year ending 31 December 2021 <i>RMB million</i>	For the financial year ending 31 December 2022 <i>RMB million</i>
Proposed daily maximum aggregate deposit amount (including any interest accrued)	3,000	3,000	3,000

The above Annual Caps are determined with reference to (i) the historical levels and changes in the Group's cash and bank deposits balances; (ii) the anticipated cash flow demand based on the current scale and operation of the business of the Group and the business plans of the Group for the next three years; (iii) the need to maintain necessary capital expenditures in order to meet the Group's needs arising from the expected year on year expansion of the scale and development of the business of the Group, which is anticipated to lead to a corresponding increase in demand for deposit services; (iv) the expected increase in interest income generated from the Group's deposits balances with COSCO SHIPPING Finance in the next three years; and (v) the expected growing demand of the Group for deposit services provided by COSCO SHIPPING Finance as a result of its competitive edge over other financial services providers becoming more apparent arising from continuing improvement in its services which can better serve the development needs of the Group.

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Historical transaction amounts:

The historical highest daily aggregate amount of deposits placed by the Group with COSCO Finance (including the amount of any interest accrued thereon) pursuant to the Existing Financial Services Agreement are set out below:

	For the financial year ended 31 December 2017 RMB million	For the financial year ended 31 December 2018 RMB million	For the nine months ended 30 September 2019 RMB million
Highest daily aggregate deposit amount (including any interest accrued)	1,613	2,144	2,395

(B) Loan Transactions

Transactions:

COSCO SHIPPING Finance will provide loans to members of the Group.

Pricing terms:

The rate of interest which will accrue on any loan will be determined with reference to:

- (a) market interest rates, being the interest rates determined by independent third party commercial banks providing the same type of loan services on normal commercial terms in their ordinary course of business in the same or nearby service area, and in accordance with the principle of fairness and reasonableness; and
- (b) the interest rates charged by COSCO SHIPPING Finance to other parties (i.e. other members of the COSCO SHIPPING Group) for the same type of loan services.

To ascertain what the market interest rates referred to in paragraph (a) above are, the Group will seek to obtain quotations from at least three such independent third party commercial banks in each case where practicable.

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(C) Clearing Transactions

COSCO SHIPPING Finance will provide clearing services to members of the Group, for which no service fee will be charged (unless otherwise required by the CBIRC) for the time being.

(D) Other Financial Transactions

COSCO SHIPPING Finance will also provide to members of the Group with foreign exchange services and other financial services which COSCO SHIPPING Finance is permitted by the CBIRC to provide. The charges for such services which will be determined with reference to:

- (a) the handling fees charged by independent third party commercial banks for the same type of services provided to the Group; and
- (b) the handling fees charged by COSCO SHIPPING Finance for the same type of services provided to other third party entities (i.e. other members of the COSCO SHIPPING Group) of the same credit rating.

3. LISTING RULES IMPLICATIONS

As COSCO SHIPPING is the ultimate controlling shareholder of the Company and COSCO SHIPPING Finance is a subsidiary of COSCO SHIPPING, they are therefore connected persons of the Company. Accordingly, the Transactions will constitute continuing connected transactions of the Company.

As the highest of the percentage ratios in respect of the Deposit Transactions under the New Financial Services Master Agreement exceeds 5% (but is below 25%), the Deposit Transactions will also constitute a discloseable transaction of the Company. Accordingly, the Deposit Transactions and the Annual Caps will be subject to the announcement requirements under Chapter 14 and Chapter 14A of the Listing Rules and the notification, reporting, annual review, circular and the independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Loan Transactions will be conducted on normal commercial terms or on terms which are more favourable to the Group and any loan to be provided by COSCO SHIPPING Finance to the Group under the New Financial Services Master Agreement will not be secured by the assets of the Group, and no service fee will be charged by COSCO SHIPPING Finance in relation to the Clearing Transactions (unless otherwise required by the CBIRC), the Loan Transactions and the Clearing Transactions will be fully exempt from the requirements under Chapter 14A of the Listing Rules and the relevant disclosures are included herein to keep the Shareholders apprised.

As each of the applicable percentage ratios in respect of the Other Financial Transactions is expected to be less than 0.1%, the Other Financial Transactions constitute de minimis transactions pursuant to Rule 14A.76(1) of the Listing Rules and will be fully exempt from the requirements under Chapter 14A of the Listing Rules and the relevant disclosures are included herein to keep the Shareholders apprised.

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4. REASONS FOR AND BENEFITS OF THE TRANSACTIONS

The New Financial Services Master Agreement was entered into in the ordinary and usual course of business of the parties. Any interest amounts in respect of the Deposit Transactions will be automatically paid into the relevant deposit accounts. Any interest amounts and fees payable in respect of the Loan Transactions and Clearing Transactions (if any) will be paid out of the Group's designated COSCO SHIPPING Finance account(s).

The deposit interest rates offered by COSCO SHIPPING Finance to the Group will be no less favourable to the Group than those offered by independent third party commercial banks in the PRC for comparable deposits.

The New Financial Services Master Agreement is expected to provide the Group with additional means of financing and improve the efficiency of the use of its funds through favourable interest income and costs of financing.

The New Financial Services Master Agreement will not preclude the Group from using the services of other financial institutions as it thinks fit and appropriate for the benefit of the Group. Where required, the Group will solicit other reference quotations, where available, from independent third party financial institutions in respect of similar transactions for comparison and consideration.

5. CAPITAL RISK CONTROL MEASURES

Under the New Financial Services Master Agreement, COSCO SHIPPING shall procure COSCO SHIPPING Finance to:

- (i) in order to ensure the security of the funds of the members of the Group, that its funds management information system (a) operates safely; (b) has passed the security test in respect of the interface with online banking of commercial banks; (c) has attained the security standards for commercial banks in the PRC; and (d) has adopted the certification authority security certificate mode;
- (ii) operate strictly in compliance with the risk monitoring indicators guidelines for finance companies issued by the CBIRC, and ensure that its main regulatory indicators such as gearing ratio and liquidity ratio comply with the requirements of the CBIRC and other relevant PRC laws and regulations;
- (iii) within 3 business days after submission of each regulatory report to the CBIRC, submit a copy of the same to the Company's senior management and executive Directors for review;

LETTER FROM THE BOARD

- (iv) (a) submit monthly financial statements to the Company's senior management and executive Directors for review by the fifth business day of the following month; and (b) provide the Company with sufficient information on its various financial indicators and annual financial statements to enable the Group to monitor and review its financial conditions;
- (v) obtain the Company's prior written consent if COSCO SHIPPING Finance makes any long-term equity investment; and
- (vi) notify the Company within 2 business days upon occurrence of the following events of COSCO SHIPPING Finance and to take measures to prevent the occurrence or aggravation of loss: (a) impending or anticipated bank runs, failure to pay debts when due, funds liquidity problems, large customer loan default or large advance on guarantee; (b) involvement of directors or senior management in criminal cases; (c) material change in its equity or corporate structure or business operations that affects its normal business; (d) material operational risks which affect or may affect its normal operations; (e) loans owing by its shareholders overdue by over 6 months; (f) non-compliance with any gearing ratio requirement under the Measures for the Administration of Finance Companies of Enterprise Groups; (g) administrative penalty and orders for rectification imposed by the CBIRC; (h) judicial, legal or regulatory proceedings or investigations which have a material impact on its financial position; or (i) other matters which may affect or create concerns for the security of the deposits of members of the Group. In such event, COSCO SHIPPING shall procure COSCO SHIPPING Finance to actively adjust its balance sheet to ensure the security of the relevant assets of members of the Group, and members of the Group have the right to adopt appropriate measures (including early withdrawal of deposits or suspension of the making of further deposits) to safeguard their assets. In addition, in the event of emergencies such as payment difficulties of COSCO SHIPPING Finance, pursuant to the Measures for the Administration of Finance Companies of Enterprise Groups and the articles of association of COSCO SHIPPING Finance, COSCO SHIPPING (as the parent company of COSCO SHIPPING Finance) shall increase the capital of COSCO SHIPPING Finance in accordance with its actual needs for resolving its payment difficulties.

The Board is of the view that the above capital risk control measures will allow the management of the Group to be informed and notified of any material risks which may harm the recoverability of the deposits placed by the Group with COSCO SHIPPING Finance.

6. INTERNAL CONTROL PROCEDURES

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, as part of the Group's internal control systems to ensure that the transactions between the Group and its

LETTER FROM THE BOARD

connected persons are conducted in accordance with the terms of the New Financial Services Master Agreement, the Company will implement the following internal control arrangements:

- (i) The Finance Department of the Company will periodically monitor the market interest rates with independent third parties in respect of comparable types of financial services.
- (ii) The Finance Department of the Company and each member of the Group has a designated person to record the entering into of continuing connected transactions.
- (iii) The Finance Department of the Company will prepare a “Summary for Continuing Connected Transactions” each quarter and organise meetings regularly to review and assess whether the relevant continuing connected transactions are conducted in accordance with the terms of their respective continuing connected transaction master agreements. After the “Summary for Continuing Connected Transactions” is reviewed by the relevant departments of the Company and the management, it will be submitted to the Audit Committee of the Company and the Board for further review.
- (iv) The Audit and Supervision Department will check the accounting records and supporting documents from time to time to ensure the prices are in compliance with the pricing principle under the New Financial Services Master Agreement.
- (v) Each relevant member of the Group shall monitor its own utilisation of the portion of the annual transaction cap amount allocated to it by the Company (the “**Designated Amount**”). If the annual transaction amount of a relevant member of the Group reaches 80% of its Designated Amount, or is expected to exceed its Designated Amount within three months, such member shall inform the relevant personnel in the Finance Department and Legal Department of the Company immediately and the Company shall determine the appropriate actions to be taken, such as (a) require such member not to enter any further transactions which would cause the Designated Amount to be exceeded; (b) increase the Designated Amount allocated to such member by reducing the Designated Amount(s) allocated to other member(s); or (c) if the accumulative annual transaction amount of the Group will exceed the relevant annual cap, the relevant member(s) of the Group shall provide sufficient reasons and cooperate with the Company to revise the annual cap and comply with the relevant requirements of the Listing Rules.

The Board is of the view that the Group has implemented effective internal control procedures as set out above to ensure that the pricing and other contract terms of the transactions under the New Financial Services Master Agreement will be conducted on normal commercial terms and no less favourable to the Group than the terms available from independent third parties in accordance with the New Financial Services Master Agreement.

LETTER FROM THE BOARD

7. DIRECTORS' INTERESTS

None of the Directors has a material interest in the New Financial Services Master Agreement. Nevertheless, Mr. WANG Haimin (a non-executive Director) has voluntarily abstained from voting on the relevant Board resolutions of the Company for the reason that he is a senior management of COSCO SHIPPING.

8. INDEPENDENT BOARD COMMITTEE

The Independent Board Committee, comprising of Dr. FAN HSU Lai Tai, Rita, Mr. Adrian David LI Man Kiu, Mr. FAN Ergang, Mr. LAM Yiu Kin and Prof. CHAN Ka Lok, has been established to advise the Independent Shareholders as to the terms of the Deposit Transactions and the Annual Caps and to advise the Independent Shareholders on how to vote, taking into account the recommendation of the Joint Independent Financial Advisers, in respect of such matters at the SGM. Challenge Capital and Opus Capital have been appointed as the Joint Independent Financial Advisers to advise the Independent Board Committee and the Independent Shareholders in such regard.

9. PRINCIPAL ACTIVITIES OF THE PARTIES

The Group

The Group is principally engaged in the businesses of managing and operating terminals, and related businesses.

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 and its subsidiaries 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.

COSCO SHIPPING Finance

COSCO SHIPPING Finance is a non-bank financial institution approved and regulated by the PBOC and the CBIRC and is principally engaged in providing financial services to the COSCO SHIPPING Group.

LETTER FROM THE BOARD

10. SGM

In view of the interests of COSCO SHIPPING in the Deposit Transactions, China COSCO (Hong Kong) Limited and COSCO Investments Limited, both being indirect subsidiaries of COSCO SHIPPING and together are interested in an aggregate of approximately 48.71% of the total issued share capital of the Company as at the Latest Practicable Date, are required to abstain from voting on the resolution to be proposed at the SGM to approve the New Financial Services Master Agreement in respect of the Deposit Transactions and the Annual Caps. Save as disclosed above, to the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, no Shareholder has a material interest in the New Financial Services Master Agreement in respect of the Deposit Transactions that is required to abstain from voting on the resolution to be proposed at the SGM to approve the New Financial Services Master Agreement in respect of the Deposit Transactions and the Annual Caps.

A notice convening the SGM to be held at 2:30 p.m. on Tuesday, 10 December 2019, at 47/F, COSCO Tower, 183 Queen's Road Central, Hong Kong is set out on pages 43 to 44 of this circular.

Shareholders who are entitled to vote at the SGM are those whose names appear as Shareholders on the register of members of the Company as at the close of business on Monday, 9 December 2019. In order to be entitled to vote at the SGM, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong share registrar and transfer office, Tricor Secretaries Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 9 December 2019.

A proxy form for use at the SGM is enclosed with this circular. Whether or not you intend to attend the SGM or any adjournment thereof, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return the same to the Company's Hong Kong share registrar and transfer office, Tricor Secretaries Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the SGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting at the SGM or any adjournment thereof if you so wish.

11. RECOMMENDATION

The Directors (including members of the Independent Board Committee whose recommendations are contained in the section headed "*Letter from the Independent Board Committee*" of this circular), save for Mr. WANG Haimin, consider that the Deposit Transactions are and will be on normal commercial terms and in the ordinary and usual course of business of the Group, and their terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Accordingly, the Board recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Deposit Transactions under the New Financial Services Master Agreement and the Annual Caps for the period from 1 January 2020 to 31 December 2022.

12. ADDITIONAL INFORMATION

Your attention is drawn to:

- (a) the letter from the Independent Board Committee, the text of which is set out on page 18 of this circular;
- (b) the letter from the Joint Independent Financial Advisers, the text of which is set out on pages 19 to 35 of this circular; and
- (c) the additional information set out in the appendix of this circular.

Yours faithfully,
For and on behalf of
COSCO SHIPPING Ports Limited
FENG Boming
Chairman



COSCO SHIPPING Ports Limited
中遠海運港口有限公司
(Incorporated in Bermuda with limited liability)
(Stock Code: 1199)

20 November 2019

To the Independent Shareholders

Dear Sir or Madam,

**DISCLOSEABLE TRANSACTION
AND CONTINUING CONNECTED TRANSACTIONS
IN RESPECT OF DEPOSIT TRANSACTIONS**

The Independent Board Committee has been established to advise you in connection with the Deposit Transactions, details of which are set out in the letter from the Board contained in the circular to the Shareholders dated 20 November 2019 (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings when used herein, unless the context otherwise requires.

Having considered the terms of services for the Deposit Transactions under the New Financial Services Master Agreement and the advice of Challenge Capital and Opus Capital in relation thereto as set out on pages 19 to 35 of the Circular, we are of the opinion that the Deposit Transactions under the New Financial Services Master Agreement are and will be on normal commercial terms and in the ordinary and usual course of business of the Group, and their terms are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We therefore recommend the Independent Shareholders to vote in favour of the ordinary resolution to be proposed at the SGM to approve the Deposit Transactions under the New Financial Services Master Agreement and the Annual Caps for the period from 1 January 2020 to 31 December 2022.

Yours faithfully,

Independent Board Committee of
COSCO SHIPPING Ports Limited

FAN HSU Lai Tai, Rita
LAM Yiu Kin

Adrian David LI Man Kiu

FAN Ergang
CHAN Ka Lok

Independent non-executive Directors

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

The following is the full text of a letter of advice from Challenge Capital and Opus Capital to the Independent Board Committee and the Independent Shareholders in respect of the Deposit Transactions as contemplated under the New Financial Services Master Agreement and the Annual Caps, which has been prepared for the purpose of inclusion in this circular.



信溢投資策劃有限公司
CHALLENGE CAPITAL MANAGEMENT LIMITED

3/F, Kailey Tower
16 Stanley Street
Central, Hong Kong



Opus Capital Limited
創富融資有限公司

18th Floor, Fung House
19-20 Connaught Road Central
Central, Hong Kong

20 November 2019

To: *The Independent Board Committee and the Independent Shareholders of
COSCO SHIPPING Ports Limited*

Dear Sir or Madam,

DISCLOSEABLE TRANSACTION AND CONTINUING CONNECTED TRANSACTIONS IN RESPECT OF DEPOSIT TRANSACTIONS

INTRODUCTION

We refer to our engagement as the Joint Independent Financial Advisers to the Independent Board Committee and the Independent Shareholders in respect of the Deposit Transactions as contemplated under the New Financial Services Master Agreement and the Annual Caps, 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 20 November 2019 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless otherwise defined or the context requires otherwise.

As the term of the Existing Financial Services Agreement is due to expire on 31 December 2019, the Company entered into the New Financial Services Master Agreement on 30 October 2019 with COSCO SHIPPING in respect of the Transactions to be conducted between COSCO SHIPPING Finance and the Group with a term from 1 January 2020 to 31 December 2022. As COSCO SHIPPING is the ultimate controlling Shareholder and COSCO SHIPPING Finance is a subsidiary of COSCO SHIPPING, they are therefore connected persons of the Company. Accordingly, the Transactions will constitute continuing connected transactions of the Company.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

As the highest of the percentage ratios in respect of the Deposit Transactions exceeds 5% (but is below 25%), the Deposit Transactions will also constitute a discloseable transaction of the Company. Accordingly, the Deposit Transactions and the Annual Caps will be subject to the announcement requirements under Chapter 14 and Chapter 14A of the Listing Rules and the reporting, annual review, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the Loan Transactions will be conducted on normal commercial terms or on terms which are more favourable to the Group and any loan to be provided by COSCO SHIPPING Finance to the Group under the New Financial Services Master Agreement will not be secured by the assets of the Group, and no service fee will be charged by COSCO SHIPPING Finance in relation to the Clearing Transactions (unless otherwise required by the CBIRC), the Loan Transactions and the Clearing Transactions will be fully exempt from the requirements under Chapter 14A of the Listing Rules.

As each of the applicable percentage ratios in respect of the Other Financial Transactions is expected to be less than 0.1%, the Other Financial Transactions constitute de minimis transactions pursuant to Rule 14A.76(1) of the Listing Rules and will be fully exempt from the requirements under Chapter 14A of the Listing Rules and the relevant disclosures are included herein to keep the Shareholders apprised.

None of the Directors has a material interest in the New Financial Services Master Agreement. Nevertheless, Mr. WANG Haimin (a non-executive Director) has voluntarily abstained from voting on the relevant Board resolutions of the Company for the reason that he is part of the senior management of COSCO SHIPPING.

The Independent Board Committee, comprising of Dr. FAN HSU Lai Tai, Rita, Mr. Adrian David LI Man Kiu, Mr. FAN Ergang, Mr. LAM Yiu Kin and Prof. CHAN Ka Lok, has been established to advise the Independent Shareholders as to the terms of the Deposit Transactions and to advise the Independent Shareholders on how to vote, taking into account the recommendation of the Joint Independent Financial Advisers, in respect of such matters at the SGM. We, Challenge Capital and Opus Capital, have been appointed as the Joint Independent Financial Advisers to advise the Independent Board Committee and the Independent Shareholders in this regard.

Save for Challenge Capital's previous engagement as the independent financial adviser to the Company with respect to certain continuing connected transactions involving the provision of shipping services by the relevant members of the Group to members of the COSCO SHIPPING Group and the provision of terminal related services by the relevant members of the COSCO SHIPPING Group to members of the Group (details of which have been set out in the circular of the Company dated 10 December 2018), Challenge Capital has not acted, within the last two years, as an independent financial adviser or a financial adviser to the Company, COSCO SHIPPING, COSCO SHIPPING Finance or any of their respective associates. Challenge Capital is independent from and not connected with the Company, COSCO SHIPPING, COSCO SHIPPING Finance or any of their respective associates. Accordingly, Challenge Capital is considered eligible to give independent advice on the Deposit Transactions as contemplated under the New Financial Services Master Agreement. Apart from normal advisory fees payable

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

to Challenge Capital for its services rendered to the Company in connection with the aforesaid previous engagement and this appointment, no arrangement exists whereby Challenge Capital shall receive any other fees or benefits from the Company, COSCO SHIPPING, COSCO SHIPPING Finance or any of their respective associates.

As at the Latest Practicable Date, Opus Capital has not acted, within the last two years, as an independent financial adviser or a financial adviser to the Company, COSCO SHIPPING, COSCO SHIPPING Finance or any of their respective associates. Opus Capital is independent from and not connected with the Company, COSCO SHIPPING, COSCO SHIPPING Finance or any of their respective associates. Accordingly, Opus Capital is considered eligible to give independent advice on the Deposit Transactions as contemplated under the New Financial Services Master Agreement. Apart from normal advisory fees payable to Opus Capital for its services rendered to the Company in connection with this appointment, no arrangement exists whereby Opus Capital shall receive any other fees or benefits from the Company, COSCO SHIPPING, COSCO SHIPPING Finance or any of their respective associates.

BASIS OF OUR OPINION

In formulating our opinion and recommendations to the Independent Board Committee and the Independent Shareholders, we have considered and reviewed, amongst other things, (i) the New Financial Services Master Agreement; (ii) the Company's annual report for the year ended 31 December ("FY") 2018 (the "**2018 Annual Report**") and interim report for the six months ended 30 June ("1H") 2019 (the "**2019 Interim Report**"); (iii) the announcement of the Company in relation to the Existing Financial Services Agreement dated 25 August 2016 and the announcement of the Company in relation to the New Financial Services Master Agreement dated 30 October 2019; (iv) the circular of the Company in relation to the Existing Financial Services Agreement dated 13 September 2016; (v) the credit rating report with respect to COSCO SHIPPING issued by China United Credit Ratings Co., Ltd. (聯合信用評級有限公司) ("**United Ratings**") dated 4 June 2019; (vi) COSCO SHIPPING Finance's unaudited management accounts for the two years ended 31 December 2017 and 2018 and for the six months ended 30 June 2019; (vii) certain internal records and procedures of the Group; and (viii) other information set out in the Circular. We have also discussed with the Company with respect to the terms of the Deposit Transactions and reasons for the Annual Caps.

We have relied on the information, facts and representations contained or referred to in the Circular and the information, facts and representations provided to us by the Company, and the opinions expressed by its Directors and management (collectively, the "**Management**"). We have assumed that all information, facts and representations contained or referred to in the Circular, and the information, facts and representations provided by the Company, and the opinions expressed by the Management, are true, accurate and complete in all material respects as at the date of the Circular and that they may be relied upon in formulating our opinion.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

We have also assumed that all views, opinions and statements of intention provided by the Management, advisers and representatives of the Company have been arrived at after due and careful enquiries. The Management have confirmed to us that no material facts have been withheld or omitted from the information supplied and opinions expressed. We consider that we have been provided with, and have reviewed, all currently available information and documents which are available under present circumstances to enable us to reach an informed view and to provide 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 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, conducted any independent verification of the information provided by the Company, the Management, its advisers and representatives, nor have we conducted independent detailed investigation or audit into the businesses or affairs or future prospects of the Group. Our opinion is necessarily based on the financial, economic, market and other conditions in effect, and the information made available to us, as at the Latest Practicable Date.

All Directors jointly and severally accept full responsibility for the accuracy of the information contained in the Circular and confirm, having made all reasonable enquiries, 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 in the Circular misleading.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the Deposit Transactions as contemplated under the New Financial Services Master Agreement, and, except for its inclusion in the Circular, 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 formulating our opinion in respect of the Deposit Transactions as contemplated under the New Financial Services Master Agreement and the Annual Caps, we have considered the following principal factors and reasons:

1. Background of the New Financial Services Master Agreement

As disclosed in the circular of the Company to the Shareholders dated 13 September 2016, the Company and COSCO Finance entered into the Existing Financial Services Agreement on 25 August 2016, pursuant to which COSCO Finance provided certain financial services (including the Deposit Transactions) to the Group for a fixed term of three years from 1 January 2017 to 31 December 2019 in the ordinary and usual course of its business. Indeed, the Group has been conducting continuing connected transactions of similar nature to the Existing

Financial Services Agreement with COSCO Finance since 2014 (details of which have been set out in the announcements of the Company dated 28 August 2014, 30 March 2016 and 25 August 2016, and circular of the Company dated 13 September 2016).

The term of the Existing Financial Services Agreement will end on 31 December 2019 and it is expected that the Group will continue to enter into transactions of similar nature to the transactions under the Existing Financial Services Agreement. Accordingly, to carry out the existing arrangements, the Company and COSCO SHIPPING entered into the New Financial Services Master Agreement on 30 October 2019, pursuant to which COSCO SHIPPING Finance, a non-wholly owned subsidiary of COSCO SHIPPING, will continue to provide certain financial services (including the Deposit Transactions) to the Group for a fixed term of three years from 1 January 2020 to 31 December 2022.

2. Information on the Group, COSCO SHIPPING and COSCO SHIPPING Finance

(i) Background of the Group

The Group is principally engaged in the businesses of managing and operating terminals, and related businesses. According to the 2018 Annual Report, the Group recorded a revenue and net profit attributable to the Shareholders of approximately US\$1.0 billion (equivalent to approximately RMB6.9 billion) and US\$324.6 million (equivalent to approximately RMB2,231.5 million) respectively. According to the 2019 Interim Report, the Group's net asset value attributable to the Shareholders and cash and cash equivalent balance as at 30 June 2019 were approximately US\$4,926.5 million (equivalent to approximately RMB33,868.2 million) and US\$557.9 million (equivalent to approximately RMB3,835.4 million) respectively. As at the Latest Practicable Date, the Company's market capitalisation stood at approximately HK\$20.0 billion.

(ii) Background of COSCO SHIPPING

COSCO SHIPPING is the ultimate controlling Shareholder and 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 (國務院國有資產監督管理委員會) of the PRC. The scope of business of COSCO SHIPPING and its subsidiaries 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.

We have received a credit rating report issued by United Ratings dated 4 June 2019 indicating that the long-term credit rating of COSCO SHIPPING was AAA, the highest (or the safest) among all ratings. According to its official

webpage, United Ratings has attained recognitions from the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會) and PBOC for credit ratings. It was also approved by the CSRC to undertake credit rating in the securities market.

(iii) Background of COSCO SHIPPING Finance

COSCO SHIPPING Finance was established in the PRC. It has a registered capital of RMB2.8 billion and is a non-wholly owned subsidiary of COSCO SHIPPING. COSCO SHIPPING Finance is a non-bank financial institution approved and regulated by the PBOC and the CBIRC and is principally engaged in providing financial services (including deposit and loan facilities, clearing transactions and foreign exchange services) to the COSCO SHIPPING Group. In this respect, we have obtained and reviewed copies of the approvals granted by the relevant authorities permitting COSCO SHIPPING Finance to carry out such financial services including, among others, deposit transactions.

Regulatory environment of COSCO SHIPPING Finance

COSCO SHIPPING Finance is regulated by the PBOC and the CBIRC and provides its services in accordance with and in satisfaction of the rules and regulations of these regulatory authorities. In particular, it provides financial services to members of the COSCO SHIPPING Group in accordance with the Administrative Measures for the Finance Companies of Enterprise Groups (企業集團財務公司管理辦法) (the “**Administrative Measures**”), and does not provide financial services to entities outside the COSCO SHIPPING Group. Pursuant to the Administrative Measures, COSCO SHIPPING Finance is required to submit annual audited financial statements and regularly report its operation status to the CBIRC. In addition, COSCO SHIPPING Finance must comply with certain financial ratio requirements set by the CBIRC, from time to time, among others, the capital adequacy ratio, short-term and long-term securities-investment-to-equity ratios and fixed-assets-to-equity ratio.

We have been advised by the Management that, to the best of their knowledge up to the Latest Practicable Date, there is no record of non-compliance with the relevant laws, rules and regulations in the PRC and the Administrative Measures applicable to COSCO SHIPPING Finance, including the financial ratio requirements set by the CBIRC from time to time as aforementioned.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Financial performance and position of COSCO SHIPPING Finance

The table below sets out a summary of the financial performance of COSCO SHIPPING Finance extracted from its unaudited management accounts for FY2017, FY2018 and 1H2019 provided by the Company.

	FY2017	FY2018	1H2019
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Revenue	426.8	1,147.7	870.7
Profit before tax	267.1	446.6	418.2
Profit after tax	201.5	416.2	330.4

Based on the unaudited management accounts of COSCO SHIPPING Finance for 1H2019, its net asset value as at 30 June 2019 was approximately RMB5,045.5 million.

3. Reasons for and benefits of the Transactions

(i) Improved interest income and competitiveness

Under the New Financial Services Master Agreement, any interest amounts in respect of the Deposit Transactions will be automatically paid into the relevant deposit accounts. Any interest amounts and fees payable in respect of the Loan Transactions and Clearing Transactions (if any) will be paid out of the Group's designated COSCO SHIPPING Finance account(s).

The deposit interest rates offered by COSCO SHIPPING Finance to the Group will be no less favourable to the Group than those offered by independent third party commercial banks in the PRC for comparable deposits. The New Financial Services Master Agreement is expected to provide the Group with additional means of financing and improve the efficiency of the use of its funds through favourable interest income and costs of financing.

The New Financial Services Master Agreement will not preclude the Group from using the services of other financial institutions as it thinks fit and appropriate for the benefit of the Group. Where required, the Group will solicit other reference quotations, where available, from independent third party financial institutions in respect of similar transactions for comparison and consideration. Therefore, the entering into of the New Financial Services Master Agreement provides an additional option to the Group to deposit its funds on terms no less favourable than those of external parties, which can in turn help enhance the competitiveness and bargaining power of the Group in negotiating more favourable terms with external parties for its deposits.

(ii) Stable relationship

COSCO SHIPPING Finance (prior to 23 October 2018, through COSCO Finance which is currently a branch of COSCO SHIPPING Finance) has a well-established relationship with the Group. We understand from the Company that COSCO SHIPPING Finance (prior to 23 October 2018, through COSCO Finance which is currently a branch of COSCO SHIPPING Finance) has been providing financial services to the Group for over five years. Considering the relationship established between COSCO SHIPPING Finance and the Group, and the understanding of the Group's operational needs developed therefrom, the Directors believed that the Deposit Transactions would allow the Group to continue to enjoy efficient and high quality deposit services from COSCO SHIPPING Finance.

(iii) Efficient and flexible treasury function

As discussed with the Management, the utilisation of deposit services as well as the clearing and settlement services through COSCO SHIPPING Finance will help facilitate the transfer of funds amongst the members of the Group in a more efficient manner. By maintaining accounts with COSCO SHIPPING Finance by the Company and its group companies and leveraging on COSCO SHIPPING Finance as the settlement platform, fund transmission time can be reduced to expedite the turnaround of funds, and thus strengthen the Company's centralised fund management. In addition, by enabling the Group to access a centralised fund pool can provide flexibility to the Group in making timely intergroup transfer from time to time without any restriction in meeting its funding needs, minimise unnecessary idle cash balances within the Group, and reduce the need and cost for the Group to obtain external financing.

(iv) Benefits of the business risk and capital risk control measures

With reference to the Administrative Measures, the customers of COSCO SHIPPING Finance are limited to entities within the COSCO SHIPPING Group (including the Group). Such measure reduces the business risks that COSCO SHIPPING Finance may otherwise be exposed to if its customers also include entities other than the members of the COSCO SHIPPING Group.

Additionally, COSCO SHIPPING has agreed with the Company to adopt a series of capital risk control measures pursuant to the New Financial Services Master Agreement to mitigate the potential capital risks associated with depositing funds in COSCO SHIPPING Finance by members of the Group which is discussed in the paragraph headed "Capital risk control measures" under the section headed "4. Principal terms of the New Financial Services Master Agreement".

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Having considered the above reasons and benefits, we are of the view that the Deposit Transactions are in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole.

4. Principal terms of the New Financial Services Master Agreement

Parties:	the Company; and COSCO SHIPPING
Date:	30 October 2019
Term:	1 January 2020 to 31 December 2022
Effectiveness:	The New Financial Services Master Agreement will take effect upon the obtaining of the independent shareholders' approval at the general meeting of the Company and the general meeting of COSCO SHIPPING Holdings (if required). Based on the Annual Caps as currently proposed, approvals of independent shareholders of the Company and COSCO SHIPPING Holdings are both required.
Subject matter:	COSCO SHIPPING will procure COSCO SHIPPING Finance to provide certain financial services to the Group, including the Deposit Transactions, the Loan Transactions, the Clearing Transactions and Other Financial Transactions which COSCO SHIPPING Finance is permitted by the CBIRC to provide.
Transactions and pricing principle:	The transaction terms of the services to be provided under the New Financial Services Master Agreement shall be on normal commercial terms and fair and reasonable, and shall be no less favourable to the Group than (a) the terms offered by COSCO SHIPPING Finance to other members of the COSCO SHIPPING Group for the same type of services; and (b) the terms offered by other financial institutions to the Group for the same type of services, and in particular:

Deposit Transactions

As stated in the Letter from the Board, COSCO SHIPPING Finance will accept deposits from members of the Group. The rate of interest which will accrue on any deposit will be determined with reference to:

- (a) market interest rates, being the interest rates determined by independent third party commercial banks providing the same type of deposit services on normal commercial terms in their ordinary course of business in the same or nearby service area, and in accordance with the principle of fairness and reasonableness; and
- (b) the interest rates offered by COSCO SHIPPING Finance to other parties (i.e. other members of the COSCO SHIPPING Group) for the same type of deposit services.

To ascertain what the market interest rates referred to in paragraph (a) above are, the Group will seek to obtain quotations from at least three such independent third party commercial banks in each case where practicable.

For our due diligence purpose, we have obtained from the Company 47 samples of notice of interest payment for deposits placed with COSCO SHIPPING Finance by the Group since 2018 (the “**Deposit Samples**”). We have compared the interest rates of the Deposit Samples with the latest benchmark interest rates for RMB deposits promulgated by the PBOC on 24 October 2015, and noted that the interest rates offered by COSCO SHIPPING Finance to the Group were not lower than the relevant benchmark interest rates for the same term of deposits. Furthermore, we have compared the interest rates of the samples with the deposit interest rates offered by other normal commercial banks in the PRC as provided by the Company, all of which were at the relevant time, and noted that the interest rates offered by COSCO SHIPPING Finance to the Group were not lower than those offered by normal commercial banks in the PRC for comparable deposits. As advised by the Company, the same interest rates are offered from time to time by COSCO SHIPPING Finance to members of the COSCO SHIPPING Group, including the Group. We have compared the interest rates table provided by COSCO SHIPPING Finance with the interest rates of the Deposit Samples and we noted that the interest rates offered by COSCO SHIPPING Finance to the Group is aligned with those offered to other members of the COSCO SHIPPING Group. On the above basis, we consider that the Group has complied with the aforesaid pricing terms for the deposit transactions under the Existing Financial Services Agreement, which is expected to carry on under the New Financial Services Master Agreement.

Having considered the above, in particular that the historical deposit interest rates offered by COSCO SHIPPING Finance to the Group were no less favourable to the Group than (a) the latest benchmark interest rates for RMB

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deposits promulgated by the PBOC on 24 October 2015; and (b) the deposit interest rates offered by other normal commercial banks in the PRC for comparable deposits, we are of the view that the terms of the Deposit Transactions are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned.

Capital risk control measures

As stated in the Letter from the Board, under the New Financial Services Master Agreement, COSCO SHIPPING shall procure COSCO SHIPPING Finance to:

- (i) in order to ensure the security of the funds of the members of the Group, that its funds management information system (a) operates safely; (b) has passed the security test in respect of the interface with online banking of commercial banks; (c) has attained the security standards for commercial banks in the PRC; and (d) has adopted the certification authority security certificate mode;
- (ii) operate strictly in compliance with the risk monitoring indicators guidelines for finance companies issued by the CBIRC, and ensure that its main regulatory indicators such as gearing ratio and liquidity ratio comply with the requirements of the CBIRC and other relevant PRC laws and regulations;
- (iii) within 3 business days after submission of each regulatory report to the CBIRC, submit a copy to the Company's senior management and executive Directors for review;
- (iv) (a) submit monthly financial statements to the Company's senior management and executive Directors for review by the fifth business day of the following month; and (b) provide the Company with sufficient information on its various financial indicators and annual financial statements to enable the Group to monitor and review its financial conditions;
- (v) obtain the Company's prior written consent if COSCO SHIPPING Finance makes any long-term equity investment; and
- (vi) notify the Company within 2 business days upon occurrence of the following events of COSCO SHIPPING Finance and to take measures to prevent the occurrence or aggravation of loss: (a) impending or anticipated bank runs, failure to pay debts when due, funds liquidity problems, large customer loan default or large advance on guarantee; (b) involvement of directors or senior management in criminal cases; (c) material change in its equity or corporate structure or business operations that affects its normal

business; (d) material operational risks which affect or may affect its normal operations; (e) loans owing by its shareholders overdue by over 6 months; (f) non-compliance with any gearing ratio requirement under the Administrative Measures; (g) administrative penalty and orders for rectification imposed by the CBIRC; (h) judicial, legal or regulatory proceedings or investigations which have a material impact on its financial position; or (i) other matters which may affect or create concerns for the security of the deposits of members of the Group. In such event, COSCO SHIPPING shall procure COSCO SHIPPING Finance to actively adjust its balance sheet to ensure the security of the assets of members of the Group, and members of the Group have the right to adopt appropriate measures (including early withdrawal of deposits or suspension of the making of further deposits) to safeguard their assets. In addition, in the event of emergencies such as payment difficulties of COSCO SHIPPING Finance, pursuant to the Administrative Measures and the articles of association of COSCO SHIPPING Finance, COSCO SHIPPING (as the parent company of COSCO SHIPPING Finance) shall increase the capital of COSCO SHIPPING Finance in accordance with its actual needs for resolving its payment difficulties.

We note and concur with the Board that the above capital risk control measures will allow the Management to be informed and notified of any material risks which may harm the recoverability of the deposits the Group placed with COSCO SHIPPING Finance. We also note that such capital risk control measures would not normally be available for deposit services provided by other financial institutions.

5. Internal control procedures

As set out in the Letter from the Board, 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, as part of the Group's internal control systems to ensure that the transactions between the Group and its connected persons are conducted in accordance with the terms of the New Financial Services Master Agreement, the Company has the following internal control arrangements:

- (i) The Finance Department of the Company will periodically monitor the market interest rates with independent third parties in respect of comparable types of financial services.
- (ii) The Finance Department of the Company and each member of the Group has a designated person to record the entering into of continuing connected transactions.

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- (iii) The Finance Department of the Company will prepare a “Summary for Continuing Connected Transactions” each quarter and organise meetings regularly to review and assess whether the relevant continuing connected transactions are conducted in accordance with the terms of their respective continuing connected transaction master agreements. After the “Summary for Continuing Connected Transactions” is reviewed by the relevant departments of the Company and the management, it will be submitted to the Audit Committee of the Company and the Board for further review.
- (iv) The Audit and Supervision Department will check the accounting records and supporting documents from time to time to ensure the prices are in compliance with the pricing principle under the New Financial Services Master Agreement.
- (v) Each relevant member of the Group shall monitor its own utilisation of the portion of the annual transaction cap amount allocated to it by the Company (the “**Designated Amount**”). If the annual transaction amount of a relevant member of the Group reaches 80% of its Designated Amount, or is expected to exceed its Designated Amount within three months, such member shall inform the relevant personnel in the Finance Department and Legal Department of the Company immediately and the Company shall determine the appropriate actions to be taken, such as (a) require such member not to enter any further transactions which would cause the Designated Amount to be exceeded; (b) increase the Designated Amount allocated to such member by reducing the Designated Amount(s) allocated to other member(s); or (c) if the accumulative annual transaction amount of the Group will exceed the relevant annual cap, the relevant member(s) of the Group shall provide sufficient reasons and cooperate with the Company to revise the annual cap and comply with the relevant requirements of the Listing Rules.

We noted from the above that the Company has adopted a host of internal control measures to assign specific responsibilities to various designated departments of the Company in performing regular review and cross-checking on the terms of the Deposit Transactions in order to make sure that the Deposit Transactions will be conducted on normal commercial terms and no less favourable to the Group than the terms available from independent third parties in accordance with the New Financial Services Master Agreement.

Furthermore, we noted from the 2018 Annual Report, being the latest annual report of the Company, that the independent non-executive Directors have reviewed and confirmed that the non-exempt continuing connected transactions (which include the deposit transactions under the Existing Financial Services Agreement) for FY2018 have been: (a) conducted in the

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

ordinary and usual course of business of the Group; (b) entered into on normal commercial terms or better; and (c) conducted in accordance with the relevant agreement governing them on terms that were fair and reasonable and in the interests of the Company and the Shareholders as a whole. The auditor of the Company has also confirmed in the 2018 Annual Report that such continuing connected transactions: (a) have been approved by the Board; (b) were, in all material aspects, in accordance with the pricing policies of the Group for transactions involving the provision of goods or services by the Group; (c) were entered into, in all material respects, in accordance with the relevant agreements governing such transactions; and (d) have not exceeded the annual cap as set by the Company. As confirmed by the Company, the Company will continue to comply with the relevant annual review requirements under the Listing Rules on an on-going basis under the New Financial Services Master Agreement.

Given the above, we concur with the Board's view that the Group has implemented effective internal control procedures as set out above to ensure that the pricing and other contract terms for the New Financial Services Master Agreement will be conducted on normal commercial terms and in accordance with the New Financial Services Master Agreement.

6. Historical figures and the Annual Caps

The following table summarised the relevant financial information of the Group as extracted from the 2018 Annual Report and the 2019 Interim Report and provided by the Management, as well as the historical caps for the deposit transactions for the respective years/period:

	As at 31 December		As at 30 June
	2017	2018	2019
	RMB million	RMB million	RMB million
	(audited)	(audited)	(unaudited)
Cash and cash equivalents ^{Note}	3,660	3,727	3,835
Deposits placed with COSCO SHIPPING Finance	461	773	902
Historical cap	4,000	4,000	4,000

Note: The RMB amounts of cash and cash equivalents are converted from US\$, the reporting currency of the Company, based on the historical foreign exchange rates of RMB/US\$ prevailing at the relevant balance sheet dates.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

Based on the information disclosed in the Letter from the Board and provided by the Company, the table below summarised (i) the historical maximum and average daily balance of deposits placed with COSCO SHIPPING Finance by the Group; and (ii) the historical maximum and average daily utilisation of the historical cap, during FY2017, FY2018 and nine months ended 30 September 2019, respectively:

	FY2017	FY2018	For the nine months ended 30 September 2019
	<i>RMB million</i> (audited)	<i>RMB million</i> (audited)	<i>RMB million</i> (unaudited)
Maximum daily balance (including accrued interest)	1,613	2,144	2,395
Maximum daily utilisation of the historical cap (<i>Note 1</i>)	40.3%	53.6%	59.9%
Average daily balance (including accrued interest)	557	522	877
Average daily utilisation of the historical cap (<i>Note 2</i>)	13.9%	13.1%	21.9%

Notes:

1. The maximum daily utilisation of historical cap is calculated by dividing the maximum daily balance of deposits placed with COSCO SHIPPING Finance by the Group during the respective year or period by the historical cap.
2. The average daily utilisation of historical cap is calculated by dividing the average daily balance of deposits placed with COSCO SHIPPING Finance by the Group during the respective year or period by the historical cap.

Pursuant to the New Financial Services Master Agreement, the estimated daily maximum aggregate amount of deposits to be placed by the Group for FY2020 to FY2022 is proposed to be reduced from RMB4,000 million under the Existing Financial Services Agreement to RMB3,000 million. As stated in the Letter from the Board, the Annual Caps is determined with reference to: (i) the historical levels and changes in the Group's cash and bank deposits balances; (ii) the anticipated cash flow demand based on the current scale and operation of the business of the Group and the business plans of the Group for the next three years, (iii) the need to maintain necessary capital expenditures in order to meet the Group's needs arising from the expected year on year expansion of the scale and development of the business of the Group, which is anticipated to lead to a corresponding increase in demand for deposit services; (iv) the expected increase in interest income generated from the Group's deposits balances with COSCO SHIPPING Finance in the FY2020 to FY2022; and (v) the expected growing demand of the Group for deposit services provided by COSCO SHIPPING Finance as a result of its competitive edge over other financial services providers becoming more apparent arising from continuing improvement in its services which can better serve the development needs of the Group.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

In assessing the fairness and reasonableness of the Annual Caps, we have taken into account the following factors:

- (i) As disclosed in the Letter from the Board, the historical maximum daily balance of deposits placed with COSCO SHIPPING Finance by the Group during FY2017, FY2018 and nine months ended 30 September 2019 amounted to approximately RMB1,613 million, RMB2,144 million and RMB2,395 million respectively. In terms of utilisation rate, they respectively represented approximately 40.3%, 53.6% and 59.9% of the relevant historical caps of RMB4,000 million for FY2017, FY2018 and nine months ended 30 September 2019. In light of the headroom available in the past, the Board decided to lower the cap level to the Annual Caps of RMB3,000 million. Should the Annual Caps be applied, the implied utilisation rate would have been approximately 53.8%, 71.5% and 79.8% for FY2017, FY2018 and nine months ended 30 September 2019 respectively;
- (ii) As shown in the table above, the cash and cash equivalents of the Group increased by approximately 4.8% from approximately RMB3,660 million as at 31 December 2017 to approximately RMB3,835 million as at 30 June 2019 which was higher than the Annual Caps of RMB3,000 million;
- (iii) According to the 2018 Annual Report, the Group's cash generated from operating activities increased by approximately 5.1% from approximately US\$252.9 million (equivalent to approximately RMB1,738.6 million) for FY2017 to approximately US\$265.8 million (equivalent to approximately RMB1,827.3 million) for FY2018. The Group's revenue also increased by approximately 57.6% from approximately US\$634.7 million (equivalent to approximately RMB4,363.4 million) for FY2017 to approximately US\$1,000.4 million (equivalent to approximately RMB6,877.4 million) for FY2018; and
- (iv) As shown in the 2018 Annual Report, the Group has been actively participating in the restructuring of major Chinese port groups to enlarge the Group's operation scale and influence in the PRC. It would start the terminal extended logistic business in the Pearl River Delta and gradually expand the business to other regions of the PRC. As such, the Group expected more funding would be raised for the Group's deployment. In order to maximise the Group's financial position and fund management efficiency, the available funding yet to be deployed may be deposited with COSCO SHIPPING Finance for interest income.

Having taken into account the above, we are of the view that the way the Annual Caps are determined to be fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM THE JOINT INDEPENDENT FINANCIAL ADVISERS

OPINION AND RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that the Deposit Transactions as contemplated under the New Financial Services Master Agreement are in the ordinary and usual course of business of the Group, on normal commercial terms, and the terms of New Financial Services Master Agreement and the Annual Caps are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to recommend the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the SGM to approve the Deposit Transactions as contemplated under the New Financial Services Master Agreement and the Annual Caps.

Yours faithfully

For and on behalf of

Challenge Capital Management Limited

Jackson Woo

Director

Opus Capital Limited

Cheung On Kit Andrew

Director

Mr. Jackson Woo is a Director of Challenge Capital and is licensed under the SFO as a Responsible Officer to carry out, among others, Type 6 (advising on corporate finance) regulated activity and has approximately 20 years of experience in corporate finance.

Mr. Cheung On Kit Andrew is a Director of Opus Capital and is licensed under the SFO as a Responsible Officer to carry out, among others, Type 6 (advising on corporate finance) regulated activity and has approximately 12 years of corporate finance experience in Asia Pacific.

1. RESPONSIBILITY STATEMENT

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

2. DISCLOSURE OF INTERESTS OF DIRECTORS

- (a) As at the Latest Practicable Date, the interests of the Directors and the chief executive of the Company in the shares and underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they were taken or deemed to have under such provisions of the SFO), or which were required pursuant to Section 352 of the SFO to be entered in the register maintained by the Company referred to therein, or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 to the Listing Rules were as follows:

(i) Long position in the shares of the Company

Name of Director	Capacity	Nature of interests	Number of Shares held as at the Latest Practicable Date	Percentage of total number of issued Shares as at the Latest Practicable Date
Mr. ZHANG Dayu	Beneficial owner	Personal	120,000	0.004%
Mr. DENG Huangjun	Beneficial owner	Personal	51,059	0.002%
Mr. ZHANG Wei	Beneficial owner	Personal	30,000	0.001%
Dr. WONG Tin Yau, Kelvin	Beneficial owner	Personal	603,378	0.019%

(ii) Long positions in underlying shares of equity derivatives of the Company

Options granted under the share option scheme approved by the Shareholders on 8 June 2018 (the “Share Option Scheme”):

Name of Director	Exercise price (HK\$)	Practicable Date	Number of share options outstanding as at the Latest Practicable Date	Percentage of total number of Shares as at the Latest Practicable Date	Exercisable period	Notes
Mr. ZHANG Dayu	7.27	1,200,000	0.04%	19.06.2020 – 18.06.2023	(1), (2)	
Mr. DENG Huangjun	7.27	1,200,000	0.04%	19.06.2020 – 18.06.2023	(1), (2)	
Dr. WONG Tin Yau, Kelvin	7.27	1,200,000	0.04%	19.06.2020 – 18.06.2023	(1), (2)	

Notes:

- (1) The share options were granted on 19 June 2018 under the Share Option Scheme at an exercise price of HK\$7.27 per Share. According to the provisions of the Share Option Scheme, options under each grant have a validity period of five years commencing from the date of grant and cannot be exercised during the two-year period commencing from the date of grant (the “Restriction Period”). Besides, subject to the fulfilment of the relevant vesting conditions, share options will be vested in three batches evenly over a period of three years after the expiry of the Restriction Period, i.e. (a) 33.3% of the respective share options will be vested on 19 June 2020; (b) 33.3% of the respective share options will be vested on 19 June 2021; and (c) 33.4% of the respective share options will be vested on 19 June 2022. The vesting conditions for the share options are more particularly set out in the section headed “11 – Performance Target before the Options can be granted and vested – Performance Conditions for the vesting of Share Options” of the circular of the Company dated 18 May 2018.
- (2) These share options represent personal interest held by the relevant Director as beneficial owner.

(iii) Long positions in the shares of associated corporations

Name of associated corporation	Name of Director	Capacity	Nature of interest	Number of shares held as at the Latest Practicable Date	Percentage of total number of issued shares of the relevant class of the relevant associated corporation as at the Latest Practicable Date
COSCO SHIPPING Energy Transportation Co., Ltd.	Mr. Adrian David LI Man Kiu	Beneficial Owner	Personal	508,000 H shares	0.04%
COSCO SHIPPING Development Co., Ltd.	Mr. FENG Boming Mr. DENG Huangjun	Beneficial Owner Interest of Spouse	Personal Family	29,100 A shares 38,000 A shares	0.0004% 0.0005%

(iv) Long positions in underlying shares of equity derivatives of associated corporations

Name of associated corporation	Name of Director	Capacity	Nature of interest	Exercise price (RMB)	Number of share options outstanding as at the Latest Practicable Date	Percentage of total number of issued shares of the relevant class of the relevant associated corporation as at the Latest Practicable Date
COSCO SHIPPING Holdings	Mr. FENG Boming	Interest of spouse	Family	4.10	530,000	0.01%

Note: The share options were granted by COSCO SHIPPING Holdings on 3 June 2019 pursuant to the A-shares share option incentive scheme of COSCO SHIPPING Holdings adopted on 30 May 2019. Each share option entitles the person being granted the share option to acquire one A share of COSCO SHIPPING Holdings at an exercise price of RMB4.10. Subject to the vesting period provision and satisfaction of the conditions of exercise, (a) 33% of the share options can be exercised during the first trading day after 24 months from the date of grant (i.e. 3 June 2019) (the "Grant Date") to the last trading day of the 36-month period from the Grant Date; (b) 33% of the share options can be exercised from the first trading day after 36 months from the Grant Date to the last trading day of the 48-month period from the Grant Date; and (c) 34% of the share options can be exercised from the first trading day after 48 months from the Grant Date to the last trading day of the 84-month period from the Grant Date. For details, please refer to the circular dated 18 March 2019 and the announcements dated 22 April 2019, 7 May 2019 and 3 June 2019 of COSCO SHIPPING Holdings.

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

COSCO SHIPPING

Name of Director	Position
Mr. ZHANG Wei	General manager of the operation and management department
Mr. CHEN Dong	General manager of the financial management department
Mr. WANG Haimin	Executive vice president and party community member

COSCO SHIPPING Holdings

Name of Director	Position
Mr. FENG Boming	Executive director
Mr. DENG Huangjun	Employee supervisor
Mr. WANG Haimin	Vice chairman and executive director

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

3. DIRECTORS' INTERESTS IN COMPETING BUSINESS

As at the Latest Practicable Date, the Directors namely (i) Mr. WANG Haimin held senior management position in COSCO SHIPPING and held senior management positions and directorships in the associates of COSCO SHIPPING and/or other companies which have interests in terminals operation and management business; and (ii) Mr. FENG Boming, Mr. ZHANG Dayu, Mr. DENG Huangjun, Mr. ZHANG Wei and Mr. CHEN Dong held directorships in the associates of COSCO SHIPPING and/or other companies which have interests in terminals operation and management business.

The Board is of the view that the Group is capable of carrying on its businesses independently of the interests referred to in the paragraph above. When making decisions on the terminals business of the Group, the relevant Directors, in the performance of their duties as directors of the Company, have acted and will continue to act in the best interests of the Group. Other than as disclosed above, none of the Directors and their respective associates has interests in the businesses which competes or was likely to compete, whether directly or indirectly, with the businesses of the Group.

4. DIRECTORS' INTERESTS IN ASSETS

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any asset which had been, since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up, acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

5. DIRECTORS' INTERESTS IN CONTRACTS

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

6. DIRECTORS' INTERESTS IN SERVICE CONTRACTS

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

7. EXPERT AND CONSENT

- (a) The following is the qualification of the experts who have been named in this circular and whose opinion or advice is contained in this circular:

Name	Qualification
Challenge Capital	a corporation licensed to carry on type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 6 (advising on corporate finance) and type 9 (asset management) regulated activities under the SFO
Opus Capital	a corporation licensed to carry on type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO

- (b) As at the Latest Practicable Date, none of Challenge Capital and Opus Capital was beneficially interested in the share capital of any member of the Group, or had any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.
- (c) As at the Latest Practicable Date, none of Challenge Capital and Opus Capital 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 Group were made up), acquired or disposed of by, or leased to, or were proposed to be acquired or disposed of by, or leased to, any member of the Group.
- (d) Challenge Capital and Opus Capital have given and have not withdrawn their written consents to the issue of this circular with the inclusion of their letter dated 20 November 2019 (as set out on pages 19 to 35 of this circular) and references to their names in the form and context in which they respectively appear.

8. MATERIAL ADVERSE CHANGE

The Directors confirm that, as at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2018, being the date to which the latest published audited consolidated financial statements of the Company were made up.

9. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the New Financial Services Master Agreement and the Existing Financial Services Agreement are available for inspection by the Shareholders at the principal place of business of the Company at 49/F, COSCO Tower, 183 Queen's Road Central, Hong Kong from 9:30 a.m. to 5:30 p.m., Monday to Friday (other than public holidays) from the date of this circular up to and including the date of the SGM.

10. GENERAL

- (a) The General Counsel & Company Secretary of the Company is Ms. HUNG Man, Michelle, a practising solicitor in Hong Kong. She is also qualified in England and Wales.
- (b) The registered office of the Company is at Clarendon House, 2 Church Street, Hamilton HM 11, Bermuda.
- (c) The Hong Kong branch share registrar and transfer office of the Company is Tricor Secretaries Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong.

NOTICE OF THE SGM



COSCO SHIPPING Ports Limited

中遠海運港口有限公司

(Incorporated in Bermuda with limited liability)

(Stock Code: 1199)

NOTICE OF SPECIAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that a special general meeting of COSCO SHIPPING Ports Limited (the “**Company**”) will be held at 47/F, COSCO Tower, 183 Queen’s Road Central, Hong Kong on Tuesday, 10 December 2019 at 2:30 p.m. for the purpose of considering and, if thought fit, passing with or without modifications the following as an ordinary resolution of the Company:

ORDINARY RESOLUTION

“**THAT:**

- (a) the entering into of the agreement dated 30 October 2019 (the “**New Financial Services Master Agreement**”) between the Company and China COSCO Shipping Corporation Limited* (中國遠洋海運集團有限公司) in relation to, inter alia, the provision of services by COSCO SHIPPING Finance Co., Ltd.* (中遠海運集團財務有限責任公司) to the Company and its subsidiaries for the deposit transactions (the “**Deposit Transactions**”) for a term of three years from 1 January 2020 to 31 December 2022 as described in the circular of the Company dated 20 November 2019 (the “**Circular**”) (a copy of the New Financial Services Master Agreement and a copy of the Circular have been produced to the meeting marked “A” and “B” respectively and initialed by the chairman of the meeting for identification purpose) and the Deposit Transactions be and are hereby approved, ratified and confirmed;
- (b) the proposed annual cap amounts for the Deposit Transactions under the New Financial Services Master Agreement for the three years ending 31 December 2022 as set out in the Circular be and are hereby approved; and
- (c) the director(s) of the Company be and are hereby authorized for and on behalf of the Company to, amongst other matters, sign, execute and deliver or to authorize the signing, execution and delivery of all such documents and to do all such things as they may in their absolute discretion consider necessary, expedient or desirable to implement and/or to give effect to or otherwise in connection with the New Financial Services Master Agreement and the Deposit Transactions contemplated thereunder and to be in the interests of the Company.”

By Order of the Board
COSCO SHIPPING Ports Limited
HUNG Man, Michelle
General Counsel & Company Secretary

Hong Kong, 20 November 2019

NOTICE OF THE SGM

Registered Office:

Clarendon House
2 Church Street
Hamilton HM 11
Bermuda

Principal Place of Business

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

Notes:

1. Shareholders of the Company who are entitled to vote at the meeting are those whose names appear as shareholders on the register of members of the Company as at the close of business on Monday, 9 December 2019. In order to be entitled to vote at the meeting, all completed transfer documents, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong share registrar and transfer office, Tricor Secretaries Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, for registration no later than 4:30 p.m. on Monday, 9 December 2019.
2. Any member of the Company entitled to attend and vote at the meeting is entitled to appoint one or more (if the relevant member holds more than one share) proxies to attend and vote instead of him. A proxy need not be a member of the Company but must be present in person to represent the member.
3. To be valid, the form of proxy together with power of attorney or other authority (if any) under which it is signed or a certified copy of such power or authority must be deposited at the Company's Hong Kong share registrar and transfer office, Tricor Secretaries Limited of Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
4. Completion and return of the form of proxy will not preclude a shareholder of the Company from attending and voting in person at the meeting or any adjourned meeting thereof if the shareholder of the Company so wish, and in such event, the form of proxy will be deemed to be revoked.
5. Where there are joint holders of any shares in the Company, any one of such joint holders may vote at the meeting, either in person or by proxy, in respect of such shares as if he were solely entitled thereto, but if more than one of such joint holders be present at the meeting, the vote of the senior who tenders a vote, whether in person or by proxy, shall be accepted to the exclusion of the votes of the other joint holders and, for this purpose, seniority shall be determined by the order in which the names stand in the register of members of the Company in respect of the joint holding.
6. For the purposes of this notice, any English name with an asterisk (*) is an unofficial English transliteration or translation and is for identification purposes only.